



National Bank  
of Ukraine

# Interim Concise Consolidated Financial Statements

for the period ended 30 September 2020



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## Interim Concise Consolidated Statement of Financial Position

	Notes	As of 30 September 2020	As of 31 December 2019
(UAH million)			
<b>Assets</b>			
Funds and deposits in foreign currency and investment metals	5	71,667	90,168
Foreign securities	6	641,713	504,979
SDR holdings	7	173	234
Monetary gold		42,121	28,223
Ukrainian securities	8	336,243	347,191
Loans to banks and other borrowers	9	25,310	13,843
Domestic public debt		1,659	1,727
IMF quota contributions	10	80,136	65,894
Property and equipment and intangible assets		4,135	4,386
Other assets		12,241	4,188
<b>Total assets</b>		<b>1,215,398</b>	<b>1,060,833</b>
<b>Liabilities</b>			
Banknotes and coins in circulation		516,008	425,256
Accounts of banks	11	58,675	78,444
Accounts of government and other institutions	12	43,776	38,982
Liabilities on profit distribution to the State Budget of Ukraine	15	–	42,722
Certificates of deposit issued by the NBU	13	122,571	151,932
Borrowings received		2,830	2,369
Liabilities to the IMF except IMF quota contributions	14	189,226	171,059
Liabilities to the IMF with respect to quota settlement	14	80,126	65,886
Other liabilities		1,227	810
<b>Total liabilities</b>		<b>1,014,439</b>	<b>977,460</b>
<b>Equity</b>			
Statutory capital		100	100
General and other reserves		170,695	51,439
Revaluation reserves for assets and liabilities		30,119	31,790
<b>Total equity</b>		<b>200,914</b>	<b>83,329</b>
<b>Noncontrolling interest</b>		<b>45</b>	<b>44</b>
<b>Total capital</b>		<b>200,959</b>	<b>83,373</b>
<b>Total equity and liabilities</b>		<b>1,215,398</b>	<b>1,060,833</b>

Signed and approved for publishing on behalf of the National Bank of Ukraine on 27 November 2020.

Governor

Kyrylo SHEVCHENKO

Chief Accountant,  
Director of Accounting Department



Bohdan LUKASEVYCH

Notes on pages 7 through 32 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 2020		For the period ended 30 September 2019	
		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	5,579	20,773	5,460	27,445
Interest expenses	17	(2,940)	(12,890)	(3,671)	(11,867)
<b>Net interest income before impairment recovery</b>		<b>2,639</b>	<b>7,883</b>	<b>1,789</b>	<b>15,578</b>
Net impairment recovery on main interest rate financial assets		247	578	109	584
<b>Net interest income after impairment recovery</b>		<b>2,886</b>	<b>8,461</b>	<b>1,898</b>	<b>16,162</b>
Fee and commission income		121	287	71	204
Fee and commission expense		(8)	(206)	(6)	(25)
<b>Net commission income</b>		<b>113</b>	<b>81</b>	<b>65</b>	<b>179</b>
Gains or losses on operations with financial assets and liabilities in foreign currency and monetary gold		34,030	94,457	(22,622)	(38,097)
Gains or losses on operations with financial instruments measured at fair value through profit or loss		711	16,514	2,662	11,572
Other income		210	540	258	897
<b>Total net income/(expenses)</b>		<b>37,950</b>	<b>120,053</b>	<b>(17,739)</b>	<b>(9,287)</b>
Staff costs	18	(492)	(1,384)	(435)	(1,313)
Costs related to production of banknotes, coins, souvenirs, and other products		(305)	(888)	(264)	(750)
Administrative and other expenses	19	(433)	(999)	(291)	(860)
Increase in provisions for contingent liabilities		–	(95)	–	(122)
Net (increase)/decrease in provisions for other assets		(1)	(2)	–	2
<b>Income/(loss) before tax</b>		<b>36,719</b>	<b>116,685</b>	<b>(18,729)</b>	<b>(12,330)</b>
<b>Income tax expense of subsidiary</b>		<b>–</b>	<b>(1)</b>	<b>(1)</b>	<b>(4)</b>
<b>Profit/(loss) for the period</b>		<b>36,719</b>	<b>116,684</b>	<b>(18,730)</b>	<b>(12,334)</b>
Other comprehensive income not to be reclassified subsequently to profit or loss:					
Revaluation of investment metals		628	892	61	107
<b>Other comprehensive income for the period</b>		<b>628</b>	<b>892</b>	<b>61</b>	<b>107</b>
<b>Total comprehensive income/(expense) for the period</b>		<b>37,347</b>	<b>117,576</b>	<b>(18,669)</b>	<b>(12,227)</b>
<b>Profit/(loss) for the period attributable to:</b>					
the National Bank of Ukraine		36,719	116,683	(18,731)	(12,336)
Noncontrolling interest		–	1	1	2
		<b>36,719</b>	<b>116,684</b>	<b>(18,730)</b>	<b>(12,334)</b>
Comprehensive income/(expenses) attributable to:					
the National Bank of Ukraine		37,347	117,575	(18,670)	(12,229)
Noncontrolling interest		–	1	1	2
		<b>37,347</b>	<b>117,576</b>	<b>(18,669)</b>	<b>(12,227)</b>

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Governor

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Director of Accounting Department



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Financial Controlling Department



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## Interim Concise Consolidated Statement of Cash Flows

	Notes	As of 30 September 2020	As of 30 September 2019
(UAH million)			
<b>Operating activities</b>			
Interest received		19,375	25,290
Fees and commissions received		287	205
Other income		1,397	367
Interest paid		(13,107)	(11,514)
Fees and commissions paid		(206)	(65)
Other expenses		(3,749)	(2,134)
Taxes, duties, and charges paid		(349)	(236)
Transfers to the state budget of Ukraine		(42,722)	(64,898)
(Increase)/Decrease in loans to banks and other borrowers		(10,327)	9,270
Internal state debt repaid		99	99
(Decrease)/increase in accounts of banks on demand		(24,963)	14,639
Increase in accounts of government and other institutions		233	19,818
Increase in other assets		(7,090)	(1,427)
Increase/(decrease) in other liabilities		3,876	(1,104)
Other cash flows		(275)	3,430
<b>Net cash outflows from operating activities</b>		<b>(77,521)</b>	<b>(8,260)</b>
<b>Investing activities</b>			
Net increase in foreign securities		(15,241)	(37,124)
Purchase of monetary gold		(56)	(125)
Repayment of domestic securities	8	12,500	11,023
Acquisition of property and equipment and intangible assets		(107)	(108)
Sale of property and equipment and intangible assets		10	80
<b>Net cash outflows from investment activities</b>		<b>(2,894)</b>	<b>(26,254)</b>
<b>Financing activities</b>			
Issue into/(withdrawal from) circulation of banknotes and coins		90,752	(9,120)
Repayment of liabilities to the IMF	7, 14	(17,456)	(15,438)
Term deposits deposited		–	(41)
Certificates of deposit issued by the NBU		(29,393)	(2,096)
<b>Net cash inflows/(outflows) from financial activities</b>		<b>43,903</b>	<b>(26,695)</b>
<b>Effect of changes in exchange rate</b>		<b>16,932</b>	<b>15,513</b>
<b>Net change in cash and cash equivalents</b>		<b>(19,580)</b>	<b>(45,696)</b>
<b>Cash and cash equivalents at beginning of the reporting period</b>		<b>89,619</b>	<b>116,516</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	16	<b>70,039</b>	<b>70,820</b>

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Director of Accounting Department



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## Interim Concise Consolidated Statement of Changes in Equity

	Statutory capital	General and other reserves	Revaluation reserve for assets and liabilities	Total equity	Noncontrolling interest	Total equity
	(UAH million)					
<b>Balance as of 31 December 2018</b>	<b>100</b>	<b>56,091</b>	<b>81,274</b>	<b>137,465</b>	<b>42</b>	<b>137,507</b>
Total comprehensive income for nine months in 2019	-	(12,336)	107	(12,229)	2	<b>(12,227)</b>
Gain/(loss) on transfer of assets	-	(249)	-	(249)	-	<b>(249)</b>
Realized gain/(loss) on revaluation of securities disposed and derivatives	-	619	(619)	-	-	-
Allocation of unrealized gain/(loss) on revaluation of securities to revaluation reserve	-	326	(326)	-	-	-
<b>As of 30 September 2019</b>	<b>100</b>	<b>44,451</b>	<b>80,436</b>	<b>124,987</b>	<b>44</b>	<b>125,031</b>
<b>Balance as of 31 December 2019</b>	<b>100</b>	<b>51,439</b>	<b>31,790</b>	<b>83,329</b>	<b>44</b>	<b>83,373</b>
Total comprehensive income for nine months in 2020	-	116,683	892	117,575	1	<b>117,576</b>
Gain/(loss) on transfer of assets	-	(5)	-	(5)	-	<b>(5)</b>
Realized gain/(loss) on revaluation of investment metals sold	-	15	-	15	-	<b>15</b>
Realized gain/(loss) on revaluation of securities and derivatives disposed	-	2,563	(2,563)	-	-	-
<b>As of 30 September 2020</b>	<b>100</b>	<b>170,695</b>	<b>30,119</b>	<b>200,914</b>	<b>45</b>	<b>200,959</b>

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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 mandate is to safeguard the stability of the Ukrainian 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 2020 and 31 December 2019, the NBU's structure comprised the Head Office and the Banknote Printing and Minting Works, a standalone unit of the bank. These operate within the NBU's mandate in accordance with the Law of Ukraine *On the National Bank of Ukraine*.

The NBU's subsidiary is the SETTLEMENT CENTER FOR SERVICING FINANCIAL MARKET AGREEMENTS PJSC (hereinafter the Settlement Center). The NBU's shareholding in the authorized capital of the Settlement Center was 83.55% as of 30 September 2020 (flat from 83.55% as of 31 December 2019).

As of 30 September 2020 and 31 December 2019, the authorized 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 in over-the-counter agreements, where the delivery versus payment principle is used. The Settlement Center opens and maintains cash accounts for stock market participants. It is also responsible for paying securities-related income and the face value of redeemed securities to their holders, as well as for making payments related to other corporate operations, including those related to securities that have been placed and are transferred outside Ukraine.

The NBU is the founder of the Corporate Nonstate Pension Fund (the CNPF). The NBU administrates and stores the CNPF's assets. However, it is neither exposed, nor has any rights, to variable returns from its operations. In line with International Financial Reporting Standard (the IFRS) 10 *Consolidated Financial Statements*, the NBU does not control the CNPF, and accordingly the CNPF data were not consolidated for the purpose of these consolidated financial statements.

As of 30 September 2020 and 31 December 2019, the NBU's associated company investments were represented by the National Depository of Ukraine PJSC.

The NBU, the National Securities and Stock Market Commission, and other stock market players are shareholders of the National Depository of Ukraine PJSC (hereinafter the National Depository). Under 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 2020, the NBU's shareholding in the authorized capital of the National Depository was 25% (unchanged from 25% as of 31 December 2019).

## 2. Basis of Accounting Policies and Reporting Presentation

The interim concise consolidated financial statements of the NBU were 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 the 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 2019 in line with the IFRS.

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 the first nine months of 2020, the NBU's financial risk management targets and policies remained unchanged.

The official hryvnia exchange rate against the major foreign currencies used in presenting the monetary items of the consolidated statement of financial position and monetary gold, was as follows:

	30 September 2020 (in hryvnias)	31 December 2019 (in hryvnias)
1 U.S. dollar	28.2989	23.6862
1 SDR	39.832808	32.7539
1 euro	33.1309	26.422
1 GBP	36.4122	31.0206
1 Troy ounce of gold	53,338.05	35,802.17

### Introducing new and amended standards and interpretations of the financial statements

#### Amended IFRSs and interpretations that came into effect were adopted on 1 January 2020 and did not have any significant influence on the NBU's performance indicators and financial standing.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* 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 1

Amendments to references to the IFRS Conceptual Framework for Financial Reporting

Conceptual Framework for Financial Reporting (apply retrospectively to annual reporting periods beginning on or after 1 January 2020)

Amendments to IFRS 3: *Business combinations*

Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7 (phase I)

Amendments to IFRS 16 *Leases*: Covid-19-related rent concessions (apply retrospectively to annual reporting periods beginning on or after 1 June 2020)

### 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 distribution of assets between an investor and its associate or joint venture (apply to annual reporting periods beginning on or after the date to be specified. Early application is permitted)

Amendments to IAS 1 *Presentation of Financial Statements* – The classification of liabilities as current or noncurrent is intended to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual terms in effect at the reporting date (apply to annual reporting periods beginning on or after 1 January 2023)

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts – Cost of Fulfilling a Contract (apply to annual reporting periods beginning on or after 1 January 2022)

Amendments to IFRS 3 *Business combinations* related to amendments to Conceptual Framework for Financial Reporting (apply to annual reporting periods beginning on or after 1 January 2022)

Amendments to IFRS 9, IAS 39, and IFRS 7 Interest Rate Benchmark Reform, IFRS 4, and IFRS (phase II: the



amendments will go into effect for the years starting 1 January 2021)

IFRS 17 *Insurance Contracts* is a new financial reporting standard for insurance contracts that determines recognition, measurement, presentation, and disclosure of information (applies to annual reporting periods beginning on or after 1 January 2023. Early application is permitted)

Annual improvements to IFRS in 2017–2020 (amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41).

### Changing accounting policies in relation to cash and cash equivalents

In 2019, the NBU changed its accounting policies in relation to determining cash equivalents. Under the new policy, foreign securities with maturities of up to three months are not included in cash equivalents, and their movement is reflected in investment activities.

According to the NBU's management, these accounting policies are more appropriate, better suited for the purpose of cash equivalents, and reflect the content and economic nature of these assets more accurately, as the purpose of using foreign securities is to manage international reserves rather than liquidity.

The tables below reflect how the change in accounting policies influenced the consolidated financial statements.

### Amendments in the Interim Concise Consolidated Cash Flow Statement:

	As reflected in the financial report as of 30 September 2019	The effect of the change in accounting policies	The amended comparative data as reflected as of 30 September 2019 (UAH million)
<b>Operating activities</b>			
Other cash flows	–	3,430	3,430
Net cash outflows	(11,690)	3,430	(8,260)
<b>Investing activities</b>			
Net increase in foreign securities	(35,409)	(1,715)	(37,124)
<b>Net cash (outflows)/inflows from investing activities</b>	<b>(24,539)</b>	<b>(1,715)</b>	<b>(26,254)</b>
<b>Net change in cash and cash equivalents</b>	<b>(47,411)</b>	<b>(1,715)</b>	<b>(45,696)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>139,241</b>	<b>(22,725)</b>	<b>116,516</b>
<b>Cash and cash equivalents at the end of the reporting year</b>	<b>91,830</b>	<b>(21,010)</b>	<b>70,820</b>

### Change in presentation

### In Interim Concise Consolidated Statement of Comprehensive Income:

	As reflected in the financial report as of 30 September 2019		Change in presentation		The amended comparative data as reflected as of 30 September 2019	
	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	For the current quarter	On a cumulative basis from the beginning of the year
Gains or losses on operations with debt securities measured at fair value	2,421	11,159	(2,421)	(11,159)	–	–
Gains or losses on operations with financial instruments, other than debt securities measured at fair value	241	413	(241)	(413)	–	–
Gains or losses on operations with financial instruments measured at fair value through profit or loss	–	–	–	–	2,662	11,572

The NBU also changed the presentation of expenses on financial assets with a negative interest rate and expenses of the Banknote Printing and Minting Works, which are not included into cost of production. Information on these changes of presentation is given in Notes 17 and 19.

### 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:

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 property and equipment and amortization of intangible assets

provisions for contingent liabilities under lawsuits filed against the NBU

related party transactions.

When calculating provisions for expected credit losses as of 30 September 2020, the NBU applied additional discounts for crisis periods of the economic cycle to the fair value of collateral for credit operations. Such discounts were determined on the basis of expert judgments and reflected the expected decline in property values in Ukraine in 2020–2021 in the current crisis. These changes in judgments had no significant influence on the amount of provisions for expected credit losses.

During the first nine months of 2020 saw no other changes in accounting estimates or judgments of the management (in terms of judgments used to assess the fair value of debt securities and determine the possible impairment of deposits, loans and securities measured at amortized cost).

## 4. Influence of Economic Conditions on the NBU's Financial Position and Performance

The fall in real GDP slowed to 3.5% yoy in Q3 2020 (<http://ukrstat.gov.ua>). The lifting of strict quarantine restrictions in late May, and the introduction of an adaptive quarantine, led to a gradual resumption of economic activity and an improvement in the labor market. The NBU's and the government's stimulus measures also supported business activity.

Consumer demand recovered rapidly, evidenced by the robust growth in retail trade. Investment demand was buoyed by an improved external environment, better financial performance by businesses, and higher budget expenditures on road infrastructure. However, economic recovery was uneven, in part due to this year's smaller harvest and the increase in the number of cases of the acute respiratory disease COVID-19, which is caused by the SARS-CoV-2 coronavirus, at the end of the quarter.

The current account surplus persisted in Q3 due to a narrower deficit in the goods trade than last year and a large surplus in the services trade. That said, the surplus shrank compared to previous quarters on the back of recovering imports and slower growth in exports caused by a poorer crop harvest. Capital outflows continued against the backdrop of significant repayments on external debt. This reduced gross international reserves compared to late Q2, but they were still higher from the beginning of the year, reaching USD 26.5 billion, or 4.5 months of future imports.

In Q3 2020, consumer inflation was almost unchanged (2.3% yoy in September), remaining below the lower bound of the 5%  $\pm$  1 pp target range. The weak inflation dynamics were driven by an increase in the supply of food products and a change in consumer behavior in response to the spread of COVID-19 caused by the SARS-CoV-2 coronavirus. These factors offset the opposite pressure on prices from the hryvnia depreciation, higher energy prices, and a recovery in economic activity. Core inflation slowed slightly to 3.1% yoy in September. Despite the low inflation figures currently, inflation expectations of businesses and households continued to deteriorate.

The NBU pursued a loose monetary policy in Q3 2020. Although the NBU Board twice decided to keep the key policy rate unchanged at 6%, it remained below the neutral level. The expansionary monetary policy aims to support economic recovery amid moderate inflation and uncertainty over the further spread of the coronavirus in Ukraine and globally.

In January-September 2020, the consolidated budget recorded a large deficit of UAH 59 billion, which resulted from

a state budget deficit of UAH 81.7 billion. The deficit was mainly covered by borrowing and account balances accumulated by the government in previous periods. Although significant debt repayments were made, public and publicly guaranteed debt grew. This was largely driven by the exchange rate revaluation in response to hryvnia weakening. The issuance of government securities to increase the capital of a state-owned bank was another factor.

The banking system maintained a large liquidity surplus (which is defined as balances of banks' correspondent accounts and NBU certificates of deposit). The intraday liquidity surplus decreased somewhat in Q3 2020 as intraday balances of certificates of deposit declined (the principal amount shrank to UAH 111.1 billion in September). Intraday balances of banks' correspondent accounts remained practically unchanged at UAH 53.0 billion.

In June 2020, Moody's upgraded its Ukraine credit rating to B3 from Caa1, which had not changed since the end of 2018. Standard & Poor's and Fitch confirmed their ratings for Ukraine at B in September 2020.

### ***Changes in the Operational and Political Environment of Ukraine over Nine Months of 2020***

The spread of the COVID-19 pandemic in Ukraine and the world in early 2020 – and the introduction of quarantine restrictions implemented by the majority of governments – caused a sharp decline in economic activity in most countries, including Ukraine. Economic activity recovered gradually as quarantine restrictions eased. However, the risks of a protracted recovery – and a longer cooling of the global and Ukrainian economies – persist as the number of COVID-19 cases has been rising rapidly since August 2020 and strict quarantine measures have been reimposed in both Ukraine and the world.

During the first nine months of 2020, Ukraine's economy remained affected by the unresolved armed conflict in certain districts of the Luhansk and Donetsk oblasts, as well as by complicated political and economic relations with Russia.

These factors may have a mixed effect on the NBU's performance and financial position. However, the degree of the effect cannot be gauged accurately as of today. NBU management is closely watching the current developments and is taking necessary action in order to mitigate the effect of the negative factors.

## 5. Funds and Deposits in Foreign Currency and Investment Metals

	Note	As of 30 September 2020	As of 31 December 2019
(UAH million)			
<b>Financial assets at amortized cost</b>			
Foreign currency cash		18,908	589
Demand deposits		20,866	14,085
Term deposits in foreign currency		30,148	74,848
Loss allowances for expected credit losses on deposits in foreign currency that are measured at amortized cost		(3)	(10)
<b>Total financial assets at amortized cost</b>		<b>69,919</b>	<b>89,512</b>
<b>Financial assets at fair value through profit or loss</b>			
Demand deposits <i>for settling futures transactions</i>	20	8	8
<b>Total financial assets</b>		<b>69,927</b>	<b>89,520</b>
<b>Nonfinancial assets</b>			
Term deposits and demand deposits:			
in gold		1,740	648
<b>Total nonfinancial assets</b>		<b>1,740</b>	<b>648</b>
<b>Total funds and deposits in foreign currency and investment metals</b>		<b>71,667</b>	<b>90,168</b>

The sum of demand deposits at amortized cost as of 30 September 2020 includes balances of special purpose accounts worth UAH 54 million (UAH 97 million as of 31 December 2019), which are restricted for use.

For the purposes of the consolidated statement of cash flows, the cash flows generated by gold-denominated term deposits are classified as investment activities, whereas those generated by gold-denominated demand deposits - as operating activities.

All funds and deposits in foreign currency are not backed by collateral as of 30 September 2020 and 31 December 2019.

All funds and deposits in foreign currency are expected to be recovered within 12 months (as of 31 December 2019, these funds and deposits were also expected to be recovered within 12 months).

## 6. Foreign Securities

As of 30 September 2020, foreign securities comprised the following:

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(UAH million)			
<b>Foreign securities measured at fair value through profit or loss:</b>			
<b>Debt securities by issuers:</b>			
securities issued by U.S. issuers:			
denominated in USD	381,937	4,607	386,544
denominated in GBP	–	542	542
securities issued by EU issuers:			
denominated in USD	7,656	44,756	52,412
denominated in EUR	–	14,412	14,412
denominated in GBP	1,273	2,705	3,978
denominated in Chinese renminbi	–	422	422
securities issued by other issuers:			
denominated in USD	7,329	98,469	105,798
denominated in EUR	1,647	33,979	35,626
denominated in AUD	679	306	985
denominated in GBP	5,895	3,901	9,796
denominated in Chinese renminbi	333	16,963	17,296
denominated in JPY	402	13,379	13,781
<b>Total debt securities</b>	<b>407,151</b>	<b>234,441</b>	<b>641,592</b>
<b>Equity instruments:</b>			
shares of the Black Sea Trade and Development Bank	–	120	120
investment in the Interstate Bank	–	1	1
<b>Total equity instruments</b>	<b>–</b>	<b>121</b>	<b>121</b>
<b>Total foreign securities at fair value through profit or loss:</b>	<b>407,151</b>	<b>234,562</b>	<b>641,713</b>

In nine months of 2020, the interest income on foreign securities that are included in the interim concise consolidated statement of comprehensive income, gains or losses on operations with financial instruments measured at fair value through profit or loss totaled UAH 6,617 million (compared to UAH 5,453 million in nine months of 2019).

All foreign securities are expected to be recovered within 12 months, except for equity instruments in the total amount of UAH 121 million (UAH 121 million as of 31 December 2019).

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 2019, foreign securities comprised the following:

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(UAH million)			
<b>Foreign securities measured at fair value through profit or loss:</b>			
<b>Debt securities by issuers:</b>			
securities issued by U.S. issuers:			
denominated in USD	269,697	5,239	274,936
securities issued by EU issuers:			
denominated in USD	9,089	47,828	56,917
denominated in EUR	149	17,256	17,405
denominated in GBP	8,008	1,489	9,497
denominated in Chinese renminbi	–	3,808	3,808
securities issued by other issuers:			
denominated in USD	4,167	68,734	72,901
denominated in EUR	1,315	37,712	39,027
denominated in AUD	544	250	794
denominated in GBP	–	2,612	2,612
denominated in Chinese renminbi	270	13,655	13,925
denominated in JPY	–	13,036	13,036
<b>Total debt securities</b>	<b>293,239</b>	<b>211,619</b>	<b>504,858</b>
<b>Equity instruments:</b>			
shares of the Black Sea Trade and Development Bank	–	120	120
investment in the Interstate Bank	–	1	1
<b>Total equity instruments</b>	<b>–</b>	<b>121</b>	<b>121</b>
<b>Total foreign securities at fair value through profit or loss:</b>	<b>293,239</b>	<b>211,740</b>	<b>504,979</b>

Information about the nominal value, coupon rate and maturities of foreign debt securities as of 30 September 2020 is presented in the table below:

	Total nominal value in foreign currency, millions	Total nominal value in the hryvnia equivalent, UAH million	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
<b>Debt securities at fair value through profit or loss by issuers:</b>					
<b>Government bonds</b>					
securities issued by U.S. issuers:					
denominated in USD	12,942	366,244	0.125–3.125	Every 6 months	From 3.1 months to 4.8 years
securities issued by EU issuers:					
denominated in USD	266	7,539	0.29088–1.875	Quarterly, once a year	From 16 days to 2.6 years
denominated in GBP	35	1,274	0.1665	Quarterly	1.1 years
securities issued by other issuers:					
denominated in USD	251	7,103	0.75–2.625	Every 6 months	From 4.5 months to 4.8 years
denominated in EUR	50	1,656	0.125	Once a year	6.1 years
denominated in AUD	30	612	2.25–5.5	Every 6 months	From 2.1 years to 2.6 years
denominated in GBP	160	5,815	0.5–1.5	Every 6 months	From 3.8 months to 2.8 years
denominated in Chinese renminbi	80	330	2.95	Every 6 months	8.9 months
denominated in JPY	1,500	402	0.02	Every 6 months	4.7 years
<b>Securities issued by international agencies, banks and other issuers:</b>					
securities issued by U.S. issuers:					
denominated in USD	161	4,567	0.43038–0.75	Quarterly, every 6 months, once a year	From 1.2 years to 4.6 years
denominated in GBP	15	546	0.25	Once a year	7 years
securities issued by EU issuers:					
denominated in USD	1,559	44,114	0–3.125	Quarterly, every 6 months, once a year, without coupon payment	From 12 days to 6.3 years
denominated in EUR	433	14,346	0–4	Quarterly, once a year, without coupon payment	From 12 days to 6.4 years
denominated in GBP	74	2,695	0-1	Once a year, without coupon payment	From 9.2 months to 2.2 years
denominated in Chinese renminbi	100	415	4.5	Every 6 months	1.8 months
securities issued by other issuers:					
denominated in USD	3,460	97,903	0–3.35	Quarterly, every 6 months, once a year, without coupon payment	From 14 days to 5 years
denominated in EUR	1,021	33,810	0–0.75	Quarterly, once a year, without coupon payment	From 3.5 months to 4 years
denominated in AUD	15	303	0.95	Quarterly	1.1 years
denominated in GBP	107	3,896	0–0.44088	Quarterly, once a year, without coupon payment	From 1.9 months to 2.8 years
denominated in Chinese renminbi	4,119	17,098	0–4.8	Every 6 months, once a year, without coupon payment	From 1.7 months to 4.9 years
denominated in JPY	50,000	13,396	0–0.42	Every 6 months, without coupon payment	From 1.1 months to 4.1 years

Information about the nominal value, coupon rate and maturities of foreign debt securities as of 31 December 2019 is presented in the table below:

	Total nominal value in foreign currency, millions	Total nominal value in the hryvnia equivalent, UAH million	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
<b>Debt securities at fair value through profit or loss by issuers:</b>					
<b>Government bonds</b>					
securities issued by U.S. issuers:					
denominated in USD	11,273	267,004	1.125–3.125	Quarterly, every 6 months	From 4.5 months to 2.9 years
securities issued by EU issuers:					
denominated in USD	381	9,024	1.5–2.5	Quarterly, every 6 months, once a year	From 2.2 months to 2.6 years
denominated in EUR	6	145	0.375	Once a year	3.1 years
denominated in GBP	256	7,950	0.5–4.75	Quarterly, every 6 months	From 2.2 months to 3.6 years
securities issued by other issuers:					
denominated in USD	174	4,117	1.875–2.625	Quarterly, every 6 months	From 4.7 months to 4.4 years
denominated in EUR	50	1,321	0.125	Once a year	6.9 years
denominated in AUD	32	527	2–5.75	Every 6 months	From 1.4 years to 2.9 years
denominated in Chinese renminbi	80	269	2.95	Every 6 months	1.5 years
<b>Securities issued by international agencies, banks and other issuers:</b>					
securities issued by U.S. issuers:					
denominated in USD	219	5,187	1.375–2.75	Quarterly, every 6 months	From 3 months to 2 years
securities issued by EU issuers:					
denominated in USD	2,002	47,415	0–3.125	Quarterly, every 6 months, once a year, without coupon payment	From 10 days to 3.5 years
denominated in EUR	648	17,122	0–4	Quarterly, once a year, without coupon payment	From 8 days to 4.7 years
denominated in GBP	48	1,489	0–0.625	Once a year, without coupon payment	From 17 days to 4.7 months
denominated in Chinese renminbi	1,130	3,826	0–4.5	Every 6 months, without coupon payment	From 1.4 months to 10.9 months
securities issued by other issuers:					
denominated in USD	2,888	68,413	0–3.3	Quarterly, every 6 months, without coupon payment	From 10 days to 4.5 years
denominated in EUR	1,422	37,572	0–0.75	Quarterly, once a year, without coupon payment	From 14 days to 4.8 years
denominated in AUD	15	248	1.7517	Quarterly	1.9 years
denominated in GBP	84	2,606	0.875–1.17238	Quarterly, once a year	From 3.1 months to 1.8 years
denominated in Chinese renminbi	4,089	13,845	0–4.8	Every 6 months, once a year, without coupon payment	From 2.4 months to 2.3 years
denominated in JPY	60,300	13,041	0–0.42	Every 6 months, without coupon payment	From 1.2 months to 4.8 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 the first nine months of 2020 and the same period in 2019 were as follows:

	2020	2019
		(UAH million)
<b>Balance of SDR holdings as of 1 January</b>	<b>234</b>	<b>100</b>
Proceeds from the IMF:		
in favor of the government	55,259	–
Purchase of SDRs	35,091	49,247
Other proceeds and payments	83	–
Loan repayment:		
on behalf of the NBU (Note 14)	(17,456)	(15,438)
on behalf of the government	(11,989)	(26,396)
Payment of loan-related fees and commissions	(469)	–
Translation of SDRs to other foreign currencies:		
in favor of the government	(55,259)	–
Payment of interest for the use of IMF loans:		
on behalf of the NBU	(3,764)	(4,686)
on behalf of the government	(1,482)	(2,020)
Payment of interest for the use of funds received under SDR allocation:		
on behalf of the NBU	(8)	(24)
on behalf of the government	(125)	(368)
Other payments	(1)	(1)
Income on SDR holdings	1	4
Exchange differences	58	(120)
<b>Balance of SDR holdings as of 30 September</b>	<b>173</b>	<b>298</b>

In the first nine months of 2020 and the same period in 2019, the NBU received no funds from the IMF.

## 8. Ukrainian Domestic Securities

As of 30 September 2020, domestic securities were comprised of the following:

	Government securities	Corporate securities	Total
			(UAH million)
<b>Securities measured at fair value through profit or loss:</b>			
denominated in foreign currencies:			
Government derivatives denominated in USD	1,123	–	1,123
<b>Total securities at fair value through profit or loss</b>	<b>1,123</b>	<b>–</b>	<b>1,123</b>
<b>Debt securities at amortized cost:</b>			
denominated in domestic currency:			
Domestic government bonds and bills	334,231	–	334,231
Bonds of other government institutions	–	1,009	1,009
Loss allowances for expected credit losses on debt securities of other state institutions at amortized cost	–	(120)	(120)
<b>Total debt securities at amortized cost</b>	<b>334,231</b>	<b>889</b>	<b>335,120</b>
<b>Total domestic securities</b>	<b>335,354</b>	<b>889</b>	<b>336,243</b>

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

Domestic government debt securities are issued by the Ministry of Finance of Ukraine and have the nominal value of UAH 1,000 each.

During the first nine months of 2020 and 2019, the NBU did not purchase domestic government debt securities.

As of 30 September 2020 and 31 December 2019, the bonds of other government institutions included the bonds of the State Mortgage Institution with additional collateral in the form of state guarantys on issuer liabilities provided by the Cabinet of Ministers of Ukraine (hereinafter – the SMI bonds). The State Mortgage Agency bonds were appropriated by the NBU in November 2019 at a nominal value of UAH 946 million and book value of UAH 938 million to implement an amicable settlement with a Ukrainian bank on the repayment of its debt under loans. The SMI bonds have a nominal value of UAH 100,000 each.

Each government derivative has a notional value of USD 1,000 or such aggregate value that is an integer multiple equal to USD 1,000 (hereinafter — the notional value). Payments on government derivatives depend on reaching certain GDP indicators and the indicator of real GDP growth for 2019–2038.

During the first nine months of 2020, changes occurred in the gross carrying amount of government securities due to the redemption of the nominal value of government securities totaling UAH 12,500 million. During the first nine months of 2020, the NBU did not make provisions for expected credit losses on government securities.

As of 30 September 2020, the gross carrying value of bonds of other government institutions was UAH 1,009 million, provisions for expected loan losses were UAH 120 million (as of 31 December 2019, the gross carrying value of bonds of other government institutions was UAH 953 million, and provisioning for expected credit losses was UAH 189 million).

All domestic securities are expected to be redeemed later than 12 months from the reporting date, excluding the nominal value of domestic government debt securities and bonds of other government institutions and the accrued interest on debt securities totaling UAH 22,132 million payable within 12 months from the reporting date (as of 31 December 2019: all domestic securities were expected to be redeemed later than 12 months from the reporting date, excluding the nominal value of domestic government debt securities and bonds of other government institutions and accrued interest on debt securities totaling UAH 21,439 million payable within 2020).

As of 31 December 2019, domestic securities were comprised of the following:

	Government securities	Corporate securities	Total
			(UAH million)
<b>Securities measured at fair value through profit or loss:</b>			
denominated in foreign currencies:			
Government derivatives denominated in USD	987	–	987
<b>Total securities at fair value through profit or loss</b>	<b>987</b>	<b>–</b>	<b>987</b>
<b>Debt securities at amortized cost:</b>			
denominated in domestic currency:			
Domestic government bonds and bills	345,440	–	345,440
Bonds of other government institutions	–	953	953
Loss allowances for expected credit losses on debt securities of other state institutions at amortized cost	–	(189)	(189)
<b>Total debt securities at amortized cost</b>	<b>345,440</b>	<b>764</b>	<b>346,204</b>
<b>Total domestic securities</b>	<b>346,427</b>	<b>764</b>	<b>347,191</b>

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as of 30 September 2020 is presented in the table below:

	Total nominal value, UAH million	Total nominal value in foreign currency, in millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
<b>Securities measured at fair value through profit or loss:</b>						
denominated in foreign currencies:						
Government derivatives	1,241	44	–	–	–	Up to 19.7 years
<b>Debt securities at amortized cost:</b>						
denominated in domestic currency:						
Domestic government bonds and bills	324,577	–	7.59– 10.97	4.9–14.3	Once a year, every 6 months	From 4.4 months to 27.1 years
Bonds of other government institutions	946	–	67.6	9.5	Every 6 months	1.6 months

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as of 31 December 2019 is presented in the table below:

	Total nominal value, UAH million	Total nominal value in foreign currency, in millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
<b>Securities measured at fair value through profit or loss:</b>						
denominated in foreign currencies:						
Government derivatives	1,038	44	–	–	–	Up to 20.4 years
<b>Debt securities at amortized cost:</b>						
denominated in domestic currency:						
Domestic government bonds and bills	337,077	–	7.43– 13.01	4.9–14.5	Once a year, every six months	From 21 days to 27.9 years
Bonds of other government institutions	946	–	28.91	9.5	Every six months	10.7 months

## 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 2020	As of 31 December 2019
		(UAH million)
Loans granted to banks to support their liquidity:		
for stabilizing banking activities	41,758	51,324
through tenders conducted by the NBU	20,000	386
overnight	176	–
Other	10	10
Loans granted to support small and medium enterprises based on funds received from the European Bank for Reconstruction and Development (EBRD)	36	36
Other	2	2
Provisions for expected credit losses on loans to banks and other borrowers	(36,672)	(37,915)
<b>Total loans to banks and other borrowers</b>	<b>25,310</b>	<b>13,843</b>

Loans granted to banks that are expected to be recovered later than 12 months of the reporting date amounted to UAH 16,241 million at nominal value (UAH 7,621 million as of 31 December 2019).

During the first nine months of 2020, the NBU supported the liquidity of banks by establishing a standing refinancing line (overnight loans), refinancing banks for a period from 14 up to 90 days and from one to five years by holding tenders (during 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).

As of 30 September 2020, the gross carrying value of loans to banks was UAH 61,944 million, allowances for expected loan losses were UAH 36,634 million (as of 31 December 2019, the gross carrying value of loans to banks was UAH 51,720 million, and allowances for expected credit losses were UAH 37,877 million).

As of 30 September 2020 and 31 December 2019, the gross carrying value of loans granted to support small and medium enterprises using funds received from the European Bank for Reconstruction and Development equaled UAH 38 million, and provisions for expected credit losses were UAH 38 million.

## 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's accounts No. 1 and No. 2 (Note 14).

As of 30 September 2020, Ukraine's total quota in the IMF amounted to SDR 2,012 million (UAH 80,136 million at the official UAH/SDR exchange rate as of the end of the reporting period) (as of 31 December 2019, it was SDR 2,012, or

UAH 65,894 million at the year-end official exchange rate). The quota does not earn interest. Quota contributions are a noncurrent asset.

The reserve position in the IMF is a specific type of asset that is created by converting 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 2020, the reserve position of Ukraine in the IMF amounted to SDR 241,031 (UAH 10 million at the official UAH/SDR exchange rate as of the end of the reporting period) (as of 31 December 2019, it was SDR 241,031, or UAH 8 million at the year-end official UAH/SDR exchange rate).

## 11. Accounts of Banks

	As of 30 September 2020	As of 31 December 2019 (UAH million)
Correspondent accounts:		
in domestic currency	52,035	52,438
in foreign currency	–	23,686
Accounts of banks on special use terms:		
in domestic currency	1,784	1,959
in foreign currency	165	352
Funds placed to ensure the repayment of the debts of banks to the NBU:		
in foreign currency	4,691	9
<b>Total accounts of banks</b>	<b>58,675</b>	<b>78,444</b>

Required reserves are accounted for on correspondent accounts held at the NBU by banks in domestic currency.

As of 30 September 2020 and 31 December 2019, interest on the balances of the reserve requirements in correspondent accounts is not accrued.

As of 30 September 2020 and 31 December 2019, 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 2020 and 31 December 2019 included funds for authorized liquidation officers of the Deposit Guarantee Fund to make settlements in the process of a bank's resolution and in other cases specified by the laws of Ukraine and the NBU's regulations.

As of 30 September 2020 and 31 December 2019, all accounts of banks were to mature within 12 months.

## 12. Accounts of Government and Other Institutions

	As of 30 September 2020	As of 31 December 2019
		(UAH million)
Funds of budgets and budget entities	39,954	36,277
Deposit Guarantee Fund	3,674	2,498
Other	148	207
<b>Total accounts of state and other institutions</b>	<b>43,776</b>	<b>38,982</b>

The NBU services the accounts of the State Budget of Ukraine and local budgets, which are consolidated on the single 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 5.75% as of 30 September 2020 (31 December 2019: 9.53%).

As of 30 September 2020 and 31 December 2019, all accounts of state-owned and other banks 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 yield on the certificates of deposit is set based on the fundamentals of the NBU's interest rate policy taking into account the policy's current objectives.

In nine months 2020, transactions on the placement of certificates of deposit were performed under agreements with banks for the period of one working day (overnight deposits) and up to 14 days (in 2019, transactions on the placement of certificates of deposit were performed under agreements with banks for the period of one working day (overnight deposits) and up to 14 days).

As of 30 September 2020, 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 7 days, and a weighted average yield of 5.79% per annum (31 December 2019: a weighted average yield of 12.73% per annum and an initial period of placement from 6 to 14 days). The weighted average interest rate for certificates of deposit placed in nine months of 2020 was 7.86% per annum, and the initial period of placement varied from 1 to 14 days (2019: a weighted average yield of 15.18% per annum, and the initial period of placement varied from 1 to 15 days).

As of 30 September 2020 and 31 December 2019, all certificates of deposit issued by the NBU were to mature within 12 months.

## 14. Liabilities to the IMF

	As of 30 September 2020	As of 31 December 2019 (UAH million)
Liabilities to the IMF for SDR purchases	185,978	168,385
Liabilities to the IMF for SDR allocations	3,245	2,671
IMF account No. 2	3	3
<b>Liabilities to the IMF apart from quota contributions</b>	<b>189,226</b>	<b>171,059</b>
Liabilities to the IMF with respect to quota settlements	79,925	65,721
IMF account No. 1	201	165
<b>Liabilities to the IMF to pay quota contributions</b>	<b>80,126</b>	<b>65,886</b>
<b>Total liabilities to the IMF</b>	<b>269,352</b>	<b>236,945</b>

Liabilities to the IMF for SDR allocation represent funds received by the NBU as a result of the special SDR allocation.

Liabilities to the IMF for purchases of SDRs represent loans received from the IMF to accounts with the NBU. In nine months 2020 and in 2019, there were no proceeds from the IMF to the NBU (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 to pay quota contributions represent liabilities for quota settlement. In nine months 2020 and in 2019, there were no changes in liabilities on quota contributions related to the IMF's administrative disbursements in the hryvnia.

During nine months in 2020 and the same period in 2019, no changes occurred in the size of the quota in the IMF (Note 10).

During nine months of 2020, liabilities worth SDR 469 million (UAH 17,456 million at the official exchange rate at the transaction date, or UAH 17,288 million at the annual exchange rate of the IMF) were repaid to the IMF (during nine months of 2019, repayments of liabilities to the IMF 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) (Note 7).

All liabilities to the IMF are noncurrent, except for balances on IMF accounts No. 1 and No. 2, liabilities to the IMF for SDR allocation, liabilities to the IMF for borrowing the amount of SDR 588 million (UAH 21,678 million at the IMF's annual exchange rate), and interest accrued on liabilities to the IMF (in 2019, SDR 469 million (UAH 17,296 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*. The NBU recognizes distributable profit by deducting from unrealized gains from distributable profit. Unrealized gains that will be realized in future periods are recognized as distributable profit in respective reporting periods. The NBU redeems the excess of unrealized expenses over revaluation reserve against the current year's profit, and in case of shortage – against general provisions.

A part of the distributable profit that is left after general provisions are made and 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. Thus, total funds transferred by the NBU in 2020 to the State Budget of Ukraine amount to UAH 42,722 million (in 2019, the NBU transferred UAH 64,898 million to the State Budget of Ukraine).

## 16. Cash and Cash Equivalents

	As of 30 September 2020	As of 31 December 2019
		(UAH million)
Foreign currency cash	18,908	589
Demand deposits (other than restricted funds)	20,812	13,988
Short-term deposits with maturities of up to three months (other than deposits in gold, investment metals, and restricted funds)	30,146	74,808
SDR holdings	173	234
<b>Total cash and cash equivalents</b>	<b>70,039</b>	<b>89,619</b>

Changes in liabilities that resulted from financial activities in nine months 2020:

	Note	As of 1 January 2020	Changes driven by cash flows	Interest paid	Changes in exchange rates	Interest expenses accrued	Other	As of 30 September 2020
								(UAH million)
Banknotes and coins in circulation		425,256	90,752	–	–	–	–	516,008
Liabilities to the IMF	14	236,945	(17,456)	(3,772)	49,898	3,715	22	269,352
Certificates of deposit issued by the NBU		151,932	(29,393)	(9,036)	–	8,889	179	122,571

The NBU classifies paid interest as cash flows from operating activity in the Interim Concise Consolidated Statement of Cash Flow.

Changes in liabilities that resulted from financial activities in nine months 2019:

	Note	As of 1 January 2019	Changes driven by cash flows	Interest paid	Changes in exchange rates	Interest expenses accrued	Other	As of 30 September 2019
								(UAH million)
Banknotes and coins in circulation		400,334	(9,120)	–	–	–	–	391,214
Liabilities to the IMF	14	294,762	(15,438)	(4,710)	(42,224)	4,965	205	237,560
Term deposits		41	(41)	–	–	–	–	–
Certificates of deposit issued by the NBU		61,867	(2,096)	(6,572)	–	6,637	(22)	59,814



## 17. Interest Income and Expenses

	For the period ended 30 September 2020		For the period ended 30 September 2019	
	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
	(UAH million)			
<b>Interest income</b>				
Income on domestic securities at amortized cost	5,051	18,910	4,358	24,080
Income on loans to banks and other borrowers	470	1,489	768	2,323
Income on accounts and deposits in foreign currencies	16	254	270	935
Income on SDR holdings	–	1	1	4
Income on domestic public debt	36	108	39	99
Other	6	11	24	4
<b>Total interest income at the effective interest rate</b>	<b>5,579</b>	<b>20,773</b>	<b>5,460</b>	<b>27,445</b>
<b>Interest expenses</b>				
Expenses on certificates of deposit issued by the NBU	(1,539)	(8,877)	(2,016)	(6,605)
Expenses on operations with the IMF	(1,293)	(3,715)	(1,567)	(4,964)
Expenses on accounts of the Deposit Guarantee Fund	(60)	(143)	(17)	(126)
Expenses on borrowings received	(22)	(73)	(33)	(106)
<b>Total interest expenses at the effective interest rate</b>	<b>(2,914)</b>	<b>(12,808)</b>	<b>(3,633)</b>	<b>(11,801)</b>
Interest expenses on demand deposits and term deposits with a negative interest rate	(26)	(82)	(38)	(66)
<b>Net interest income</b>	<b>2,639</b>	<b>7,883</b>	<b>1,789</b>	<b>15,578</b>

Other interest income includes interest income on loans to employees.

In 2019, the NBU changed the presentation of expenses on financial assets with a negative rate. In the consolidated statement of comprehensive income for nine months 2019, expenses on deposits with a negative interest rate are presented under “Interest expenses” (UAH 38 million for the current quarter of 2019 and UAH 66 million for 9 months 2019). To ensure that information is presented consistently, the NBU transferred the respective expenses for nine months 2019 from the item “Income on accounts and deposits in foreign currency” (UAH 16 million for the current quarter of

2019 and UAH 26 million for nine months 2019) and the item “Fee and commission expense” of the consolidated statement of comprehensive income (UAH 22 million for the current quarter of 2019 and UAH 40 million for nine months 2019).

In nine months 2020, income on domestic securities at amortized cost included interest income on inflation-indexed domestic government securities worth UAH 3,939 million (the same period in 2019: UAH 8,017 million).

## 18. Staff Costs

	For the period ended 30 September 2020		For the period ended 30 September 2019	
	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
	(UAH million)			
Payroll of staff	396	1,111	353	1,063
Single contribution for mandatory state social security and contributions to nonstate pension funds	90	258	78	236
Financial aid and other social benefits	1	3	1	4
Other	5	12	3	10
<b>Total staff costs</b>	<b>492</b>	<b>1,384</b>	<b>435</b>	<b>1,313</b>

## 19. Administrative and Other Expenses

	For the period ended 30 September 2020		For the period ended 30 September 2019	
	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
	(UAH million)			
Consulting and legal services	3	14	21	55
Depreciation and amortization	51	150	51	160
Utilities and household expenses	34	103	33	113
Expenses for maintenance of noncurrent tangible and intangible assets	41	99	38	110
Taxes, duties, and charges	6	18	6	21
Business trips	1	7	6	18
Telecommunication services and maintenance	8	17	6	16
Banknote Printing and Minting Works' expenses not included into cost of production	76	230	92	303
Compensation to the Deposit Guarantee Fund for maintaining and selling collateral	167	186	6	6
Loss on disposal of property, plant and equipment and intangible assets	–	77	2	2
Expenses on maintaining and selling collateral	12	15	1	1
Repayments to banks of the earlier paid fines	16	16	–	–
Cost of sewage facility services	4	11	3	11
Payments to NBU Council members	4	11	3	9
Other	10	45	23	35
<b>Total administrative and other expenses</b>	<b>433</b>	<b>999</b>	<b>291</b>	<b>860</b>

Depreciation and amortization charges over nine months of 2020 exclude depreciation worth UAH 128 million (nine months of 2019: UAH 165 million) for property and equipment used in the production of banknote paper, banknotes, coins, and other products, which is included in the line *Expenses related to production of banknotes, coins, souvenirs and other products* of the Consolidated Statement of Comprehensive Income.

In 2019, the NBU changed the presentation of costs of Banknote Printing and Minting Works that are not included

into cost of production. In order to ensure a consistent presentation of 2019 information, the respective costs in the amount of UAH 92 million were transferred from item *Costs related to production of banknotes, coins, souvenirs, and other products* to item *Administrative and other expenses* of the Consolidated Statement of Comprehensive Income and are outlined in this Note.

Other expenses include the cost of audit, software maintenance, other operational expenses related to cash processing etc.

## 20. Contingent Liabilities, Loan Commitments, and Derivative Financial Instruments

### Capital Commitments

As of 30 September 2020, the NBU had capital commitments with respect to the acquisition, construction, and improvement of property and equipment and intangible assets totaling UAH 341 million (as of 31 December 2019: UAH 175 million).

### Loan Commitments

As of 30 September 2020 and 31 December 2019, the NBU had commitments for granting loans to the Deposit Guarantee Fund under an open revocable revolving credit line totaling UAH 2,000 million.

### 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 2020, the NBU had 254 long stock-exchange interest futures contracts of UAH 906 million or USD 32 million in face value, maturing in December 2020 (as

of 31 December 2019, the NBU had 269 long stock-exchange interest futures contracts of UAH 1,373 million or USD 58 million in face value, maturing in March 2020, and 90 short stock-exchange interest futures contracts of UAH 524 million or USD 22 million in face value, maturing between June 2020 and December 2020). UAH 8 million for settlements under futures transactions (UAH 8 million as of 2019) was measured at fair value and included in FX funds and deposits (Note 5).

### Legal Proceedings

From time to time and in the normal course of business, claims against the NBU occur. As of 30 September 2020 and 31 December 2019, no liabilities were formed under lawsuits that had been filed against the NBU that had a low likelihood of resulting in losses, according to NBU estimates.

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 2020 amounted to UAH 226 million (31 December 2019: UAH 131 million).

## 21. Fair Value of Financial Assets and Liabilities

The NBU determines the 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.

### Financial Assets and Liabilities Carried at Fair Value

Financial instruments carried at fair value include foreign securities and derivative financial instruments.

The fair value of foreign securities is based on quoted prices in an active market (Level 1 inputs) or other active market quoted prices (consensus price, etc.) obtained from trading information systems (Level 2 inputs). In the absence of information on quoted prices, the fair value is based on discounted cash flows 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 derivative financial instruments is determined on the basis of quoted prices in an active market (Level 1 inputs).

### 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 value for the purposes

of disclosing the fair value. 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 state and other institutions, NBU certificates of deposit, liabilities to the IMF, and other financial liabilities.

Financial instruments carried at amortized cost, the fair value of which may differ significantly from their carrying values, include domestic securities, domestic public 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. The said model takes into account future interest payments and principal repayments, the repayment period, and the discount rate.

For the purposes of estimating the fair value of domestic securities, the NBU uses the following approaches:

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 agreements on domestic government debt securities, 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 2019 to August 2020), and Level 3 inputs (the September 2020 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 agreements on domestic government debt securities using the Svensson parametric model)

for bonds of other state institutions, Level 2 inputs (spot rates calculated on the basis of the zero-coupon yield curve built using data from actually concluded and executed agreements

on domestic government debt securities using the Svensson parametric model) and Level 3 inputs (risk premiums of securities compared to the risk of government debt securities determined with the use of expert judgment at the level of 4,439 basis points, taking into account the availability of government guarantees in respect of those securities).

To measure the fair value of domestic public debt in domestic currency, the NBU's weighted average rate on all refinancing instruments (Level 3 inputs) 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 to measure the fair value of loans to banks and other borrowers.

The discount rates used are as follows:

	As of 30 September 2020	As of 31 December 2019
	Discount rate, % per annum	Discount rate, % per annum
Domestic securities in domestic currency:		
domestic government debt securities	7.59–10.97	7.43–13.01
bonds of other state institutions	67.60	28.91
Domestic public debt in domestic currency (1994–1996)	6.21	14.51
Loans to banks and other borrowers in domestic currency	7.5	15.0

The following table summarizes the carrying value and estimated fair values of the financial assets which do not appear in the NBU's interim concise consolidated financial statements at their fair values:

	As of 30 September 2020		As of 31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
	(UAH million)			
Domestic securities in domestic currency:				
domestic government debt securities	334,231	315,676	345,440	332,362
bonds of other state institutions	889	918	764	824
<b>Total domestic securities not presented at fair value</b>	<b>335,120</b>	<b>316,594</b>	<b>346,204</b>	<b>333,186</b>
Domestic public debt	1,659	1,892	1,727	1,307
<b>Loans to banks and other borrowers</b>	<b>25,310</b>	<b>24,548</b>	<b>13,843</b>	<b>14,068</b>

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 by levels of fair value hierarchy as follows:

	As of 30 September 2020			As of 31 December 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(UAH million)					
<b>Assets carried at fair value:</b>						
Funds and deposits in foreign currency (futures)	8	–	–	8	–	–
Foreign securities carried at fair value	477,245	137,083	27,385	429,937	41,642	33,400
Domestic securities carried at fair value:						
in foreign currency						
government derivatives	1,123	–	–	987	–	–
<b>Assets for which fair value is disclosed:</b>						
Domestic securities						
in domestic currency:						
domestic government debt securities	–	187,821	127,855	–	199,209	133,153
bonds of other state institutions	–	–	918	–	–	824
Domestic public debt	–	–	1,892	–	–	1,307
Loans to banks and other borrowers	–	–	24,548	–	–	14,068

In the first nine months of 2020, there were no significant transfers of financial instruments between Level 1 and Level 2 of fair value hierarchy. There were also no transfers of financial instruments to or from Level 3 of 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:

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	
	(UAH million)
<b>Foreign securities as of 31 December 2018</b>	<b>40,307</b>
Total gains/(losses)	(8,389)
Purchases of foreign securities	38,497
Redemptions of foreign securities	(34,345)
<b>Foreign securities as of 30 September 2019</b>	<b>36,070</b>
<b>Foreign securities as of 31 December 2019</b>	<b>33,400</b>
Total gains/(losses)	(10,401)
Purchases of foreign securities	4,386
Redemptions of foreign securities	–
<b>Foreign securities as of 30 September 2020</b>	<b>27,385</b>

The weighted average modified duration of the financial assets that are carried 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 0.46 as of 30 September 2020 (0.36 as of 31 December 2019). An increase in the yield rates used to determine the fair value of these financial assets as of 30 September 2020

(Level 3 inputs) by 1 basis point would decrease the fair value of the relevant assets by UAH 125 million (by UAH 121 million as of 31 December 2019), while a decrease in these yield rates by 1 basis point would increase the fair value of these assets by UAH 125 million (UAH 121 million as of 31 December 2019).

## 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 presented at amortized cost.

As of 30 September 2020, financial assets were broken down into measurement categories as follows:

	Assets measured at fair value through profit or loss	Assets at amortized cost	Total
			(UAH million)
<b>Financial assets</b>			
Funds and deposits in foreign currency	8	69,919	<b>69,927</b>
Foreign securities	641,713	–	<b>641,713</b>
SDR holdings	–	173	<b>173</b>
Domestic securities	1,123	335,120	<b>336,243</b>
Loans to banks and other borrowers	–	25,310	<b>25,310</b>
Domestic public debt	–	1,659	<b>1,659</b>
IMF quota contributions	–	80,136	<b>80,136</b>
Other financial assets	5	6,726	<b>6,731</b>
<b>Total financial assets</b>	<b>642,849</b>	<b>519,043</b>	<b>1,161,892</b>

As of 31 December 2019, financial assets were broken down into measurement categories as follows:

	Assets measured at fair value through profit or loss	Assets at amortized cost	Total
			(UAH million)
<b>Financial assets</b>			
Funds and deposits in foreign currency	8	89,512	<b>89,520</b>
Foreign securities	504,979	–	<b>504,979</b>
SDR holdings	–	234	<b>234</b>
Domestic securities	987	346,204	<b>347,191</b>
Loans to banks and other borrowers	–	13,843	<b>13,843</b>
Domestic public debt	–	1,727	<b>1,727</b>
IMF quota contributions	–	65,894	<b>65,894</b>
Other financial assets	8	228	<b>236</b>
<b>Total financial assets</b>	<b>505,982</b>	<b>517,642</b>	<b>1,023,624</b>

## 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. The outstanding balances as of 30 September 2020 and 31 December 2019 are presented in the table below:

	Notes	As of 30 September 2020			As of 31 December 2019		
		Government and state-controlled entities	Associated companies	Other related parties	Government and state-controlled entities	Associated companies	Other related parties
(UAH million)							
Domestic securities	8	336,243	–	–	347,191	–	–
Loans to banks and other borrowers		7,657	–	–	11,989	–	–
Loss allowances for loans to banks and other borrowers		(4,092)	–	–	(4,346)	–	–
Domestic public debt		1,659	–	–	1,727	–	–
Other assets		6,389	30	–	49	30	–
Accounts of banks		27,965	–	–	51,564	–	–
Accounts of government and other institutions		40,007	–	1	36,277	108	3
Accounts of the Deposit Guarantee Fund	12	3,674	–	–	2,498	–	–
Liabilities to transfer distributable profit to the state budget	15	–	–	–	42,722	–	–
Certificates of deposit issued by the NBU		37,533	–	–	56,185	–	–
Other liabilities		9	–	–	5	–	–

Other related party transactions include the account balance of the NBU Corporate Nonstate Pension Fund.

The terms and conditions of the transactions 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 31 December 2019 bore interest rates from 14.25% to 16.00% per annum)

the accounts of the government and other institutions as of 30 September 2020 and 31 December 2019 were noninterest-bearing

the accounts of the Deposit Guarantee Fund bore interest rates of 5.75% as of 30 September 2020 (31 December 2019: 9.53%)

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 2019, 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 domestic public debt and domestic securities are disclosed in the respective notes.

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

	For the period ended 30 September 2020			For the period ended 30 September 2019		
	Government and state- controlled entities	Associated companies	Other related parties	Government and state- controlled entities	Associated companies	Other related parties
						(UAH million)
Interest income	19,432	–	–	25,695	–	–
Interest expenses	(3,423)	–	–	(1,239)	–	–
Fee and commission income	73	–	–	74	–	–
Other income	352	4	–	329	52	–
Staff costs	–	–	(26)	–	–	(26)
Other expenses	(495)	–	(27)	(140)	–	(26)
Net decrease in provisions	18	–	–	77	–	–

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

In nine months of 2020, the short-term benefits (salary) of key management personnel were UAH 26.4 million, including remuneration to members of the NBU Council of UAH 10.8

million (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). As of 30 September 2020 and 30 September 2019, there were no outstanding loans to key management personnel.

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