



National Bank  
of Ukraine

# Interim Concise Consolidated Financial Statements

for the period ended 30 June 2020



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## Interim Concise Consolidated Statement of Financial Position

|   | Notes | As of 30 June<br>2020 | As of 31 December<br>2019 |
|---|-------|-----------------------|---------------------------|
| (UAH million)   |       |                       |                           |
| <b>Assets</b>   |       |                       |                           |
| Funds and deposits in foreign currency and investment metals      | 5     | 141,491               | 90,168                    |
| Foreign securities  | 6     | 585,088               | 504,979                   |
| SDR holdings  | 7     | 39                    | 234                       |
| Monetary gold   |       | 37,140                | 28,223                    |
| Ukrainian securities  | 8     | 334,811               | 347,191                   |
| Loans to banks and other borrowers                                | 9     | 14,883                | 13,843                    |
| Domestic public debt  |       | 1,682                 | 1,727                     |
| IMF quota contributions   | 10    | 73,874                | 65,894                    |
| Property and equipment and intangible assets                      |       | 4,194                 | 4,386                     |
| Other assets  |       | 5,703                 | 4,188                     |
| <b>Total assets</b>   |       | <b>1,198,905</b>      | <b>1,060,833</b>          |
| <b>Liabilities</b>  |       |                       |                           |
| Banknotes and coins in circulation                                |       | 486,505               | 425,256                   |
| Accounts of banks   | 11    | 50,591                | 78,444                    |
| Accounts of government and other institutions                     | 12    | 133,084               | 38,982                    |
| Liabilities on profit distribution to the state budget of Ukraine | 15    | –                     | 42,722                    |
| Certificates of deposit issued by the NBU                         | 13    | 104,755               | 151,932                   |
| Borrowings received   |       | 2,669                 | 2,369                     |
| Liabilities to the IMF except IMF quota contributions             | 14    | 182,972               | 171,059                   |
| Liabilities to the IMF with respect to quota settlement           | 14    | 73,865                | 65,886                    |
| Other liabilities   |       | 864                   | 810                       |
| <b>Total liabilities</b>  |       | <b>1,035,305</b>      | <b>977,460</b>            |
| <b>Equity</b>   |       |                       |                           |
| Statutory capital   |       | 100                   | 100                       |
| General and other reserves  |       | 133,755               | 51,439                    |
| Revaluation reserves for assets and liabilities                   |       | 29,700                | 31,790                    |
| <b>Total equity</b>   |       | <b>163,555</b>        | <b>83,329</b>             |
| <b>Noncontrolling interest</b>                                    |       | <b>45</b>             | <b>44</b>                 |
| <b>Total capital</b>  |       | <b>163,600</b>        | <b>83,373</b>             |
| <b>Total equity and liabilities</b>                               |       | <b>1,198,905</b>      | <b>1,060,833</b>          |

Signed and approved for publishing on behalf of the National Bank of Ukraine on 31 August 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<br>30 June 2020 |  | For the period ended<br>30 June 2019 |  |
|---|-------|--------------------------------------|--|--------------------------------------|--|
|   |       | For the current<br>quarter           | On a<br>cumulative<br>basis from the<br>beginning of<br>the year | For the current<br>quarter           | On a<br>cumulative<br>basis from the<br>beginning of<br>the year |
| (UAH million)   |       |                                      |  |                                      |  |
| Interest income   | 17    | 8,838                                | 15,196   | 11,134                               | 22,007   |
| Interest expenses   | 17    | (3,807)                              | (9,952)  | (3,867)                              | (8,206)  |
| <b>Net interest income before impairment recovery</b>   |       | <b>5,031</b>                         | <b>5,244</b>   | 7,267                                | 13,801   |
| Net impairment recovery on main interest rate financial assets  |       | 40                                   | 331  | 183                                  | 475  |
| <b>Net interest income after impairment recovery</b>  |       | <b>5,071</b>                         | <b>5,575</b>   | 7,450                                | 14,276   |
| Fee and commission income   |       | 67                                   | 166  | 64                                   | 133  |
| Fee and commission expense  |       | (31)                                 | (198)  | (8)                                  | (19)   |
| <b>Net fee and commission income (expense)</b>  |       | <b>36</b>                            | <b>(32)</b>  | 56                                   | 114  |
| Gains or losses on operations with financial assets and liabilities in foreign currency and monetary gold |       | (20,301)                             | 60,427   | (10,894)                             | (15,474)   |
| Gains or losses on operations with financial instruments measured at fair value through profit or loss    |       | 3,842                                | 15,803   | 4,834                                | 8,910  |
| Other income  |       | 204                                  | 330  | 206                                  | 638  |
| <b>Total net income</b>   |       | <b>(11,148)</b>                      | <b>82,103</b>  | 1,652                                | 8,464  |
| Staff costs   | 18    | (415)                                | (892)  | (451)                                | (877)  |
| Costs related to production of banknotes, coins, souvenirs, and other products                            |       | (347)                                | (584)  | (177)                                | (487)  |
| Administrative and other expenses   | 19    | (357)                                | (566)  | (314)                                | (580)  |
| Increase in provisions for contingent liabilities   |       | –                                    | (95)   | (122)                                | (121)  |
| Net (increase)/decrease in provisions for other assets  |       | (1)                                  | (1)  | 1                                    | 1  |
| <b>Profit before income tax</b>   |       | <b>(12,268)</b>                      | <b>79,965</b>  | 589                                  | 6,400  |
| <b>Income tax expense of subsidiary</b>   |       | <b>–</b>                             | <b>(1)</b>   | (1)                                  | (2)  |
| <b>Profit for the period</b>  |       | <b>(12,268)</b>                      | <b>79,964</b>  | 588                                  | 6,398  |
| Other comprehensive income not to be reclassified subsequently to profit or loss:                         |       |                                      |  |                                      |  |
| Revaluation of investment metals  |       | 94                                   | 263  | (53)                                 | 45   |
| <b>Other comprehensive income for the period</b>  |       | <b>94</b>                            | <b>263</b>   | (53)                                 | 45   |
| <b>Total comprehensive income for the period</b>  |       | <b>(12,174)</b>                      | <b>80,227</b>  | 535                                  | 6,443  |
| <b>Profit for the period attributable to:</b>   |       |                                      |  |                                      |  |
| National Bank of Ukraine  |       | (12,268)                             | 79,963   | 587                                  | 6,397  |
| Noncontrolling interest   |       | –                                    | 1  | 1                                    | 1  |
|   |       | <b>(12,268)</b>                      | <b>79,964</b>  | 588                                  | 6,398  |
| Comprehensive income attributable to:   |       |                                      |  |                                      |  |
| National Bank of Ukraine  |       | (12,174)                             | 80,226   | 534                                  | 6,442  |
| Noncontrolling interest   |       | –                                    | 1  | 1                                    | 1  |
|   |       | <b>(12,174)</b>                      | <b>80,227</b>  | 535                                  | 6,443  |

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Governor

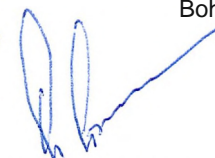
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## Interim Concise Consolidated Statement of Cash Flows

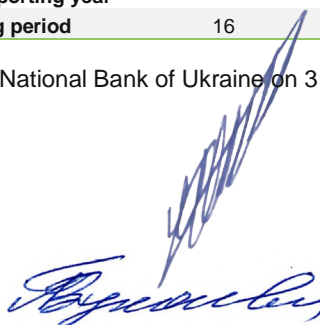
|   | Notes | As of 30 June<br>2020 | As of 30 June<br>2019 |
|---|-------|-----------------------|-----------------------|
| (UAH million)   |       |                       |                       |
| <b>Operating activities</b>   |       |                       |                       |
| Interest received   |       | 15,408                | 20,362                |
| Fees and commissions received   |       | 166                   | 133                   |
| Other income  |       | 948                   | 287                   |
| Interest paid   |       | (10,274)              | (7,973)               |
| Fees and commissions paid   |       | (198)                 | (37)                  |
| Other expenses  |       | (2,357)               | (1,397)               |
| Taxes, duties, and charges paid   |       | (229)                 | (159)                 |
| Transfers to the state budget of Ukraine                                |       | (42,722)              | (64,898)              |
| (Increase)/decrease in loans to banks and other borrowers               |       | (364)                 | 5,360                 |
| Domestic public debt repaid   |       | 66                    | 33                    |
| (Decrease)/increase in accounts of banks on demand                      |       | (30,483)              | 15,750                |
| Increase/(decrease) in accounts of government and other institutions    |       | 91,876                | (10,150)              |
| Increase in other assets  |       | (597)                 | (455)                 |
| Increase/(decrease) in other liabilities                                |       | 1,474                 | (476)                 |
| Other cash flows  |       | (1,130)               | 10,704                |
| <b>Net cash inflows/(outflows) from operating activities</b>            |       | <b>21,584</b>         | <b>(32,916)</b>       |
| <b>Investing activities</b>   |       |                       |                       |
| Net increase in foreign securities                                      |       | (194)                 | (11,251)              |
| Purchase of monetary gold   |       | (50)                  | (62)                  |
| Repayment of domestic securities  | 8     | 12,500                | 10,998                |
| Acquisition of property and equipment and intangible assets             |       | (75)                  | (48)                  |
| Sale of property and equipment and intangible assets                    |       | –                     | 80                    |
| <b>Net cash inflows/(outflows) from investing activities</b>            |       | <b>12,181</b>         | <b>(283)</b>          |
| <b>Financing activities</b>   |       |                       |                       |
| Issue/(withdrawal from) of banknotes and coins into circulation         |       | 61,249                | (6,351)               |
| Repayment of liabilities to the IMF                                     | 7, 14 | (8,271)               | (9,674)               |
| Term deposits attracted   |       | –                     | (41)                  |
| Certificates of deposit issued by the NBU                               |       | (47,169)              | (16,568)              |
| <b>Net cash inflows/(outflows) from financing activities</b>            |       | <b>5,809</b>          | <b>(32,634)</b>       |
| <b>Effect of changes in exchange rate</b>                               |       | <b>11,162</b>         | <b>12,087</b>         |
| <b>Net change in cash and cash equivalents</b>                          |       | <b>50,736</b>         | <b>(53,746)</b>       |
| <b>Cash and cash equivalents at the beginning of the reporting year</b> |       | <b>89,619</b>         | <b>139,241</b>        |
| <b>Cash and cash equivalents at the end of the reporting period</b>     | 16    | <b>140,355</b>        | <b>85,495</b>         |

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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 H1 2019   | -                 | 6,397                      | 45   | 6,442          | 1                       | <b>6,443</b>   |
| Gain/(loss) on transfer of assets  | -                 | (132)                      | -  | (132)          | -                       | <b>(132)</b>   |
| Realized gain/(loss) on revaluation of securities disposed and derivatives               | -                 | 590                        | (590)  | -              | -                       | -              |
| Allocation of unrealized gain/(loss) on revaluation of securities to revaluation reserve | -                 | 325                        | (325)  | -              | -                       | -              |
| <b>Balance as of 30 June 2019</b>  | <b>100</b>        | <b>63,271</b>              | <b>80,404</b>                                  | <b>143,775</b> | <b>43</b>               | <b>143,818</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 H1 2020   | -                 | 79,963                     | 263  | 80,226         | 1                       | <b>80,227</b>  |
| Realized gain/(loss) on revaluation of securities disposed and derivatives               | -                 | 2,353                      | (2,353)  | -              | -                       | -              |
| <b>Balance as of 30 June 2020</b>  | <b>100</b>        | <b>133,755</b>             | <b>29,700</b>                                  | <b>163,555</b> | <b>45</b>               | <b>163,600</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 main statutory function is safeguarding the stability of the Ukrainian unit of money. 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 statutory capital is the property of the state.

As of 30 June 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 units operate exclusively within the scope of the NBU's tasks and functions, as defined by Ukraine's Law *On the National Bank of Ukraine*.

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

As of 30 June 2020 and 31 December 2019, 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 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 June 2020 and 31 December 2019, the NBU's investments in associated companies were represented by the National Depository of Ukraine Public Joint Stock Company.

The NBU, the National Securities and Stock Market Commission and other stock market players are shareholders of the National Depository of Ukraine Public Joint Stock Company (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 2020, the NBU's shareholding in the statutory capital of the National Depository was 25% (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 H1 2020, the NBU's financial risk management targets and policies remained the same.

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

|                      | 30 June 2020<br>(in UAH) | 31 December 2019<br>(in UAH) |
|----------------------|--------------------------|------------------------------|
| 1 US dollar          | 26.6922                  | 23.6862                      |
| 1 SDR                | 36.720342                | 32.7539                      |
| 1 euro               | 29.95                    | 26.422                       |
| 1 GBP                | 33.077                   | 31.0206                      |
| 1 Troy ounce of gold | 47,037.26                | 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

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)

IFRS 17 *Insurance Contracts* is a new financial reporting standard for insurance contracts that determines recognition and 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, such accounting policies are more appropriate, better suit 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 June 2019 | The effect of the change in accounting policies | The amended comparative data as reflected as of 30 June 2019 |
|--|---|---|--|
| (UAH million)  |   |   |  |
| <b>Operating activities</b>                                    |   |   |  |
| Other cash flows   | –   | 10,704  | 10,704   |
| Net cash outflows  | (43,620)  | 10,704  | (32,916)   |
| <b>Investing activities</b>                                    |   |   |  |
| Net increase in foreign securities                             | 5,463   | (16,714)  | (11,251)   |
| Net cash outflows from investment activities                   | 16,431  | (16,714)  | (283)  |
| Net change in cash and cash equivalents                        | (47,736)  | (6,010)   | (53,746)   |
| Cash and cash equivalents at beginning of the reporting period | 139,241   | –   | 139,241  |
| Cash and cash equivalents at the end of the reporting year     | 91,505  | (6,010)   | 85,495   |

#### Change in presentation

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

|   | As reflected in the financial report as of 30 June 2019 |  | Change in presentation  |  | The amended comparative data as reflected as of 30 June 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 |
| (UAH million)   |   |  |                         |  |  |  |
| Gains or losses on operations with debt securities measured at fair value                                   | 4,749   | 8,738  | (4,749)                 | (8,738)  | –  | –  |
| Gains or losses on operations with financial instruments, other than debt securities measured at fair value | 85  | 172  | (85)                    | (172)  | –  | –  |
| Gains or losses on operations with financial instruments measured at fair value through profit or loss      | –   | –  | –                       | –  | 4,834  | 8,910  |

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 June 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.

H1 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. Impact of Economic Conditions on the NBU's Financial Position and Performance

In Q2 2020, real GDP fell by 11.4% yoy (<http://ukrstat.gov.ua>). The NBU estimates the decline in real GDP was primarily driven by full-scale quarantine restrictions on certain activities. An additional negative contribution came from a decrease in agricultural production due to the late start of the harvesting campaign. As quarantine measures were eased, economic activity began a gradual recovery as early as in May. Having suffered the most from the spread of the acute respiratory disease COVID-19 caused by coronavirus SARS-CoV-2, the Ukrainian services sector mostly returned to normal operations. The labor market, although in a worse condition than before the crisis, was showing signs of stabilization.

Exports of goods and services showed some resilience to crisis events. In contrast, imports of goods and services plunged as domestic demand narrowed, energy prices fell further, and tourism faced a temporary halt. As a result, the current account posted a record surplus of USD 6.7 billion (10.1% of GDP) in H1 2020. Capital outflows continued, primarily due to significant payments on external liabilities. Thanks to the sizable current account surplus, coupled with the loans received from the IMF, gross international reserves increased significantly, to USD 28.5 billion as of the end of June, covering 4.9 months of future imports.

Annual consumer inflation picked up at the end of Q2 2020, to 2.4% yoy in June. However, inflation remained below the lower bound of the 5% ± 1 pp target range. Core inflation hovered at around 3.0% yoy. The main factor accelerating

inflation as the quarter drew to a close was the rise in some food prices due to adverse weather conditions. The inflation expectations of businesses and households also worsened. At the same time, price growth was restrained by weak domestic demand, benign FX market conditions, and relatively low energy prices.

The stimulus measures conducted by the NBU and the Ukrainian government supported business activity and private consumption. In Q2 2020, the NBU Board rapidly cut the key policy rate, decreasing it to 6% – an all-time low in nominal terms since Ukraine gained its independence. The real key policy rate crossed the neutral level, indicating that the monetary policy started to have a stimulating effect.

In order to support lending to the Ukrainian economy, the NBU took a number of steps to provide liquidity to the banking system and ease requirements for banks for the duration of the quarantine and the restrictive measures. In particular, the NBU adapted the operational design of its monetary policy to the new financial market conditions, implemented long-term refinancing to support lending and liquidity of banks, recommended banks to restructure loans of borrowers who had been affected by the anti-pandemic restrictions (loan repayment holiday), introduced the interest rate swap, and signed a currency swap agreement with the EBRD. The NBU also took other measures to support the banking sector. These measures envisage that the NBU, until June 2021, will impose no penalties against banks and banking groups for

their failure to comply with existing capital adequacy, liquidity, and credit risk ratios, and other requirements.

In H1 2020, the consolidated budget recorded a small deficit of UAH 3.4 billion, which resulted from a state budget deficit (UAH 18.8 billion). The deficit was covered by borrowing from domestic and foreign markets and by official financing received from international financial institutions and under agreements with other countries and their unions. These funds, together with state-owned enterprises transferring a portion of their profits and paying dividends, helped accumulate sizeable budget resources as of end-July 2020 to be used to support the economy and finance debt repayments. The government's active borrowing and an exchange rate revaluation made the public and publicly guaranteed debt exceed 57% of GDP as of the end of June 2020 according to the NBU's estimates.

The banking system continued to see a large liquidity surplus. The average daily balances of certificates of deposit (by principal) grew to UAH 133.6 billion in June 2020, whereas the average daily balances of banks' correspondent accounts decreased over this period (to UAH 53.6 billion).

In June 2020, Moody's upgraded its credit rating of Ukraine to B3 from Caa1, which had remained unchanged since the end of 2018. At the same time, Standard & Poor's in March and Fitch in April confirmed their ratings for Ukraine at B.

### ***Changes in Operational and Political Environment of Ukraine in H1 2020***

The spread of COVID-19 pandemic in Ukraine and across the globe in early 2020 and quarantine restrictions implemented by the majority of governments caused a sharp decline in economic activity in most countries, including Ukraine. Economic activity is recovering gradually as the quarantine restrictions are eased. However, the uncertainty about the further spread of the infection in Ukraine and worldwide remains high, which will restrain consumer and investment decisions of businesses and households, thus limiting economic growth.

In H1 2020, the economy of Ukraine remained affected by the unresolved armed conflict in some regions of 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 measured accurately as of today. The management of the NBU is closely watching the current developments and is taking action in order to mitigate effects of the negative factors.

## 5. Funds and deposits in foreign currency and investment metals

|  | Note | 30 June<br>2020 | 31 December<br>2019 |
|--|------|-----------------|---------------------|
| (in UAH million)   |      |                 |                     |
| <b>Financial assets at amortized cost</b>  |      |                 |                     |
| Foreign currency cash  |      | 17,481          | 589                 |
| Demand deposits  |      | 70,039          | 14,085              |
| Term deposits in foreign currency  |      | 52,924          | 74,848              |
| Loss allowances for expected credit losses on deposits in foreign currency that are measured at amortized cost |      | –               | (10)                |
| <b>Total financial assets that are measured at amortized cost</b>  |      | <b>140,444</b>  | <b>89,512</b>       |
| <b>Financial assets that are measured at fair value through profit or loss</b>                                 |      |                 |                     |
| Demand deposits <i>for settling futures transactions</i>   | 20   | 15              | 8                   |
| <b>Total financial assets</b>  |      | <b>140,459</b>  | <b>89,520</b>       |
| <b>Nonfinancial assets</b>   |      |                 |                     |
| Term deposits and demand deposits:   |      |                 |                     |
| in gold  |      | 1,032           | 648                 |
| <b>Total nonfinancial assets</b>   |      | <b>1,032</b>    | <b>648</b>          |
| <b>Total funds and deposits in foreign currency and investment metals</b>                                      |      | <b>141,491</b>  | <b>90,168</b>       |

The sum of demand deposits that are measured at amortized cost as of 30 June 2020 includes balances of special purpose accounts of UAH 126 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 treated as investment activity, whereas those generated by gold-denominated demand deposits - as operating activity.

All funds and deposits in foreign currency are not in collateral as of 30 June 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 June 2020, foreign securities comprised the following:

|  | Government bonds | Securities issued by international agencies, banks and other issuers | Total          |
|--|------------------|--|----------------|
| (in 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   | 349,010          | 5,321  | 354,331        |
| securities issued by EU issuers:   |                  |  |                |
| denominated in USD   | 7,238            | 37,305   | 44,543         |
| denominated in EUR   | 168              | 13,629   | 13,797         |
| denominated in GBP   | 1,158            | –  | 1,158          |
| denominated in Chinese renminbi  | –                | 382  | 382            |
| securities issued by other issuers                                       |                  |  |                |
| denominated in USD   | 5,779            | 89,626   | 95,405         |
| denominated in EUR   | 1,486            | 33,150   | 34,636         |
| denominated in AUD   | 616              | 277  | 893            |
| denominated in GBP   | 6,977            | 4,528  | 11,505         |
| denominated in Chinese renminbi  | 302              | 16,803   | 17,105         |
| denominated in JPY   | –                | 11,212   | 11,212         |
| <b>Total debt securities</b>   | <b>372,734</b>   | <b>212,233</b>   | <b>584,967</b> |
| <b>Capital instruments:</b>  |                  |  |                |
| securities issued by the Black Sea Trade and Development Bank            | –                | 120  | 120            |
| investment in the Interstate Bank  | –                | 1  | 1              |
| <b>Total capital instruments</b>   | <b>–</b>         | <b>121</b>   | <b>121</b>     |
| <b>Total foreign securities at fair value through profit or loss:</b>    | <b>372,734</b>   | <b>212,354</b>   | <b>585,088</b> |

In H1 2020, 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 4,414 million (compared to UAH 3,628 million in H1 2019).

All foreign securities are expected to be recovered within 12 months, except for capital instruments, totaling 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          |
|--|------------------|--|----------------|
| (in 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>Capital instruments:</b>  |                  |  |                |
| securities issued by the Black Sea Trade and Development Bank            | -                | 120  | 120            |
| investment in the Interstate Bank  | -                | 1  | 1              |
| <b>Total capital 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 June 2020 is presented in the table below:

|   | Total nominal value in foreign currency, million | Total nominal value in hryvnia equivalent, UAH million | Coupon rate, % p.a. | Frequency of coupon payments                                    | Maturity                     |
|---|--|--|---------------------|---|------------------------------|
| <b>Debt securities that are measured at fair value through profit or loss by issuers:</b> |  |  |                     |   |                              |
| <b>Government bonds</b>   |  |  |                     |   |                              |
| securities issued by U.S. issuers:  |  |  |                     |   |                              |
| denominated in USD  | 12,486   | 333,290  | 0–3.125             | Every 6 months, without coupon payments                         | From 3.6 months to 4.8 years |
| securities issued by EU issuers:  |  |  |                     |   |                              |
| denominated in USD  | 266  | 7,111  | 0.625–1.875         | Quarterly, once a year  | From 3.6 months to 2.8 years |
| denominated in EUR  | 6  | 165  | 0.375               | once a year   | 2.6 years                    |
| denominated in GBP  | 35   | 1,158  | 0.67813             | Quarterly   | 1.3 years                    |
| securities issued by other issuers  |  |  |                     |   |                              |
| denominated in USD  | 209  | 5,567  | 0.43638–2.625       | Quarterly, every 6 months, once a year                          | From 2.8 months to 3.9 years |
| denominated in EUR  | 50   | 1,498  | 0.125               | once a year   | 6.4 years                    |
| denominated in AUD  | 30   | 556  | 2.25–5.5            | Every 6 months  | From 2.4 years to 2.8 years  |
| denominated in GBP  | 207  | 6,860  | 0.5–2               | Every 6 months  | From 22 days to 3.1 years    |
| denominated in Chinese renminbi   | 80   | 300  | 2.95                | Every 6 months  | 12 months                    |
| <b>Securities issued by international agencies, banks and other issuers:</b>              |  |  |                     |   |                              |
| securities issued by U.S. issuers:  |  |  |                     |   |                              |
| denominated in USD  | 198  | 5,282  | 0.49338–2.45        | Quarterly, every 6 months, once a year                          | From 2.9 months to 4.8 years |
| securities issued by EU issuers:  |  |  |                     |   |                              |
| denominated in USD  | 1,375  | 36,700   | 0–3.125             | Quarterly, every 6 months, once a year, without coupon payments | From 28 days to 6.5 years    |
| denominated in EUR  | 453  | 13,567   | 0–4                 | Quarterly, once a year, without coupon payments                 | From 3.5 months to 6.7 years |
| denominated in Chinese renminbi   | 100  | 377  | 4.5                 | Every 6 months  | 4.8 months                   |
| securities issued by other issuers  |  |  |                     |   |                              |
| denominated in USD  | 3,340  | 89,159   | 0–3.35              | Quarterly, every 6 months, once a year, without coupon payments | From 14 days to 5 years      |
| denominated in EUR  | 1,107  | 33,155   | 0–0.75              | Quarterly, once a year, without coupon payments                 | From 6.5 months to 4.3 years |
| denominated in AUD  | 15   | 275  | 0.9478              | Quarterly   | 1.4 years                    |
| denominated in GBP  | 137  | 4,532  | 0–0.52088           | Quarterly, once a year, without coupon payments                 | From 2.6 months to 3.1 years |
| denominated in Chinese renminbi   | 4,476  | 16,879   | 0–4.8               | Every 6 months, once a year, without coupon payments            | From 1.5 months to 4.4 years |
| denominated in JPY  | 45,000   | 11,232   | 0–0.42              | Every 6 months, without coupon payments                         | From 2.3 months to 4.3 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, million | Total nominal value in hryvnia equivalent, UAH million | Coupon rate, % p.a. | Frequency of coupon payments                                    | Maturity                       |
|---|--|--|---------------------|---|--------------------------------|
| <b>Debt securities that are measured 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 payments | From 10 days to 3.5 years      |
| denominated in EUR  | 648  | 17,122   | 0–4                 | Quarterly, once a year, without coupon payments                 | From 8 days to 4.7 years       |
| denominated in GBP  | 48   | 1,489  | 0–0.625             | Once a year, without coupon payments                            | From 17 days to 4.7 months     |
| denominated in Chinese renminbi   | 1,130  | 3,826  | 0–4.5               | Every 6 months, without coupon payments                         | 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 payments              | From 10 days to 4.5 years      |
| denominated in EUR  | 1,422  | 37,572   | 0–0.75              | Quarterly, once a year, without coupon payments                 | 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 payments            | From 2.4 months to 2.3 years   |
| denominated in JPY  | 60,300   | 13,041   | 0–0.42              | Every 6 months, without coupon payments                         | From 1.2 months to 4.8 years   |



## 7. SDR holdings

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

Movements in the SDR holding account in H1 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  | 17,692     | 32,734        |
| Other proceeds and payments   | 82         | –             |
| Repayment of loans:   |            |               |
| on behalf of the NBU (Note 14)  | (8,271)    | (9,674)       |
| on behalf of the Government   | (5,715)    | (18,164)      |
| 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  | (2,555)    | (3,105)       |
| on behalf of the Government   | (869)      | (1,417)       |
| Payment of interest for the use of funds received under SDR allocation: |            |               |
| on behalf of the NBU  | (8)        | (17)          |
| on behalf of the Government   | (116)      | (252)         |
| Other payments  | (1)        | (1)           |
| Income on SDR holdings  | 1          | 2             |
| Exchange rate differences   | 34         | (51)          |
| <b>Balance of SDR holdings as of 30 June</b>                            | <b>39</b>  | <b>155</b>    |

In H1 2020 and H1 2019, the NBU received no funds from the IMF.

## 8. Domestic securities

As of 30 June 2020, domestic securities comprised the following:

|   | Government securities | Corporate securities | Total          |
|---|-----------------------|----------------------|----------------|
|   |                       |                      | (UAH million)  |
| <b>Securities at fair value through profit or loss:</b>   |                       |                      |                |
| in foreign currencies:  |                       |                      |                |
| government derivatives denominated in USD   | 1,077                 | –                    | 1,077          |
| <b>Total securities at fair value through profit or loss</b>                                      | <b>1,077</b>          | <b>–</b>             | <b>1,077</b>   |
| <b>Debt securities at amortized cost:</b>   |                       |                      |                |
| in the national currency:   |                       |                      |                |
| domestic government debt securities   | 332,888               | –                    | 332,888        |
| bonds of other government institutions  | –                     | 975                  | 975            |
| Allowances for expected credit losses on bonds of other government institutions at amortized cost | –                     | (129)                | (129)          |
| <b>Total debt securities at amortized cost</b>  | <b>332,888</b>        | <b>846</b>           | <b>333,734</b> |
| <b>Total domestic securities</b>  | <b>333,965</b>        | <b>846</b>           | <b>334,811</b> |

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

In H1 2020 and in 2019, the NBU did not purchase domestic government debt securities.

As of 30 June 2020 and 31 December 2019, bonds of other government institutions included bonds of the State Mortgage Institution with an additional collateral in the form of government guarantees on issuer liabilities provided by the Cabinet of Ministers of Ukraine (hereinafter – the SMI bonds). The SMI bonds were appropriated by the NBU in November 2019 at nominal value of UAH 946 million and book value of UAH 938 million to implement the amicable settlement with a Ukrainian bank on repayment of its debt under loans. The SMI bonds have 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 the certain GDP indicators and the indicator of real GDP growth for 2019–2038.

In H1 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. In H1 2020, the NBU did not make provisions for expected credit losses on government securities.

As of 30 June 2020, the gross carrying value of bonds of other government institutions was UAH 975 million, provisions for expected loan losses were UAH 129 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 16,123 million (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 comprised the following:

|   | Government securities | Corporate securities | Total          |
|---|-----------------------|----------------------|----------------|
|   |                       |                      | (UAH million)  |
| <b>Securities at fair value through profit or loss:</b>   |                       |                      |                |
| 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>   |                       |                      |                |
| in the national currency:   |                       |                      |                |
| domestic government debt securities   | 345,440               | –                    | 345,440        |
| bonds of other government institutions  | –                     | 953                  | 953            |
| Allowances for expected credit losses on bonds of other government 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 June 2020 is presented in the table below:

|   | Total nominal value in the UAH equivalent, UAH million | Total nominal value in foreign currencies, in million | Yield to maturity, % p.a. | Coupon rate, % p.a. | Frequency of coupon payments | Maturity                      |
|---|--|---|---------------------------|---------------------|------------------------------|-------------------------------|
| <b>Securities at fair value through profit or loss:</b> |  |   |                           |                     |                              |                               |
| in foreign currencies:                                  |  |   |                           |                     |                              |                               |
| government derivatives                                  | 1,170  | 44  | –                         | –                   | –                            | Up to 19.9 years              |
| <b>Debt securities at amortized cost:</b>               |  |   |                           |                     |                              |                               |
| in the national currency:                               |  |   |                           |                     |                              |                               |
| domestic government debt securities                     | 324,577  | –   | 7.67– 10.96               | 6.8–14.3            | Once a year, every 6 months  | From 7.5 months to 27.4 years |
| bonds of other government institutions                  | 946  | –   | 28.07                     | 9.5                 | Every 6 months               | 4.7 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 in the UAH equivalent, UAH million | Total nominal value in foreign currencies, in million | Yield to maturity, % p.a. | Coupon rate, % p.a. | Frequency of coupon payments | Maturity                      |
|---|--|---|---------------------------|---------------------|------------------------------|-------------------------------|
| <b>Securities at fair value through profit or loss:</b> |  |   |                           |                     |                              |                               |
| in foreign currencies:                                  |  |   |                           |                     |                              |                               |
| government derivatives                                  | 1,038  | 44  | –                         | –                   | –                            | Up to 20.4 years              |
| <b>Debt securities at amortized cost:</b>               |  |   |                           |                     |                              |                               |
| in the national currency:                               |  |   |                           |                     |                              |                               |
| domestic government debt securities                     | 337,077  | –   | 7.43– 13.01               | 4.9–14.5            | Once a year, every 6 months  | From 21 days up to 27.9 years |
| bonds of other government institutions                  | 946  | –   | 28.91                     | 9.5                 | Every 6 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 June<br>2020 | As of 31 December<br>2019 |
|---|-----------------------|---------------------------|
|   |                       | (UAH million)             |
| Loans granted to banks to support their liquidity:  |                       |                           |
| for stabilizing banking activities  | 42,513                | 51,324                    |
| through tenders conducted by the NBU  | 7,464                 | 386                       |
| overnight   | 2,000                 | –                         |
| other   | 10                    | 10                        |
| 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                         |
| Allowance for expected credit losses on loans to banks and other borrowers  | (37,142)              | (37,915)                  |
| <b>Total loans to banks and other borrowers</b>   | <b>14,883</b>         | <b>13,843</b>             |

Loans granted banking activities which are expected to be recovered later than within 12 months of the reporting date amounted to UAH 4,567 million at the nominal value (UAH 7,621 million as of 31 December 2019).

During H1 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 June 2020, the gross carrying value of loans to banks was UAH 51,987 million, allowances for expected loan losses were UAH 37,104 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 June 2020 and 31 December 2019, the gross carrying value of loans granted under credit lines 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 June 2020, Ukraine's total quota in the IMF amounted to SDR 2,012 million (UAH 73,874 million at the official UAH/SDR exchange rate as of the end of 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 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 2020, 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 2019: SDR 241,031, or UAH 8 million at the year-end official UAH/SDR exchange rate).

## 11. Accounts of banks

|  | As of 30 June 2020 | As of 31 December 2019 |
|--|--------------------|------------------------|
|  |                    | (UAH million)          |
| Correspondent accounts:  |                    |                        |
| in domestic currency   | 46,373             | 52,438                 |
| in foreign currency  | –                  | 23,686                 |
| Accounts of banks on special use terms:                                |                    |                        |
| in domestic currency   | 1,852              | 1,959                  |
| in foreign currency  | 225                | 352                    |
| Funds placed to ensure the repayment of the debts of banks to the NBU: |                    |                        |
| in foreign currency  | 2,141              | 9                      |
| <b>Total accounts of banks</b>   | <b>50,591</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 June 2020 and 31 December 2019, interest on the balances of the reserve requirements in the correspondent account is not accrued.

As of 30 June 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 June 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 June 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 June 2020 | As of 31 December 2019 |
|---|--------------------|------------------------|
|   |                    | (UAH million)          |
| Funds of budgets and budget entities                  | 131,801            | 36,277                 |
| Deposit Guarantee Fund                                | 1,109              | 2,498                  |
| Other   | 174                | 207                    |
| <b>Total accounts of state and other institutions</b> | <b>133,084</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 noninterest-bearing, except for the accounts of the Deposit Guarantee Fund,

which bore interest rates of 7.33% as of 30 June 2020 (31 December 2019: 9.53%).

As of 30 June 2020 and 31 December 2019, the maturities of all accounts of state and other institutions were up to 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 H1 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 June 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 5.85% 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 H1 2020 was 8.88% 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 June 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 June 2020 | As of 31 December 2019 |
|--|--------------------|------------------------|
|  |                    | (UAH million)          |
| Liabilities to the IMF for SDR purchases                     | 179,978            | 168,385                |
| Liabilities to the IMF for SDR allocations                   | 2,991              | 2,671                  |
| IMF account No. 2  | 3                  | 3                      |
| <b>Liabilities to the IMF apart from quota contributions</b> | <b>182,972</b>     | <b>171,059</b>         |
| Liabilities to the IMF to pay quota contributions            | 73,680             | 65,721                 |
| IMF account No. 1  | 185                | 165                    |
| <b>Liabilities to the IMF to pay quota contributions</b>     | <b>73,865</b>      | <b>65,886</b>          |
| <b>Total liabilities to the IMF</b>                          | <b>256,837</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 H1 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 the hryvnia on the territory of Ukraine.

Liabilities to the IMF to pay quota contributions represent liabilities for quota settlement. In H1 2020 and in 2019, there were no changes in liabilities on quota contributions related to the IMF's administrative disbursements in the hryvnia.

In H1 2020 and in 2019, no changes occurred in the size of the quota (Note 10).

In H1 2020, liabilities worth SDR 234 million (UAH 8,271 million at the official exchange rate as of the transaction date, or UAH 8,648 million at the annual exchange rate of the IMF) were repaid to the IMF (in H1 2019, repayments of liabilities to the IMF equaled SDR 258 million (UAH 9,674 million at the official exchange rate as of the transaction date, or UAH 9,711 million at the annual exchange rate of the IMF)) (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 529 million (UAH 19,479 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 June 2020 | As of 31 December 2019 |
|--|--------------------|------------------------|
|  |                    | (UAH million)          |
| Foreign currency cash  | 17,481             | 589                    |
| Demand deposits (other than restricted funds)  | 69,913             | 13,988                 |
| Short-term deposits with maturities of up to three months (other than deposits in gold, investment metals, and restricted funds) | 52,922             | 74,808                 |
| SDR holdings   | 39                 | 234                    |
| <b>Total cash and cash equivalents</b>   | <b>140,355</b>     | <b>89,619</b>          |

Changes in liabilities that resulted from financial activities in H1 2020:

|   | Note | As of<br>1 January<br>2020 | Changes<br>driven by<br>cash flows | Interest paid | Changes in<br>exchange<br>rates | Interest<br>expenses<br>accrued | Other | As of 30 June<br>2020 |
|---|------|----------------------------|------------------------------------|---------------|---------------------------------|---------------------------------|-------|-----------------------|
|   |      |                            |                                    |               |                                 |                                 |       | (UAH million)         |
| Banknotes and coins in circulation        |      | 425,256                    | 61,249                             | –             | –                               | –                               | –     | 486,505               |
| Liabilities to the IMF                    | 14   | 236,945                    | (8,271)                            | (2,563)       | 28,355                          | 2,352                           | 19    | 256,837               |
| Certificates of deposit issued by the NBU |      | 151,932                    | (47,169)                           | (7,521)       | –                               | 7,350                           | 163   | 104,755               |

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 H1 2019:

|   | Note | As of<br>1 January<br>2019 | Changes<br>driven by<br>cash flows | Interest paid | Changes in<br>exchange<br>rates | Interest<br>expenses<br>accrued | Other | As of 30 June<br>2019 |
|---|------|----------------------------|------------------------------------|---------------|---------------------------------|---------------------------------|-------|-----------------------|
|   |      |                            |                                    |               |                                 |                                 |       | (UAH million)         |
| Banknotes and coins in circulation        |      | 400,334                    | (6,351)                            | –             | –                               | –                               | –     | 393,983               |
| Liabilities to the IMF                    | 14   | 294,762                    | (9,674)                            | (3,122)       | (16,070)                        | 3,300                           | 115   | 269,311               |
| Term deposits                             |      | 41                         | (41)                               | –             | –                               | –                               | –     | –                     |
| Certificates of deposit issued by the NBU |      | 61,867                     | (16,568)                           | (4,668)       | –                               | 4,620                           | (44)  | 45,207                |



## 17. Interest income and expenses

|  | For the period ended<br>30 June 2020 |   | For the period ended<br>30 June 2019 |   |
|--|--------------------------------------|---|--------------------------------------|---|
|  | For the current<br>quarter           | On a cumulative<br>basis from the<br>beginning of the<br>year | For the current<br>quarter           | On a cumulative<br>basis from the<br>beginning of the<br>year |
|  | (UAH million)                        |   |                                      |   |
| <b>Interest income</b>   |                                      |   |                                      |   |
| Income on domestic securities at amortized cost                                      | 8,356                                | 13,858  | 10,049                               | 19,722  |
| Income on loans to banks and other borrowers   | 424                                  | 1,020   | 746                                  | 1,555   |
| Income on accounts and deposits in foreign currencies                                | 16                                   | 237   | 288                                  | 665   |
| Income on SDR holdings   | –                                    | 1   | 1                                    | 2   |
| Income on domestic public debt   | 36                                   | 73  | 38                                   | 61  |
| Other  | 6                                    | 7   | 12                                   | 2   |
| <b>Total interest income at the effective interest rate</b>                          | <b>8,838</b>                         | <b>15,196</b>   | <b>11,134</b>                        | <b>22,007</b>   |
| <b>Interest expenses</b>   |                                      |   |                                      |   |
| Expenses on certificates of deposit issued by the NBU                                | (2,619)                              | (7,340)   | (2,140)                              | (4,599)   |
| Expenses on operations with the IMF  | (1,103)                              | (2,423)   | (1,649)                              | (3,397)   |
| Expenses on accounts of the Deposit Guarantee Fund                                   | (34)                                 | (82)  | (34)                                 | (108)   |
| Expenses on borrowings received  | (21)                                 | (51)  | (36)                                 | (74)  |
| <b>Total interest expenses at the effective interest rate</b>                        | <b>(3,777)</b>                       | <b>(9,896)</b>  | <b>(3,859)</b>                       | <b>(8,178)</b>  |
| Interest expenses on demand deposits and term deposits with a negative interest rate | (30)                                 | (56)  | (8)                                  | (28)  |
| <b>Net interest income</b>   | <b>5,031</b>                         | <b>5,244</b>  | <b>7,267</b>                         | <b>13,801</b>   |

Other interest income includes interest income on loans to employees.

In 2019, the NBU changed the presentation of expenses on financial assets with negative interest rates. In the consolidated statement of comprehensive income for H1 2019, expenses on deposits with a negative interest rate are presented under "Interest expenses" (UAH 8 million for the current quarter of 2019 and UAH 28 million for H1 2019). To ensure that information is presented consistently, the NBU transferred the respective expenses for H1 2019 from the item "Income on accounts and deposits in foreign currency"

(UAH 4 million for the current quarter of 2019 and UAH 10 million for H1 2019) and the item "Commission expenses" of the consolidated statement of comprehensive income (UAH 4 million for the current quarter of 2019 and UAH 18 million for H1 2019).

In H1 2020, income on domestic securities at amortized cost included UAH 3,852 million of interest income on inflation-linked domestic government debt securities (down from UAH 9,028 million in the same period of 2019).

## 18. Staff costs

|   | For the period ended<br>30 June 2020 |  | For the period ended<br>30 June 2019 |  |
|---|--------------------------------------|--|--------------------------------------|--|
|   | For the current<br>quarter           | On a<br>cumulative<br>basis from the<br>beginning of<br>the year | For the current<br>quarter           | On a<br>cumulative<br>basis from the<br>beginning of<br>the year |
|   |                                      |  |                                      | (UAH million)  |
| Payroll   | 327                                  | 715  | 366                                  | 709  |
| Single contribution for mandatory state social security and contributions to nonstate pension funds | 80                                   | 168  | 81                                   | 141  |
| Financial aid and other social benefits   | 1                                    | 2  | –                                    | 3  |
| Other   | 7                                    | 7  | 4                                    | 24   |
| <b>Total staff costs</b>  | <b>415</b>                           | <b>892</b>   | <b>451</b>                           | <b>877</b>   |

## 19. Administrative and other expenses

|  | For the period ended<br>30 June 2020 |   | For the period ended<br>30 June 2019 |   |
|--|--------------------------------------|---|--------------------------------------|---|
|  | For the current<br>quarter           | On a cumulative<br>basis from the<br>beginning of the<br>year | For the current<br>quarter           | On a cumulative<br>basis from the<br>beginning of the<br>year |
|  |                                      |   |                                      | (UAH million)   |
| Consulting and legal services  | 10                                   | 11  | 18                                   | 34  |
| Depreciation and amortization  | 52                                   | 99  | 53                                   | 107   |
| Utilities and household expenses   | 36                                   | 69  | 38                                   | 80  |
| Expenses for maintenance of noncurrent tangible and intangible assets              | 33                                   | 58  | 47                                   | 72  |
| Taxes, duties, and charges   | 7                                    | 12  | 6                                    | 14  |
| Business trips   | 1                                    | 5   | 8                                    | 12  |
| Telecommunication services and maintenance   | 6                                    | 9   | 7                                    | 10  |
| Expenses of the Banknote Printing and Minting Works excluded from production costs | 82                                   | 154   | 108                                  | 210   |
| Loss on disposal of property, plant and equipment and intangible assets            | 77                                   | 77  | –                                    | –   |
| Expenses on maintaining and selling collateral                                     | 19                                   | 19  | –                                    | –   |
| Other  | 34                                   | 53  | 29                                   | 41  |
| <b>Total administrative and other expenses</b>                                     | <b>357</b>                           | <b>566</b>  | <b>314</b>                           | <b>580</b>  |

Depreciation and amortization charges for H1 2020 exclude UAH 85 million of depreciation (H1 2019: UAH 112 million) for property, plant and equipment used in the production of banknote paper, banknotes, coins, and other products, and the item “Costs related to production of banknotes, coins, souvenirs, and other products” of the consolidated statement of comprehensive income. This portion of depreciation and amortization charges is included in the costs related to the production of banknotes, coins, and other products.

In 2019, the NBU changed the presentation of expenses of the Banknote Printing and Minting Works excluded from

production costs. In order to ensure a consistent presentation of information for H1 2019, the relevant UAH 108 million in expenses for the current quarter of 2019 and the UAH 210 million for H1 2019 were transferred from the item “Costs related to production of banknotes, coins, souvenirs, and other products” to the item “Administrative and other expenses” in the consolidated statement of comprehensive income and are outlined in this Note.

Other expenses include the cost of sales of the services of the waste treatment facilities of the Banknote Paper Mill, remuneration for members of the NBU Council, etc.

## 20. Contingent liabilities, loan commitments, and derivative financial instruments

### Capital commitments

As of 30 June 2020, the NBU had UAH 196 million (31 December 2019: UAH 175 million) in capital commitments with respect to the acquisition, construction, and improvement of property, plant and equipment and intangible assets.

### Loan commitments

As of 30 June 2020 and 31 December 2019, the NBU had commitments to make loans to the Deposit Guarantee Fund under a UAH 2 000 million revocable revolving credit line.

### Derivative financial instruments

Since October 2013, the NBU has been making transactions with futures to regulate 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 2020, the NBU had 410 long stock-exchange interest futures contracts worth UAH 1,376 million or USD 52 million in face value, maturing in September 2020 (as of 31

December 2019, the NBU had 269 long stock-exchange interest futures contracts worth UAH 1,373 million or USD 58 million in face value, maturing in March 2020, and 90 short stock-exchange interest futures contracts worth UAH 524 million or USD 22 million in face value, maturing between June 2020 and December 2020). UAH 15 million in funds 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 and lawsuits against the NBU are filed. As of 30 June 2020 and 31 December 2019, no liabilities were created for lawsuits that the NBU believes were unlikely to result in losses.

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

## 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 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 whose fair value 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. 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 inflation-linked government bonds, Level 2 inputs (spot rates calculated on the basis of the zero-coupon yield curve built using data from actually concluded and implemented domestic government debt securities agreements, using the Svensson parametric model, and the actual consumer price index calculated for one month and

compared to the previous month over the period from September 2019 to May 2020), and Level 3 inputs (the June 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 implemented domestic government debt securities agreements 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 implemented domestic government debt securities agreements using the Svensson parametric model) and Level 3 inputs (risk The discount rates used are as follows:

premiums of securities compared to the risk of domestic government debt securities determined with the use of expert judgment at the level of 1,615 basis points, taking into account the availability of government guarantees in respect of those securities).

To measure the fair value of domestic government debt in the national 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.

|   | As of 30 June 2020               | As of 31 December 2019           |
|---|----------------------------------|----------------------------------|
|   | Discount rate,<br>in % per annum | Discount rate,<br>in % per annum |
| Domestic securities in the national currency:             |                                  |                                  |
| domestic government debt securities                       | 7.67–10.96                       | 7.43–13.01                       |
| bonds of other state institutions                         | 28.07                            | 28.91                            |
| Domestic public debt in the national currency (1994–1996) | 6.36                             | 14.51                            |
| Domestic currency loans to banks and other borrowers      | 7.5                              | 15.0                             |

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

|  | As of 30 June 2020 |                | As of 31 December 2019 |                |
|--|--------------------|----------------|------------------------|----------------|
|  | Carrying value     | Fair value     | Carrying value         | Fair value     |
|  | (UAH million)      |                |                        |                |
| Domestic securities in the national currency:                |                    |                |                        |                |
| domestic government debt securities                          | 332,888            | 314,748        | 345,440                | 332,362        |
| bonds of other state institutions                            | 846                | 894            | 764                    | 824            |
| <b>Total domestic securities not presented at fair value</b> | <b>333,734</b>     | <b>315,642</b> | <b>346,204</b>         | <b>333,186</b> |
| Domestic public debt   | 1,682              | 1,905          | 1,727                  | 1,307          |
| <b>Loans to banks and other borrowers</b>                    | <b>14,883</b>      | <b>14,648</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 as follows:

|  | As of 30 June 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) | 15                 | –       | –       | 8                      | –       | –       |
| Foreign securities carried at fair value         | 494,044            | 66,583  | 24,461  | 429,937                | 41,642  | 33,400  |
| Domestic securities carried at fair value:       |                    |         |         |                        |         |         |
| in foreign currency                              |                    |         |         |                        |         |         |
| government derivatives                           | 1,077              | –       | –       | 987                    | –       | –       |
| <b>Assets for which fair value is disclosed:</b> |                    |         |         |                        |         |         |
| Ukrainian securities                             |                    |         |         |                        |         |         |
| in domestic currency                             |                    |         |         |                        |         |         |
| domestic government debt securities              | –                  | 187,717 | 127,031 | –                      | 199,209 | 133,153 |
| bonds of other state institutions                | –                  | –       | 894     | –                      | –       | 824     |
| Domestic public debt                             | –                  | –       | 1,905   | –                      | –       | 1,307   |
| Loans to banks and other borrowers               | –                  | –       | 14,648  | –                      | –       | 14,068  |

In Q2 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 inflation-linked domestic government debt securities whose fair values 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:

| <b>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</b> |               |
|--|---------------|
|  | (UAH million) |
| <b>Foreign securities as of 31 December 2018</b>   | <b>40,307</b> |
| Total gains/(losses)   | (4,097)       |
| Purchases of foreign securities  | 34,867        |
| Redemptions of foreign securities  | (34,345)      |
| <b>Foreign securities as of 30 June 2019</b>   | <b>36,732</b> |
| <b>Foreign securities as of 31 December 2019</b>   | <b>33,400</b> |
| Total gains/(losses)   | (5,878)       |
| Purchases of foreign securities  | 16,390        |
| Redemptions of foreign securities  | (19,451)      |
| <b>Foreign securities as of 30 June 2020</b>   | <b>24,461</b> |

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 0.57 as of 30 June 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 June 2020 (Level 3 inputs) by 1 basis point would decrease the fair value of the relevant

assets by UAH 138 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 138 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 June 2020, financial assets were broken down into measurement categories as follows:

|  | Assets measured at fair value<br>through profit or loss | Assets at amortised cost | Total            |
|--|---|--------------------------|------------------|
|  |   |                          | (UAH million)    |
| <b>Financial assets</b>                |   |                          |                  |
| Funds and deposits in foreign currency | 15  | 140,444                  | <b>140,459</b>   |
| Foreign securities                     | 585,088   | –                        | <b>585,088</b>   |
| SDR holdings                           | –   | 39                       | <b>39</b>        |
| Domestic securities                    | 1,077   | 333,734                  | <b>334,811</b>   |
| Loans to banks and other borrowers     | –   | 14,883                   | <b>14,883</b>    |
| Domestic public debt                   | –   | 1,682                    | <b>1,682</b>     |
| IMF quota contributions                | –   | 73,874                   | <b>73,874</b>    |
| Other financial assets                 | 5   | 777                      | <b>782</b>       |
| <b>Total financial assets</b>          | <b>586,185</b>  | <b>565,433</b>           | <b>1,151,618</b> |

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

|  | Assets measured at fair value<br>through profit or loss | Assets at amortised 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 June 2020 and 31 December 2019 are presented in the table below:

|  | Notes | As of 30 June 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     | 334,811                                  | –                    | –                     | 347,191                                  | –                    | –                     |
| Loans to banks and other borrowers                               |       | 4,243                                    | –                    | –                     | 11,989                                   | –                    | –                     |
| Loss allowances for loans to banks and other borrowers           |       | (4,098)                                  | –                    | –                     | (4,346)                                  | –                    | –                     |
| Domestic public debt   |       | 1,682                                    | –                    | –                     | 1,727                                    | –                    | –                     |
| Other assets   |       | 29                                       | 30                   | –                     | 49                                       | 30                   | –                     |
| Accounts of banks  |       | 20,913                                   | –                    | –                     | 51,564                                   | –                    | –                     |
| Accounts of government and other institutions                    | 12    | 131,801                                  | –                    | 1                     | 36,277                                   | 108                  | 3                     |
| Accounts of the Deposit Guarantee Fund                           | 12    | 1,109                                    | –                    | –                     | 2,498                                    | –                    | –                     |
| Liabilities to transfer distributable profit to the state budget | 15    | –  | –                    | –                     | 42,722                                   | –                    | –                     |
| Certificates of deposit issued by the NBU                        |       | 16,212                                   | –                    | –                     | 56,185                                   | –                    | –                     |
| Other liabilities  |       | 11                                       | –                    | –                     | 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 June 2020 and 31 December 2019 were noninterest-bearing

the accounts of the Deposit Guarantee Fund as of 30 June 2020 bore interest rates of 7.33% (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<br>30 June 2020               |                         |                          | For the period ended<br>30 June 2019               |                         |                          |
|----------------------------|--|-------------------------|--------------------------|--|-------------------------|--------------------------|
|                            | Government<br>and state-<br>controlled<br>entities | Associated<br>companies | Other related<br>parties | Government<br>and state-<br>controlled<br>entities | Associated<br>companies | Other related<br>parties |
|                            |  |                         |                          |  |                         |                          |
|                            |  |                         |                          |  |                         | (UAH million)            |
| Interest income            | 14,308   | –                       | –                        | 20,811   | –                       | –                        |
| Interest expenses          | (3,030)  | –                       | –                        | (873)  | –                       | –                        |
| Fee and commission income  | 41   | –                       | –                        | 49   | –                       | –                        |
| Other income               | 89   | 2                       | –                        | 222  | 12                      | –                        |
| Personnel costs            | –  | –                       | (22)                     | –  | –                       | (16)                     |
| Other expenses             | (312)  | –                       | (18)                     | (59)   | –                       | (17)                     |
| Net decrease in provisions | 18   | –                       | –                        | 51   | –                       | –                        |

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 H1 2020, the short-term benefits (salary) of key management personnel were UAH 21.6 million, including

remuneration to members of the NBU Council of UAH 7.4 million [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]. As of 30 June 2020 and 30 June 2019, there were no outstanding loans to key management personnel.

## 24. Events After the Reporting Date

In August 2020, liabilities to the IMF under Extended Fund Facility 2015 worth SDR 99 million (UAH 3,841 million at the official exchange rate at the transaction date, or UAH 3,630 million at the annual exchange rate of the IMF) were repaid.

31 August 2020  
Kyiv, Ukraine