



National Bank
of Ukraine

Interim Concise Consolidated Financial Statements

for the period ended 30 June 2019



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Interim Concise Consolidated Statement of Financial Position

	Notes	As of 30 June 2019	As of 31 December 2018
(in UAH million)			
Assets			
Funds and deposits in foreign currency and investment metals	5	85,443	116,681
Foreign securities	6	426,217	432,991
SDR holdings	7	155	100
Monetary gold		28,950	27,752
Domestic securities	8	351,149	361,436
Loans to banks and other borrowers	9	17,804	22,145
Internal state debt		1,834	1,834
IMF quota contributions	10	73,183	77,472
Property and equipment and intangible assets		4,476	4,780
Other assets		4,426	4,188
Total assets		993,637	1,049,379
Liabilities			
Banknotes and coins in circulation		393,768	400,119
Accounts of banks	11	54,194	38,509
Accounts of government and other institutions	12	83,724	47,727
Liabilities on profit distribution to the state budget of Ukraine	15	–	64,898
Certificates of deposit issued by the NBU	13	45,207	61,867
Borrowings received		2,617	2,769
Liabilities to the IMF except IMF quota contributions	14	196,137	217,300
Liabilities to the IMF in respect of quota contributions	14	73,174	77,462
Other liabilities		998	1,221
Total liabilities		849,819	911,872
Equity			
Statutory capital		100	100
General and other reserves		63,271	56,091
Revaluation reserves for assets and liabilities		80,404	81,274
Total equity		143,775	137,465
Non-controlling interest		43	42
Total capital		143,818	137,507
Total equity and liabilities		993,637	1,049,379

Signed and approved for publishing on behalf of the National Bank of Ukraine on 30 August 2019.

Governor

Yakiv SMOLII

Chief Accountant, Director of Accounting Department

Bohdan LUKASEVYCH

Notes on pages 5 through 26 are an integral part of these interim concise consolidated financial statements

Interim Concise Consolidated Statement of Comprehensive Income

	Notes :	For the period ended 30 June 2019		For the period ended 30 June 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	11,130	21,997	9,105	23,392
Interest expenses	17	(3,859)	(8,178)	(4,025)	(7,417)
Net interest income before impairment recovery		7,271	13,819	5,080	15,975
Net impairment recovery on main financial assets		183	475	493	217
Net interest income after impairment recovery		7,454	14,294	5,573	16,192
Fee and commission income		64	133	92	177
Fee and commission expense		(12)	(37)	(6)	(19)
Net fee and commission income		52	96	86	158
Gains or losses on operations with financial assets and liabilities in foreign currency and monetary gold		(10,894)	(15,474)	(4,287)	(17,973)
Gains or losses on operations with debt securities measured at fair value		4,749	8,738	1,389	1,712
Gains or losses on operations with financial instruments, other than debt securities measured at fair value		85	172	(81)	106
Other income		206	638	266	512
Total net income		1,652	8,464	2,946	707
Staff costs	18	(451)	(877)	(349)	(691)
Costs related to production of banknotes, coins, souvenirs, and other products		(285)	(697)	(347)	(608)
Administrative and other expenses	19	(206)	(370)	(343)	(528)
Increase in provisions for contingent liabilities		(122)	(121)	–	–
Net decrease/ (increase) in provisions for other assets		1	1	(1)	(3)
Profit before income tax		589	6,400	1,906	(1,123)
Income tax expense of subsidiary		(1)	(2)	(3)	(5)
Profit/(loss) for the period		588	6,398	1,903	(1,128)
Other comprehensive income not to be reclassified subsequently to profit or loss:					
Revaluation of investment metals		–	45	–	(206)
Other comprehensive income for the year			45		(206)
Total comprehensive income for the year		588	6,443	1,903	(1,334)
Profit for the year attributable to:					
National Bank of Ukraine		587	6,397	1,901	(1,132)
Non-controlling interest		1	1	2	4
		588	6,398	1,903	(1,128)
Comprehensive income attributable to:					
National Bank of Ukraine		587	6,442	1,901	(1,338)
Non-controlling interest		1	1	2	4
		588	6,443	1,903	(1,334)

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Department

Bohdan LUKASEVYCH

Director of Financial Controlling Department

Oleh Strynzha

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Interim Concise Consolidated Statement of Cash Flow (direct method)

	Notes	As of 30 June 2019	As of 30 June 2018
(in UAH millions)			
Operating activities			
Interest received		20,362	21,955
Fees and commissions received		133	178
Other operating income		157	571
Other non-operating income		130	25
Interest paid		(7,973)	(7,708)
Fees and commissions paid		(37)	(525)
Other operating expense		(1,341)	(3,423)
Other non-operating expense		(56)	(544)
Taxes, duties, and charges paid		(159)	(483)
Transfers to the state budget of Ukraine		(64,898)	(38,000)
Decrease in loans to banks and other borrowers		5,360	13,416
Internal state debt repaid		33	33
Increase in accounts of banks on demand		15,750	9,422
Increase/(decrease) in accounts of government and other institutions		(10,150)	(29,000)
(Increase)/decrease in other assets		(455)	(824)
(Decrease)/increase in other liabilities		(476)	147
Other cash flows		–	2
Net cash outflows from operating activities		(43,620)	(34,758)
Investing activities			
Decrease in term deposits placed		–	1,434
Net decrease/(increase) in foreign securities		5,463	(11,654)
Purchase of monetary gold		(62)	(4)
Repayment of domestic securities		10,998	10,246
Acquisition of property and equipment and intangible assets		(48)	(42)
Sale of property and equipment and intangible assets		80	–
Net cash inflows/(outflows) from investing activities		16,431	(20)
Financing activities			
(Withdrawal from)/issue of banknotes and coins into circulation		(6,351)	12,038
Repayment of liabilities to the IMF		(9,674)	(10,000)
Term deposits (deposited)/paid out		(41)	393
Certificates of deposit issued by the NBU		(16,568)	(3,741)
Net cash outflows from financing activities		(32,634)	(1,310)
Effect of changes in exchange rate		12,087	(2,492)
Net increase/(decrease) in cash and cash equivalents		(47,736)	(38,580)
Cash and cash equivalents as of 1 January		139,241	134,970
Cash and cash equivalents as of 30 June	16	91,505	96,390

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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 H1 2018	-	(1,132)	(206)	(1,338)	4	(1,334)
Gain/(loss) on transfer of assets	-	(21)	-	(21)	-	(21)
Realized gain/(loss) on revaluation of securities disposed and derivatives	-	394	(394)	-	-	-
Balance as of 30 June 2018	100	74,327	89,098	163,525	41	163,566
Balance as of 1 January 2019	100	56,091	81,274	137,465	42	137,507
Total comprehensive income for H1 2019	-	6,397	45	6,442	1	6,443
Gain/(loss) on transfer of assets	-	(132)	-	(132)	-	(132)
Realized gain/(loss) on revaluation of securities disposed and derivatives	-	590	(590)	-	-	-
Compensation of unrealized loss on derivative financial instruments through the revaluation reserve	-	325	(325)	-	-	-
Balance as of 30 June 2019	100	63,271	80,404	143,775	43	143,818

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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 June 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. These units operate exclusively within the scope of the NBU's tasks and functions, as stipulated by Ukraine's Law *On the National Bank of Ukraine*.

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

As of 30 June 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 Non-State 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 June 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 June 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 H1 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 June 2019 (in UAH)	31 December 2018 (in UAH)
1 US dollar	26.166382	27.688264
1 SDR	36.376806	38.508604
1 euro	29.730243	31.714138
1 Troy ounce	36,809.558	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. As a result, two paragraphs were added on the aforesaid issues, where the Board decided that the accounting in such cases is the same as it is for accounting for a modification in a financial asset where the modification not result in derecognition. Specifically, gains or losses from an adjustment in the gross carrying amount of a financial asset (the amortized cost of a financial liability) are recognized through profit or loss as of the date such a modification in a financial asset (financial liability) occurred.

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):

The NBU will apply 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 non-business 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 venture.

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 Q2 2019, real GDP growth accelerated to 4.6% (<http://ukrstat.gov.ua>). Higher household income and improved consumer sentiment spurred growth in private consumption, while investment was boosted by high public capital expenditures, improved business expectations, and the implementation of private investment projects. Steady economic growth contributed to the higher employment rate and lower unemployment.

In H1 2019, the terms of trade for Ukraine improved due to lower gas prices and higher prices for iron ore and grains on the global markets. At the same time, the deficit in the trade of goods widened due to the temporary effect of the customs clearance of previously imported cars with foreign registrations. However, owing to growth in receipts from employees' wages, lower dividend payments and a larger service trade surplus, the current account deficit was insignificant, and lower in H1 2019 than the year before. Financial account inflows, mainly supported by the public sector, compensated for the current account deficit and repayments of IMF loans. As a result, by the end of June 2019, international reserves remained practically unchanged and amounted to USD 20.6 billion (compared to USD 20.8 billion as of 31 December 2018).

In H1 2019, inflation pressure weakened – by 30 June 2019 consumer inflation in annual terms had slowed to 9.0% compared to 9.8% as of 31 December 2018 (<http://ukrstat.gov.ua>), while core inflation dropped to 7.4% in June 2019. Pressure from temporary supply factors reduced the slowdown of inflation over the first six months of 2019. However, in June these factors started to weaken. A tight monetary policy was the main factor restraining fundamental inflation pressures. In April 2019, the NBU decreased the key policy rate by 50 pp to 17.5% and declared the beginning of a cycle of key policy rate decreases. Nonetheless, monetary conditions remained strict (in view of the improvement in inflation expectations), which was primarily reflected in the strengthening of the hryvnia against the currencies of Ukraine's main trading partners. The impact of high interest rates on the exchange rate was primarily due to the inflow of non-resident portfolio investments in hryvnia-denominated government bonds. The exchange rate has also been buoyed by improved terms of trade. Under these circumstances, the NBU also purchased foreign currency in order to replenish international reserves, without counteracting fundamental market trends. In H1 2019, NBU was a net buyer of USD 2.2 billion.

The consolidated budget recorded both a general and primary surplus (UAH 21.1 billion and UAH 82.1 billion respectively). The strengthening of the hryvnia and economic growth have pushed the ratio of public and publicly guaranteed debt to GDP down further, to 56%, according to the NBU's estimates.

In H1 2019, the liquidity of the banking system, defined as the balances on the NBU's certificates of deposit and the banks' correspondent account, was practically unchanged compared to the end of 2018. A decrease in the volume of deposit certificates by UAH 16.7 billion, to UAH 45.2 billion as of the end of June 2019, was compensated for by an increase in funds on the banks' correspondent accounts by UAH 15.6 billion, to UAH 51.3 billion. Fluctuations in the banking system's liquidity during H1 2019 and the unevenness of its distribution created temporary demand for refinancing loans at certain banks.

As of 30 June 2019, Moody's, Standard & Poor's and Fitch had not changed Ukraine's sovereign rating, last set on 31 December 2018 at Caa1 according to Moody's, B according to Standard & Poor's, and B- according to Fitch.

Changes in the operational and political environment of Ukraine during H1 2019

In H1 2019, Ukraine remained in armed conflict in certain regions of Luhansk and Donetsk oblasts. Political and economic ties with Russia also continued to deteriorate. Under these conditions, the Ukrainian economy has demonstrated further reorientation to the EU market. The free trade zone between Ukraine and the EU has also favored the reorientation to EU.

New FX laws came in force on 7 February 2019. In particular, the NBU loosened FX requirements for businesses and the general public, and also introduced an additional tool to smooth FX fluctuations – swap interventions in the FX market. The final goal of these legislative changes is the transition to free capital flow, which, however, will occur gradually.

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 June 2019	As of 31 December 2018
		(in UAH millions)
Financial assets that are measured at amortized cost		
Foreign currency cash	1,698	1,816
Demand deposits	20,964	41,592
Time deposits in foreign currency	62,782	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	85,433	116,671
Financial assets that are measured at fair value through profit or loss		
Demand deposits <i>for settling futures transactions</i>	10	10
Total financial assets	85,443	116,681
Total funds and deposits in foreign currency and investment metals	85,443	116,681

The sum of demand deposits that are measured at amortized cost as of 30 June 2019 includes balances of special purpose accounts of UAH 78 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 that are measured at fair value through profit or loss as of 30 June 2019 includes funds of UAH 10 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 June 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 June 2019, the gross carrying value of demand deposits was UAH 20,964 million, no provisions against expected credit losses were made in H1 2019 (as of 31 December 2018, the gross carrying value of demand deposits was UAH 41,592 million, no provisions against expected credit losses were made in 2018).

As of 30 June 2019, the gross carrying value of time deposits in foreign currency was UAH 62,782 million, provisions for expected loan 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 provisioning for expected credit losses was UAH 25 million).

6. Foreign securities

As of 30 June 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	188,525	5,782	194,307
securities issued by EU issuers:			
denominated in USD	8,861	53,332	62,193
denominated in EUR	169	17,033	17,202
denominated in GBP	6,874	2,420	9,294
denominated in Chinese renminbi	-	4,220	4,220
securities issued by other issuers:			
denominated in USD	3,076	64,884	67,960
denominated in EUR	-	40,722	40,722
denominated in AUD	571	277	848
denominated in GBP	-	3,059	3,059
denominated in Chinese renminbi	-	15,293	15,293
denominated in JPY	-	10,998	10,998
Total debt securities	208,076	218,020	426,096
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	208,076	218,141	426,217

As of 30 June 2019 and 31 December 2018, no foreign debt securities were either past due or impaired.

In H1 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 measured at fair value, totaled UAH 3,628 million (compared to UAH 2,221 million in the H1 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

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
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 June 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	7,135	186,683	1.7-2.1	1.125-3.5	Every 6 months	From 5.1 months to 3.4 years
securities issued by EU issuers: denominated in USD	337	8,815	1.8-2.5	1.375-2.63238	Quarterly, every 6 months or once a year	From 25 days to 2.7 years
denominated in EUR	6	164	(0.4)	0.375	Once a year	3.6 years
denominated in GBP	206	6,825	0.6-0.9	0.5-2.0	Quarterly, every 6 months	From 22 days to 4.1 years
securities issued by other issuers denominated in USD	116	3,030	1.8-2.4	2.125-2.625	Quarterly, every 6 months	From 1.2 years to 4.9 years
denominated in AUD	29	528	1.0-1.0	2.25-5.75	Every 6 months	From 1.9 years to 3.4 years
Securities issued by international agencies, banks and other issuers:						
securities issued by U.S. issuers: denominated in USD	219	5,730	1.8-2.3	1.375-2.75	Quarterly, every 6 months	From 9.1 months to 2.5 years
securities issued by EU issuers: denominated in USD	2,023	52,945	1.8-3.3	0-3.40338	Quarterly, every 6 months or once a year, without coupon payments	From 1.3 months to 4 years
denominated in EUR	568	16,887	(0.4)-0.4	0-4.0	Quarterly, once a year, without coupon payments	From 24 days to 5.2 years
denominated in GBP	73	2,422	0.8-1.1	0-1.125	Once a year, without coupon payments	From 5.9 months to 10.9 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
denominated in Chinese renminbi	1,130	4,299	3.1-3.2	0-4.5	Every 6 months, without coupon payments	From 7.6 months to 1.4 years
securities issued by other issuers						
denominated in USD	2,467	64,560	1.9-3.1	0-3.476	Quarterly, every 6 months, without coupon payment	From 19 days to 4.9 years
denominated in EUR	1,362	40,493	(0.2)-0.4	0-0.75	Quarterly, once a year, without coupon payments	From 5.2 months to 5 years
denominated in AUD	15	274	1.5-1.5	2.4103-2.4103	Quarterly	2.4 years
denominated in GBP	92	3,053	0.8-1.1	0.875-1.15375	Quarterly, once a year	From 25 days to 2.3 years
denominated in Chinese renminbi	4,089	15,558	2.9-4.0	0-4.8	Every 6 months, once a year, without coupon payments	From 5.5 months to 2.8 years
denominated in JPY	45,300	11,003	0-0.4	0-0.42	Every 6 months, without coupon payments	From 4.3 months to 2.4 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

	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	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 H1 2019 and the year ended 31 December 2018 were as follows:

	As of 30 June 2019	As of 30 June 2018
		(in UAH millions)
Balance of SDR holdings as of 1 January	100	60,860
Proceeds from the IMF:		
in favor of the NBU (Note 14)	–	–
in favor of the Government	–	–
Purchase of SDRs	32,734	–
Other proceeds and payments	–	–
Repayment of loans:		
on behalf of the NBU (Note 14)	(9,674)	(10,000)
on behalf of the Government	(18,164)	(18,736)
Payment of loan-related fees and commissions	–	(545)
Translation of SDRs to other foreign currencies:		
in favor of the NBU	–	–
in favor of the Government	–	–
Payment of interest for the use of IMF loans:		
on behalf of the NBU	(3,105)	(2,753)
on behalf of the Government	(1,417)	(1,845)
Payment of interest for the use of funds received under SDR allocation:		
on behalf of the NBU	(17)	(12)
on behalf of the Government	(252)	(185)
Other payments	(1)	(1)
Income on SDR holdings	2	171
Exchange differences	(51)	(3,147)
Balance of SDR holdings as of 30 June	155	23,807

In H1 2019 and H1 2018, the NBU received no funds from the IMF.

8. Domestic securities

As of 30 June 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	817	–	817
Total derivative securities at fair value through profit or loss	817	–	817
Debt securities at amortized cost:			
Denominated in domestic currency:			
Domestic government bonds	350,332	–	350,332
Total debt securities at amortized cost	350,332	–	350,332
Total domestic securities	351,149	–	351,149

Under the Law of Ukraine *On the National Bank of Ukraine*, the NBU performs transactions with domestic government bonds (hereinafter – DGBs) only on the secondary market.

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

In H1 2019 and in 2018, the NBU did not purchase DGBs.

All domestic securities were neither past due nor impaired as of 30 June 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 DGBs and accrued interest on debt securities worth UAH 25,428 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 DGBs 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 bonds	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 June 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	1,147	44				Up to 20.9 years
Debt securities at amortized cost:						
Denominated in domestic currency:						
Domestic government bonds	337,103	–	7.16–18.85	8.12–14.50	Once a year, every 6 months	From 21 days to 28.4 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 bonds	348,101	–	7.22–20.41	8.12–14.50	Once a year, every 6 months	From 8 days to 28.9 years

In H1 2019, changes occurred in the gross carrying amount of government securities due to the redemption of the nominal value of government securities totaling UAH 10,998

million. In H1 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 June 2019	As of 31 December 2018
	(in UAH millions)	
Loans granted to banks to support their liquidity:		
for stabilizing banking activities	54,482	57,094
loans provided through tenders conducted by the NBU	3,201	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	(39,927)	(40,949)
Total loans to banks and other borrowers	17,804	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 7,639 million at the nominal value (31 December 2018: UAH 7,689 million).

During H1 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 non-interest-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 June 2019, Ukraine's total quota in the IMF amounted to SDR 2,012 million (UAH 73,183 million at the H1-end official UAH/SDR exchange rate) (31 December 2018: SDR2,012 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 June 2019, the reserve position of Ukraine in the IMF amounted to SDR 241,031 (UAH 9 million at the H1-end 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 June 2019	As of 31 December 2018
		(in UAH millions)
Correspondent accounts:		
in domestic currency	51,325	35,662
in foreign currencies	15	16
Term deposits:		
in foreign currencies	–	41
Accounts of banks on special use terms:		
in domestic currency	2,363	2,178
in foreign currencies	480	612
Funds placed to ensure the repayment of the debts of banks to the NBU:		
in foreign currencies	11	–
Total accounts of banks	54,194	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 June 2019, obligatory reserves were calculated on the basis of a simple average over the period of the provisioning base determination, and had to be maintained at the level of 3%–6.5% of certain liabilities of banks (31 December 2018: 3%–6.5%).

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

As of 30 June 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 June 2019 and 31 December 2018 included funds placed for the purposes of increasing statutory capital, 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 June 2019 and 31 December 2018, all accounts of banks to mature within 12 months.

12. Accounts of government and other institutions

	As of 30 June 2019	As of 31 December 2018
		(in UAH millions)
Funds of budgets and budget entities	80,179	40,417
Deposit Guarantee Fund	3,346	7,082
Other	199	228
Total accounts of government and other institutions	83,724	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 4.41% as of 30 June 2019 (31 December 2018: 4.00%).

As of 30 June 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 non-documentary 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 H1 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 June 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 4 to 15 days, and a weighted average yield of 16.83% 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 H1 2019 was 16.34% 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 June 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 June 2019	As of 31 December 2018
		(in UAH millions)
Liabilities to the IMF for SDR purchases	193,166	214,155
Liabilities to the IMF for SDR allocations	2,968	3,142
IMF account No. 2	3	3
Liabilities to the IMF apart from quota contributions	196,137	217,300
Liabilities to the IMF with respect to quota settlement	72,991	77,268
IMF account No. 1	184	194
Liabilities to the IMF to pay quota contributions	73,174	77,462
Total liabilities to the IMF	269,311	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 H1 2019 and H1 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 H1 2019, no changes occurred in liabilities to the IMF with respect to quota contributions due to administrative payments being made in hryvnias (in H1 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 H1 2019 and H1 2018, no changes occurred in the size of the quota in the IMF (Note 10).

During H1 2019, liabilities worth SDR 258 million (UAH 9,674 million at the official exchange rate at the transaction date, or UAH 9,711 million at the annual exchange rate of the IMF) were repaid to the IMF (during H1 2018, repayments of liabilities to the IMF worth SDR 258 million (UAH 10,000 million at the official exchange rate at the transaction date, or UAH 9,568 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 403 million (UAH 14,882 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: UAH44,614 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 June 2019	As of 31 December 2018
	(in UAH millions)	
Foreign currency cash	1,698	1,816
Demand deposits (other than restricted funds)	20,886	41,423
Short-term deposits with maturities of up to three months (other than gold, investment metals, and restricted funds)	62,757	73,179
Foreign securities with maturities of up to three months	6,010	22,725
SDR holdings	154	98
Total cash and cash equivalents	91,505	139,241

17. Interest income and expenses

	For the period ending 30 June 2019		For the period ending 30 June 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	10,049	19,722	8,015	21,017
Income on loans to banks and other borrowers	746	1,555	779	1,870
Income on accounts and deposits in foreign currency	284	655	182	266
Income on internal state debt	38	61	39	63
Income on SDR holdings	1	2	70	171
Other	12	2	20	5
Total interest income	11,130	21,997	9,105	23,392
Interest expense				
Expenses on certificates of deposit issued by the NBU	(2,140)	(4,599)	(2,552)	(4,443)
Expenses on operations with the IMF	(1,649)	(3,397)	(1,394)	(2,825)
Expenses on accounts of Deposit Guarantee Fund	(34)	(108)	(48)	(88)
Expenses on borrowings received	(36)	(74)	(31)	(61)
Total interest expenses	(3,859)	(8,178)	(4,025)	(7,417)
Net interest income	7,271	13,819	5,080	15,975

Other interest income includes interest income on loans to employees.

In H1 2019, income on domestic securities at amortized cost included interest income on exchange-rate-linked DGBs worth UAH 19,668 million (H1 2018: UAH20,947 million).

In H1 2019, income on loans to banks and other borrowers included income on impaired loans worth UAH 1,355 million (H1 2018: UAH 1,463 million).

18. Staff costs

	For the period ending 30 June 2019		For the period ending 30 June 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	366	709	280	553
Single contribution for mandatory state social security and contributions to nonstate pension funds	81	158	66	134
Financial aid and other social benefits	—	3	1	2
Other	4	7	2	2
Total staff costs	451	877	349	691

Included in other staff costs were staff training and development costs, expenditures for voluntary medical insurance of employees, etc.

19. Administrative and other expenses

	For the period ending 30 June 2019		For the period ending 30 June 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	53	107	60	120
Utilities and household expenses	38	80	39	84
Expenses for maintenance of noncurrent tangible and intangible assets	47	72	31	53
Consulting and legal services	18	33	123	135
Taxes, duties, and charges	6	14	55	63
Business trips	8	12	7	12
Telecommunication services and maintenance	7	10	5	10
Other	29	42	23	51
Total administrative and other expenses	206	370	343	528

Depreciation and amortization charges for H1 2019 exclude depreciation worth UAH 112 million (H1 2018: UAH 120 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.

Other expenses include the cost of sales of the services of the waste treatment facilities of the Banknote Paper Mill, expenses on holding events, costs related to financial aid paid for training students, remuneration to members of the NBU Council, etc.

20. Off-balance sheet commitments and derivative financial instruments

Capital commitments

As of 30 June 2019, the NBU had capital commitments with respect to the acquisition, construction, and improvement of property and equipment and intangible assets totaling UAH 107 million (31 December 2018: UAH 118 million).

Loan commitments

As of 30 June 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 June 2019, the NBU had 580 long stock-exchange interest futures contracts maturing in September 2019, the notional value of which equaled UAH 2,885 million or USD 110 million, and 372 short stock-exchange interest futures contracts maturing from September 2019 to December 2020, the notional value of which equaled UAH 2,391 million or USD 91 million (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 10 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 June 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 June 2019 amounted to UAH 154 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 bonds 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 May 2019), and Level 3 inputs (the June 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 bond 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 June 2019	As of 31 December 2018
	Discount rate, in % per annum	Discount rate, in % per annum
Domestic securities in domestic currency:		
Domestic government bonds	7.16 – 18.85	7.22 – 20.41
Internal state debt in domestic currency (1994 – 1996)	17.51	19.22
Loans to banks and other borrowers	19.00	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 June 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 bonds	350,332	316,393	360,744	339,924
Internal state debt	1,834	1,241	1,834	1,128
Loans to banks and other borrowers	17,804	17,351	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 June 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)	10	–	–	10	–	–
Foreign securities carried at fair value:	389,485	–	36,732	392,684	–	40,307
Domestic securities carried at fair value:						
in domestic currency						
domestic government bonds	–	–	–	–	–	–
in foreign currency						
Government derivatives	817	–	–	692	–	–
Assets for which fair value is disclosed:						
Ukrainian securities in domestic currency						
domestic government bonds	–	177,752	138,641	–	196,241	143,683
Internal state debt	–	–	1,241	–	–	1,128
Loans to banks and other borrowers	–	–	17,351	–	–	21,540

In H1 2019, there were no transfers of financial instruments between Levels 1 and 2 of the fair value hierarchy. In H1 2019, there were no transfers of financial instruments to or from Level 3 of the fair value hierarchy.

Long-term inflationary domestic government bonds 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 at 31 December 2018	40,307
Total gains/losses	(4,097)
Purchases of foreign securities	34,867
Redemptions of foreign securities	(34,345)
Foreign securities as of 30 June 2019	36,732

The weighted average modified duration of the financial assets that are measured at fair value and are included in Level 3 of the fair value hierarchy (except equity instruments that are measured at fair value through profit or loss) was 0.69 as of 30 June 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 June 2019 (Level 3 inputs) by 1 basis point would decrease the fair value of the relevant assets by UAH 252 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 252 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 June 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	10	85,433	85,443
Foreign securities	426,217	–	426,217
SDR holdings	–	155	155
Ukrainian securities	817	350,332	351,149
Loans to banks and other borrowers	–	17,804	17,804
Internal state debt	–	1,834	1,834
IMF quota contributions	–	73,183	73,183
Other financial assets	8	136	144
Total financial assets	427,052	528,877	955,929

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 30 June 2019 and 31 December 2018 are presented in the table below:

	Notes	As of 30 June 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	351,149	–	–	361,436	–	–
Loans to banks and other borrowers		15,553	–	–	18,439	–	–
Loans to the Deposit Guarantee Fund	9	–	–	–	1,458	–	–
Provisions for loans to banks and other borrowers		(4,640)	–	–	(4,413)	–	–
Internal state debt		1,834	–	–	1,834	–	–
Other assets		61	131	–	31	132	–
Accounts of banks		27,568	–	–	16,483	–	–
Accounts of government and other institutions	12	80,179	99	–	40,417	191	3
Accounts of the Deposit Guarantee Fund	12	3,346	–	–	7,082	–	–
Liabilities to transfer distributable profit to the state budget	15	–	–	–	64,898	–	–
Certificates of deposit issued by the NBU		4,909	–	–	8,511	–	–
Other liabilities		7	–	–	4	–	–

Other related party transactions include the account balance of the NBU Corporate Non-State Pension Fund.

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 June 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 June 2019 and 31 December 2018 were non-interest-bearing

the accounts of the Deposit Guarantee Fund bore interest rates of 4.41% as of 30 June 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 June 2019			As of 30 June 2018		
	Government and state-controlled entities	Associates	Other related parties	Government and state-controlled entities	Associates	Other related parties
						(in UAH millions)
Interest income	20,811	–	–	22,364	–	–
Interest expenses	(873)	–	–	(1,552)	–	–
Fee and commission income	143	–	–	71	–	–
Other income	222	–	–	103	–	–
Staff costs	–	–	(16)	–	–	(15)
Other expense	59	–	–	29	–	–
Net decrease in provisions	51	–	–	120	–	–

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 H1 2019, the short-term benefits (salary) of key management personnel were UAH 16.4 million, including

remuneration to members of the NBU Council of UAH 5.7 million (H1 2018: the short-term benefits (salary) of key management personnel were UAH 14.7 million, including remuneration to members of the NBU Council of UAH 5.3 million). As of 30 June 2019 and 31 December 2018, there were no outstanding loans to key management personnel.

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