



National Bank
of Ukraine

Interim Concise Consolidated Financial Statements

for the period ended 31 March 2020



Contents

INTERIM CONCISE CONSOLIDATED FINANCIAL STATEMENTS:

Interim Concise Consolidated Statement of Financial Position	3
Interim Concise Consolidated Statement of Comprehensive Income	4
Interim Concise Consolidated Statement of Cash Flows	5
Interim Concise Consolidated Statement of Changes in Equity	6

Notes to the Interim Concise Consolidated Financial Statements.....	7
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1	Core Activities	7
2	Fundamentals of Accounting Policies and Reporting	8
3	Critical Accounting Estimates and Judgments in Applying Accounting Policies	9
4	Impact of Economic Conditions on the NBU's Financial Position and Performance	9
5	Funds and Deposits in Foreign Currency and Investment Metals	11
6	Foreign Securities	12
7	SDR Holdings	16
8	Domestic Securities	17
9	Loans to Banks and Other Borrowers	19
10	IMF Quota Contributions	20
11	Accounts of Banks	20
12	Accounts of State and Other Institutions	21
13	Certificates of Deposit Issued by the NBU	21
14	Liabilities to the IMF	22
15	Liabilities on Profit Distribution to the State Budget of Ukraine	22
16	Cash and Cash Equivalents	23
17	Interest Income and Expenses	24
18	Staff Costs	24
19	Administrative and Other Expenses	25
20	Contingent Liabilities, Loan Commitments, and Derivative Financial Instruments	25
21	Fair Value of Financial Assets and Liabilities	26
22	Presentation of Financial Instruments by Measurement Categories	29
23	Related Party Transactions	30
24	Events That Followed the Reporting Date	31

Interim Concise Consolidated Statement of Financial Position

	Notes	As of 31 March 2020	As of 31 December 2019
(UAH million)			
Assets			
Funds and deposits in foreign currency and investment metals	5	89,867	90,168
Foreign securities	6	579,465	504,979
SDR holdings	7	211	234
Monetary gold		35,863	28,223
Ukrainian securities	8	335,825	347,191
Loans to banks and other borrowers	9	13,583	13,843
Domestic public debt		1,705	1,727
IMF quota contributions	10	77,048	65,894
Property and equipment and intangible assets		4,330	4,386
Other assets		14,826	4,188
Total assets		1,152,723	1,060,833
Liabilities			
Banknotes and coins in circulation		424,438	425,256
Accounts of banks	11	65,397	78,444
Accounts of government and other institutions	12	57,490	38,982
Liabilities on profit distribution to the State Budget of Ukraine	15	42,722	42,722
Certificates of deposit issued by the NBU	13	115,364	151,932
Borrowings received		2,806	2,369
Liabilities to the IMF except IMF quota contributions	14	190,916	171,059
Liabilities to the IMF with respect to quota settlement	14	77,039	65,886
Other liabilities		776	810
Total liabilities		976,948	977,460
Equity			
Statutory capital		100	100
General and other reserves		145,642	51,439
Revaluation reserves for assets and liabilities		29,988	31,790
Total equity		175,730	83,329
Noncontrolling interest		45	44
Total capital		175,775	83,373
Total equity and liabilities		1,152,723	1,060,833

Signed and approved for publishing on behalf of the National Bank of Ukraine on 1 June 2020.

Governor



Yakiv SMOLII

Chief Accountant,
Director of Accounting Department



Bohdan LUKASEVYCH

Notes on pages 7 through 31 are an integral part of these interim concise consolidated financial statements.

Interim Concise Consolidated Statement of Comprehensive Income

	Notes	For the period ended 31 March	
		2020	2019
			(UAH million)
Interest income	17	6,360	10,884
Interest expenses	17	(6,147)	(4,350)
Net interest income before impairment recovery		213	6,534
Net impairment recovery on main interest rate financial assets		291	292
Net interest income after impairment recovery		504	6,826
Fee and commission income		99	68
Fee and commission expense		(167)	(11)
Net fee and commission income (expense)		(68)	57
Gains or losses on operations with financial assets and liabilities in foreign currency and monetary gold		80,728	(4,580)
Gains or losses on operations with financial instruments measured at fair value through profit or loss		11,961	4,076
Other income		125	431
Total net income		93,250	6,810
Staff costs	18	(477)	(426)
Costs related to production of banknotes, coins, souvenirs, and other products		(237)	(310)
Administrative and other expenses	19	(209)	(266)
Increase in provisions for contingent liabilities		(95)	–
Net decrease in provisions for other assets		–	1
Profit before income tax		92,232	5,809
Income tax expense of subsidiary		(1)	(1)
Profit for the period		92,231	5,808
Other comprehensive income not to be reclassified subsequently to profit or loss:			
Revaluation of investment metals		171	98
Other comprehensive income for the period		171	98
Total comprehensive income for the period		92,402	5,906
Profit for the period attributable to:			
National Bank of Ukraine		92,230	5,807
Noncontrolling interest		1	1
		92,231	5,808
Comprehensive income attributable to:			
National Bank of Ukraine		92,401	5,905
Noncontrolling interest		1	1
		92,402	5,906

Interim Concise Consolidated Statement of Comprehensive Income comprises comparative data of two periods, as Q1 data and cumulative data from the beginning of the year are identical.

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Interim Concise Consolidated Statement of Cash Flows

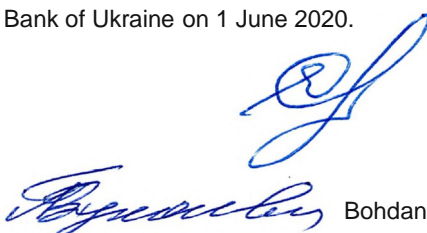
	Notes	As of 31 March 2020	As of 31 March 2019
(UAH million)			
Operating activities			
Interest received		5,537	5,964
Fees and commissions received		99	69
Other income		495	601
Interest paid		(6,346)	(4,033)
Fees and commissions paid		(167)	(25)
Other expenses		(1,074)	(1,167)
Taxes, duties, and charges paid		(115)	(104)
Transfers to the state budget of Ukraine		–	–
Decrease in loans to banks and other borrowers		736	6,253
Internal state debt repaid		33	–
(Decrease)/increase in accounts of banks on demand		(19,030)	12,742
Total accounts of government and other institutions		14,685	(7,434)
Increase in other assets		(9,620)	(370)
Increase/(decrease) in other liabilities		4,605	(446)
Other cash flows		(2, 246)	1,391
Net cash (outflows)/inflows from operating activities		(12,408)	13,441
Investing activities			
Net decrease/(increase) in foreign securities		30,986	(16,173)
Purchase of monetary gold		(50)	(39)
Repayment of domestic securities	8	12,500	10,994
Acquisition of property and equipment and intangible assets		(33)	(6)
Sale of property and equipment and intangible assets		–	77
Net cash inflows/(outflows) from investing activities		43,403	(5,147)
Financing activities			
Withdrawal of banknotes and coins from circulation		(818)	(24,719)
Repayment of liabilities to the IMF	7	(8,271)	(4,918)
Term deposits (attracted)/repaid		–	(41)
Certificates of deposit issued by the NBU		(36,574)	(4,110)
Net cash inflows/(outflows) from financing activities		(45,663)	(33,788)
Effect of changes in exchange rate		14,073	(1,566)
Net change in cash and cash equivalents		(595)	(27,060)
Cash and cash equivalents at beginning of the reporting period		89,619	116,516
Cash and cash equivalents at the end of the reporting period	16	89,024	89,456

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Interim Concise Consolidated Statement of Changes in Equity

Notes	Statutory capital	General and other reserves	Revaluation reserve for assets and liabilities	Total equity	Non-controlling interest	Total equity
(UAH million)						
Balance as of 31 December 2018	100	56,091	81,274	137,465	42	137,507
Total comprehensive income for Q1 2019	-	5,807	98	5,905	1	5,906
Gain/(loss) on transfer of assets	-	(4)	-	(4)	-	(4)
Realized gain/(loss) on revaluation of securities disposed and derivatives	-	114	(114)	-	-	-
Allocation of unrealized gain/(loss) on revaluation of securities to revaluation reserve	-	326	(326)	-	-	-
Balance as of 31 March 2019	100	62,334	80,932	143,366	43	143,409
Balance as of 1 January 2020	100	51,439	31,790	83,329	44	83,373
Total comprehensive income for Q1 2020	-	92,230	171	92,401	1	92,402
Allocation of unrealized gain/(loss) on revaluation of securities to revaluation reserve	-	1,973	(1,973)	-	-	-
Balance as of 31 March 2020	100	145,642	29,988	175,730	45	175,775

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Notes to the Interim Concise Consolidated Financial Statements

1 Core Activities

The National Bank of Ukraine (the “NBU”) is Ukraine’s central bank. Its operations are governed by Ukraine’s Constitution, the Law of Ukraine *On the National Bank of Ukraine*, as well as other Ukrainian laws. In accordance with Ukrainian laws, the central bank’s main statutory function is safeguarding the stability of the Ukrainian currency. In performing its main function, the NBU must be guided by the priority of achieving and maintaining price stability in the country. The NBU promotes the stability of Ukraine’s banking system, facilitates sustainable economic growth, and supports the economic policies of the Cabinet of Ministers of Ukraine – unless these efforts conflict with achieving price stability.

The central bank does not aim to make a profit.

The NBU pursues its mandate and carries out its transactions in accordance with the Law of Ukraine *On the National Bank of Ukraine*.

The authorized capital of the NBU is owned by the state.

As of 31 March 2020 and 31 December 2019, the NBU’s structure comprised the Head Office and the Banknote Printing and Minting Works, the central bank’s standalone unit. These units operate exclusively within the scope of the NBU’s mandate, as defined by the Law of Ukraine *On the National Bank of Ukraine*.

The NBU’s subsidiary is the SETTLEMENT CENTER FOR SERVICING FINANCIAL MARKET AGREEMENTS PJSC (hereinafter – the Settlement Center). The NBU’s share in the Settlement Center’s capital was 83.55% as of 31 March 2020 (and 83.55% as of 31 December 2019).

The authorized capital of the Settlement Center, as of 31 March 2020 and 31 December 2019, was UAH 206.7 million, consisting of ordinary registered shares with a nominal 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 money accounts for stock market participants. The Settlement Center 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 central bank is the founder of the Corporate Nonstate Pension Fund of the NBU (hereinafter – the CNPF). The NBU administers and stores the assets of the CNPF, but does not bear its risks and is not entitled to variable results of its activities. In accordance with International Financial Reporting Standard (hereinafter – IFRS) 10 Consolidated Financial Statements, the NBU has no control over the CNPF, and so the CNPF was not consolidated into these consolidated financial statements as they were prepared.

As of 31 March 2020 and 31 December 2019, the NBU had investments in the National Depository of Ukraine PJSC, its associated company.

The NBU, the National Securities and Stock Market Commission of Ukraine, and other stock market participants are shareholders of the National Depository of Ukraine PJSC (hereinafter – the National Depository). According to its Articles of Association, the National Depository carries out the depository accounting and servicing of the securities accounting and corporate operations of issuers on customers’ securities accounts.

The NBU’s share in the authorized capital of the National Depository was 25% as of 31 March 2020 (and 25% as of 31 December 2019).

2 Fundamentals of Accounting Policies and Reporting

The interim concise consolidated financial statements of the NBU were prepared in accordance with International Accounting Standard (hereinafter – IAS) 34 Interim Financial Reporting approved by the International Accounting Standards Board (hereinafter – the IAS Board).

These interim concise consolidated financial statements do not include all the information required for a complete set of financial statements in accordance with IFRS, but rather contain some notes to explain events and transactions that are material to understanding changes in the financial position and performance of the NBU that have occurred since its last annual consolidated financial statements.

These interim concise consolidated financial statements are to be read in conjunction with the annual consolidated

financial statements of the NBU as of 31 December 2019, which were prepared in accordance with IFRS.

These interim concise consolidated financial statements were prepared on the assumption that the NBU is a going concern, i.e. that it will continue to operate in the foreseeable future.

During Q1 2020, there were no changes in the NBU's financial risk management objectives or policy.

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

	31 March 2020 (hryvnias)	31 December 2019 (hryvnias)
USD 1	28.0615	23.6862
SDR 1	38.2983	32.7539
EUR 1	30.9617	26.422
GBP 1	34.8313	31.0206
1 troy ounce of gold	45,420.91	35,802.17

Application of New and Revised Standards and Interpretations of Financial Statements

Revised IFRS and interpretations, which took effect on 1 January 2020 and were applied by the NBU, had no significant impact on the NBU's performance or financial position.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors are intended to facilitate the understanding of materiality in IAS 1, but are not intended to change the fundamental concept of materiality in the standards. The definition of materiality in IAS 8 was replaced with a reference to IAS 1.

Amendments to references to the IFRS Conceptual Framework were made.

Amendments to IFRS 3 Business Combinations were made.

Amendments to IFRS 9, IAS 39, and IFRS 7, known as Interest Rate Benchmark Reform, were made.

New and Revised Standards in Issue but not yet Effective

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures were amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. These amendments are effective for annual periods beginning on or after a date that is to be defined. These amendments may be applied before they take effect.

IAS 1 Presentation of Financial Statements was amended by the classification of liabilities as current or noncurrent. This amendment is intended to provide a more general approach to the classification of liabilities under IAS 1 based on contractual terms effective at the reporting date. This amendment is effective for annual periods beginning on or after 1 January 2022.

IFRS 17 Insurance Contracts was amended by a new financial reporting standard for insurance contracts that addresses the recognition, measurement, presentation, and disclosure of information. This amendment becomes effective for annual periods beginning on or after 1 January 2023, but early application is permitted.

3 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The NBU makes estimates, assumptions, and professional judgments that affect the amounts 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 judgments about 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 measured at amortized cost

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

depreciation of fixed assets and amortization of intangible assets

loss allowances for potential liabilities under lawsuits filed against the NBU

related party transactions.

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

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

In Q1 2020, real GDP decreased by 1.5% yoy (<http://ukrstat.gov.ua>), largely driven by weaker investment and foreign demand and by the expected decline in gas transit. Quarantine measures being introduced in Ukraine in response to the spread of COVID-19 caused by SARS-CoV-2 coronavirus starting in mid-March 2020 and the ban imposed on some economic activities also affected mainly the services sector (in particular, travel and entertainment services), trade, and transportation. The impact on employment and household income in Q1 2020 was moderately negative.

The quarantine has been introduced in Ukraine since 16 March 2020, which includes the following measures:

- a ban on visiting educational institutions
- limited public transportation in and between cities and limited air transportation
- lockdown of restaurants (except delivery) and culture and entertainment centers
- lockdown of retail outlets, except groceries, fueling stations, and pharmacies.

Foreign demand decreased markedly due to a sharp decline in global economic activity. Nevertheless, the current account posted a surplus in Q1 2020 as imports of goods and services decreased. Following the inflow of capital at the start of the year, there was an outflow in March, which was mainly driven by a pickup in domestic demand for foreign currency. As a result, having grown in January–February, the international reserves declined in March to USD 24.9 billion, or 4.5 months of future imports, which was almost the level of end-2019.

In Q1 2020, consumer inflation declined to 2.3% yoy. Consumer inflation was below the 5% ± 1 pp target range, as expected. The underlying inflationary pressure also eased: core inflation decelerated to 3.1% yoy. Price growth was mainly restrained by lower global energy prices, the residual effects of last year's appreciation of the hryvnia, and a larger supply of raw foods. These factors outweighed the opposite pressure on prices from the weakening of the domestic currency in March and the panic buying seen in the first weeks of the quarantine.

In Q1 2020, the NBU Board cut the key policy rate two times, by a total of 350 bp, to 10% per annum. In order to stabilize the FX market disturbed by the panic buying of foreign currency in March, the NBU increased its presence on the market, smoothing out excessive exchange rate fluctuations without interfering with market trends. As of Q1 2020, the NBU was a net seller of foreign currency, purchasing a total of USD 1.4 billion.

In Q1 2020, the consolidated budget recorded a deficit of UAH 17.3 billion, exceeding the levels seen in the same period of previous years. The consolidated budget deficit resulted from a large state budget deficit (UAH 32.7 billion). The budget deficit was covered with debt, mainly denominated in foreign currency. At the same time, an exchange rate revaluation caused by a temporary depreciation dip in March 2020 was the key factor behind the increase in the public and publicly guaranteed debt to 56% of GDP as of Q1 2020 according to the NBU's estimates.

In Q1 2020, the banking system maintained a substantial liquidity surplus. The average daily balances of certificates of deposit (by principal) grew to UAH 145.5 billion in

March 2020, whereas the average daily balances of banks' correspondent accounts decreased slightly over this period (to UAH 57.4 billion).

In order to support lending, 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 FX 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).

In March 2020, Standard & Poor's and Fitch kept their ratings for Ukraine at B. Moody's has not revised Ukraine's sovereign rating since the end of 2018 (Caa1).

Changes in Operational and Political Environment of Ukraine in Q1 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 have already caused a sharp decline in economic activity in most countries, including Ukraine. Global commodity prices have become more

volatile. Economic activity is expected to rebound after the quarantine is lifted. In Ukraine, the rebound will be supported by the government and the NBU. However, risks remain high that the quarantine will last longer and even that there could be the second wave of infection in Ukraine and abroad, which would restrain the economic recovery in Ukraine's main trading partners, make foreign demand decrease further, and cause greater capital flight from developing markets. In Ukraine, this would put more pressure on the health care system and public finances and result in a deep economic downturn, higher pressures on the hryvnia exchange rate and inflation, and so on.

In Q1 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

	31 March 2020	31 December 2019
		(UAH million)
Financial assets at amortized cost		
Foreign currency cash	8,737	589
Demand deposits	42,595	14,085
Term deposits in foreign currency	37,514	74,848
Loss allowances for expected credit losses on deposits in foreign currency that are measured at amortized cost	(1)	(10)
Total financial assets that are measured at amortized cost	88,845	89,512
Financial assets that are measured at fair value through profit or loss		
Demand deposits <i>for settling futures transactions</i>	25	8
Total financial assets	88,870	89,520
Nonfinancial assets		
Term deposits and demand deposits:		
in gold	997	648
Total nonfinancial assets	997	648
Total funds and deposits in foreign currency and investment metals	89,867	90,168

The sum of demand deposits that are measured at amortized cost as of 31 March 2020 includes balances of special purpose accounts of UAH 26 million (UAH 97 million as of 31 December 2019), which are maintained by the NBU within the credit lines granted by international financial institutions, and which are restricted for use.

The sum of demand deposits at fair value through profit or loss as of 31 March 2020 includes funds of UAH 25 million (UAH 8 million in 2019) for settling futures transactions under agreements on investment management and the provision of advisory services between the IBRD and the NBU (Note 21).

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 31 March 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 31 March 2020, foreign securities comprised the following:

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(UAH million)			
Foreign securities measured at fair value through profit or loss:			
Debt securities by issuers:			
securities issued by U.S. issuers:			
denominated in USD	346,790	2,494	349,284
securities issued by EU issuers:			
denominated in USD	4,977	30,460	35,437
denominated in EUR	173	15,009	15,182
denominated in GBP	1,218	–	1,218
denominated in Chinese renminbi	–	405	405
securities issued by other issuers			
denominated in USD	6,378	90,295	96,673
denominated in EUR	1,518	37,298	38,816
denominated in AUD	574	260	834
denominated in GBP	8,513	3,971	12,484
denominated in Chinese renminbi	319	17,276	17,595
denominated in JPY	–	11,416	11,416
Total debt securities	370,460	208,884	579,344
Capital instruments:			
securities issued by the Black Sea Trade and Development Bank	–	120	120
investment in the Interstate Bank	–	1	1
Total capital instruments	–	121	121
Total foreign securities at fair value through profit or loss:	370,460	209,005	579,465

In Q1 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 2,249 million (compared to UAH 1,775 million in Q1 2019).

All foreign securities are expected to be recovered within 12 months, except for capital instruments, totalling UAH 121 million (UAH 121 million as of 31 December 2019).

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

As of 31 December 2019, foreign securities comprised the following:

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(UAH million)			
Foreign securities measured at fair value through profit or loss:			
Debt securities by issuers:			
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
Total debt securities	293,239	211,619	504,858
Capital instruments:			
securities issued by the Black Sea Trade and Development Bank	-	120	120
investment in the Interstate Bank	-	1	1
Total capital instruments	-	121	121
Total foreign securities at fair value through profit or loss:	293,239	211,740	504,979

Information about the nominal value, coupon rate and maturities of foreign debt securities as of 31 March 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
Debt securities that are measured at fair value through profit or loss by issuers:					
Government bonds					
securities issued by U.S. issuers:					
denominated in USD	11,795	330,976	0.5–3,125	Every 6 months,	From 1 month to 4.9 years
securities issued by EU issuers:					
denominated in USD	173	4,860	1.5–1.875	Quarterly, once a year	From 6.6 months to 2.9 years
denominated in EUR	6	170	0.375	once a year	2.9 years
denominated in GBP	35	1,219	0.76088	Quarterly,	1.6 years
securities issued by other issuers					
denominated in USD	219	6,157	1.32513–2.625	Quarterly, every 6 months,	From 1.7 months to 4.2 years
denominated in EUR	50	1,548	0.125	once a year	6.6 years
denominated in AUD	32	548	2–5.75	Every 6 months	From 1.1 years to 2.6 years
denominated in GBP	241	8,394	0.5–2	Every 6 months,	From 3.8 months to 3.3 years
denominated in Chinese renminbi	80	314	2.95	Every 6 months	1.2 years
Securities issued by international agencies, banks and other issuers:					
securities issued by U.S. issuers:					
denominated in USD	89	2,498	0.9205–2.45	Quarterly, every 6 months	From 5.9 months to 1.7 years
securities issued by EU issuers:					
denominated in USD	1,069	30,009	0–3.125	Quarterly, every 6 months, once a year, without coupon payments	From 6 days to 2.9 years
denominated in EUR	483	14,955	0–4	Quarterly, once a year, without coupon payments	From 28 days to 4.2 years
denominated in Chinese renminbi	100	395	4.5	Every 6 months	7.9 months
securities issued by other issuers					
denominated in USD	3,220	90,359	0–3.35	Quarterly, every 6 months, without coupon payments	From 14 days to 5 years
denominated in EUR	1,217	37,680	0–0.75	Quarterly, once a year, without coupon payments	From 1.5 months to 4.5 years
denominated in AUD	15	258	1.7566	Quarterly,	1.6 years
denominated in GBP	114	3,971	0–1.04563	Quarterly, Once a year, without coupon payments	From 3 days to 1.5 years
denominated in Chinese renminbi	4,389	17,341	0–4.8	Every 6 months, once a year, without coupon payments	From 1.4 months to 4.6 years
denominated in JPY	44,000	11,419	0–0.42	Every 6 months, without coupon payments	From 1.9 months to 4.6 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
Debt securities that are measured at fair value through profit or loss by issuers:					
Government bonds					
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
Securities issued by international agencies, banks and other issuers:					
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 Q1 2020 and the same period in 2019 were as follows:

	2020	2019
		(UAH million)
Balance of SDR holdings as of 1 January	234	100
Purchase of SDRs	15,833	16,534
Repayment of loans:		
on behalf of the NBU (Note 14)	(8,271)	(4,918)
on behalf of the Government	(5,715)	(9,225)
Payment of interest for the use of IMF loans:		
on behalf of the NBU	(1,376)	(1,517)
on behalf of the Government	(471)	(753)
Payment of interest for the use of funds received under SDR allocation:		
on behalf of the NBU	(5)	(8)
on behalf of the Government	(80)	(128)
Income on SDR holdings	1	1
Exchange rate differences	61	(40)
Balance of SDR holdings as of 31 March	211	46

During Q1 2020 and Q1 2019, no funds were received from the IMF.

8 Domestic Securities

As of 31 March 2020, domestic securities comprised the following:

	Government securities	Corporate securities	Total
			(UAH million)
Securities at fair value through profit or loss:			
in foreign currencies:			
government derivatives denominated in USD	892	–	892
Total securities at fair value through profit or loss	892	–	892
Debt securities at amortized cost:			
in the national currency:			
domestic government debt securities	334,129	–	334,129
bonds of other government institutions	–	986	986
Allowances for expected credit losses on bonds of other government institutions at amortized cost	–	(182)	(182)
Total debt securities at amortized cost	334,129	804	334,933
Total domestic securities	335,021	804	335,825

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 Q1 2020 and in 2019, the NBU did not purchase domestic government debt securities.

As of 31 March 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.

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 12,620 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)			
Securities at fair value through profit or loss:			
in foreign currencies:			
government derivatives denominated in USD	987	–	987
Total securities at fair value through profit or loss	987	–	987
Debt securities at amortized cost:			
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)
Total debt securities at amortized cost	345,440	764	346,204
Total domestic securities	346,427	764	347,191

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as of 31 March 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
Securities at fair value through profit or loss:						
in foreign currencies:						
government derivatives	1,230	44	–	–	–	Up to 20.2 years
Debt securities at amortized cost:						
in the national currency:						
domestic government debt securities	324,577	–	7.51– 20.09	4.2–14.3	Once a year, every 6 months	From 315 days up to 27.6 years
bonds of other government institutions	946	–	48.23	9.5	Every 6 months	231 days

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
Securities at fair value through profit or loss:						
in foreign currencies:						
government derivatives	1,038	44	–	–	–	Up to 20.4 years
Debt securities at amortized cost:						
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	322 days

In Q1 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 Q1 2020, the NBU did not make provisions for expected credit losses on government securities.

9 Loans to Banks and Other Borrowers

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

	As of 31 March 2020	As of 31 December 2019
		(UAH million)
Loans granted to banks to support their liquidity:		
for stabilizing banking activities	45,298	51,324
loans provided through tenders conducted by the NBU	5,369	386
overnight loans	239	–
other loans	10	10
Loans granted under credit lines to support small and medium enterprises using funds received from the European Bank for Reconstruction and Development	36	36
Other loans	2	2
Provisioning for expected credit losses on loans to banks and other borrowers	(37,371)	(37,915)
Total loans to banks and other borrowers	13,583	13,843

Loans granted for stabilizing banking activities which are expected to be recovered later than within 12 months of the reporting date amounted to UAH 36,544 million at the nominal value (UAH 42,339 million as of 31 December 2019).

In Q1 2020, the NBU supported the liquidity of banks by establishing a standing refinancing line (overnight loans), refinancing banks for a period up to 14 days and up to one month 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 31 March 2020, the gross carrying value of loans to banks was UAH 50,916 million, provisions for expected loan losses were UAH 37,333 million (as of 31 December 2019, the gross carrying value of loans to banks was UAH 51,720 million, and provisions for expected credit losses were UAH 37,877 million).

As of 31 March 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 31 March 2020, Ukraine's total quota in the IMF amounted to SDR 2,012 million (UAH 77,048 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 and is 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 quota contribution to liquid claims of a member country to the IMF. The reserve position is part of the currency reserves of the country.

As of 31 March 2020, the reserve position of Ukraine in the IMF amounted to SDR 241,031 (UAH 9 million at the official UAH/SDR exchange rate as of the end of the reporting period) (as of 31 December 2019, it was SDR 241,031, or UAH 8 million at the year-end official UAH/SDR exchange rate).

11 Accounts of Banks

	As of 31 March 2020	As of 31 December 2019
		(UAH million)
Correspondent accounts:		
in domestic currency	57,626	52,438
in foreign currency	–	23,686
Accounts of banks on special use terms:		
in domestic currency	1,910	1,959
in foreign currency	383	352
Funds placed to ensure the repayment of the debts of banks to the NBU:		
in foreign currency	5,478	9
Total accounts of banks	65,397	78,444

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

As of 31 March 2020 and 31 December 2019, no interest was accrued on balances of the required reserves in the correspondent accounts.

As of 31 March 2020 and 31 December 2019, no transfers of any assets by banks were envisaged to cover required reserves.

Accounts of banks on special-use terms as of 31 March 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 31 March 2020 and 31 December 2019, the term of all banks' accounts was up to 12 months.

12 Accounts of State and Other Institutions

	As of 31 March 2020	As of 31 December 2019
		(UAH million)
Funds of budgets and budget entities	56,502	36,277
Deposit Guarantee Fund	878	2,498
Other	110	207
Total accounts of state and other institutions	57,490	38,982

The NBU services the accounts of the State Budget of Ukraine and local budgets, which are consolidated on the single treasury account.

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

except for the accounts of the Deposit Guarantee Fund, which bore interest rates of 8.79% as of 31 March 2020 (9.53% as of 31 December 2019).

As of 31 March 2020 and 31 December 2019, the term of all accounts of state and other institutions was 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 Q1 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 31 March 2020, the nominal value of certificates of deposit in circulation was UAH 1 million each, with the period of placement ranging from 1 to 7 days, and a weighted average yield of 9.39% per annum (as of 31 December 2019, the weighted average yield was 12.73% per annum and the period of placement ranged from 6 to 14 days). The weighted average interest rate for certificates of deposit placed in Q1 2020 was 10.47% per annum, and the initial period of placement varied from 1 to 14 days (in 2019, the weighted average yield was 15.18% per annum, and the initial period of placement varied from 1 to 15 days).

As of 31 March 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 31 March 2020	As of 31 December 2019
		(UAH million)
Liabilities to the IMF for SDR purchases	187,792	168,385
Liabilities to the IMF for SDR allocations	3,121	2,671
IMF account No. 2	3	3
Liabilities to the IMF apart from quota contributions	190,916	171,059
Liabilities to the IMF to pay quota contributions	76,846	65,721
IMF account No. 1	193	165
Liabilities to the IMF to pay quota contributions	77,039	65,886
Total liabilities to the IMF	267,955	236,945

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 Q1 2020 and in 2019, there were no proceeds from the IMF (Note 7).

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

Liabilities to the IMF to pay quota contributions represent liabilities for quota settlement. In Q1 2020 and in 2019, there were no changes in liabilities on quota contributions related to the IMF's administrative disbursements in the hryvnia.

In Q1 2020 and in 2019, no changes occurred in the size of the quota (Note 10).

In Q1 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 Q1 2019, repayments of liabilities to the IMF equaled SDR 129 million (UAH 4,918 million at the official exchange rate as of the transaction date, or UAH 4,869 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 19,497 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* (as amended). 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 to be transferred by the NBU in 2020 to the State Budget of Ukraine will amount to UAH 42,722 million (in 2019, the NBU transferred UAH 64,898 million to the State Budget of Ukraine) (Note 24).

16 Cash and Cash Equivalents

	As of 31 March 2020	As of 31 December 2019
		(UAH million)
Foreign currency cash	8,737	589
Demand deposits (other than restricted funds)	42,569	13,988
Short-term deposits with maturities of up to three months (other than deposits in gold, investment metals, and restricted funds)	37,508	74,808
SDR holdings	210	234
Total cash and cash equivalents	89,024	89,619

Changes in liabilities that resulted from financial activities in Q1 2020:

	Note	As of 1 January 2020	Changes driven by cash flows	Interest paid	Changes in exchange rates	Interest expenses accrued	Other	As of 31 March 2020
								(UAH million)
Banknotes and coins in circulation		425,256	(818)	–	–	–	–	424,438
Liabilities to the IMF	14	236,945	(8,271)	(1,381)	39,343	1,284	35	267,955
Certificates of deposit issued by the NBU		151,932	(36,574)	(4,860)	–	4,731	135	115,364

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 Q1 2019:

	Note	As of 1 January 2019	Changes driven by cash flows	Interest paid	Changes in exchange rates	Interest expenses accrued	Other	As of 31 March 2019
								(UAH million)
Banknotes and coins in circulation		400,334	(24,719)	–	–	–	–	375,615
Liabilities to the IMF	14	294,762	(4,918)	(1,525)	(5,183)	1,706	42	284,884
Term deposits		41	(41)	–	–	–	–	–
Certificates of deposit issued by the NBU		61,867	(4,110)	(2,397)	–	2,481	(3)	57,838

17 Interest Income and Expenses

	For the period ended 31 March	
	2020	2019
		(UAH million)
Interest income		
Income on domestic securities at amortized cost	5,502	9,673
Income on loans to banks and other borrowers	596	810
Income on accounts and deposits in foreign currency	221	377
Income on SDR holdings	1	1
Income on domestic public debt	37	22
Other	3	1
Total interest income at the effective interest rate	6,360	10,884
Interest expenses		
Expenses on certificates of deposit issued by the NBU	(4,723)	(2,471)
Expenses on operations with the IMF	(1,319)	(1,748)
Expenses on accounts of the Deposit Guarantee Fund	(49)	(74)
Expenses on borrowings received	(30)	(37)
Total interest expenses at the effective interest rate	(6,121)	(4,330)
Interest expenses on demand deposits and term deposits with a negative interest rate	(26)	(20)
Net interest income	213	6,534

Other interest income includes interest income on loans to employees.

linked domestic government debt securities (down from UAH 4,301 million in Q1 2019).

In Q1 2020, income on domestic securities at amortized cost included UAH 412 million of interest income on inflation-

18 Staff Costs

	For the period ended 31 March	
	2020	2019
		(UAH million)
Payroll	387	344
Single contribution for mandatory state social security and contributions to nonstate pension funds	88	77
Financial aid and other social benefits	1	2
Other	1	3
Total staff costs	477	426

19 Administrative and Other Expenses

	For the period ended 31 March	
	2020	2019
		(UAH million)
Consulting and legal services	1	15
Depreciation and amortization	47	55
Utilities and household expenses	33	39
Expenses for maintenance of noncurrent tangible and intangible assets	25	24
Taxes, duties, and charges	5	8
Business trips	4	4
Telecommunication services and maintenance	2	4
Expenses of the Banknote Printing and Minting Works excluded from production costs	72	102
Other	20	15
Total administrative and other expenses	209	266

Depreciation and amortization charges for Q1 2020 exclude UAH 42 million in depreciation (compared to UAH 56 million in Q1 2019) for property and equipment used in the production of banknote paper, banknotes, coins, and other products. This portion of depreciation and amortization charges is included in the costs related to the production of banknotes, coins, and other products.

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

20 Contingent Liabilities, Loan Commitments, and Derivative Financial Instruments

Capital Commitments

As of 31 March 2020, the NBU had capital commitments with respect to the acquisition, construction, and improvement of UAH 207 million in property, plant and equipment, and intangible assets (up from UAH 175 million as of 31 December 2019).

Loan Commitments

As of 31 March 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 31 March 2020, the NBU had 939 long stock-exchange interest futures contracts of UAH 3,359 million or USD 120 million in face value, maturing in June 2020, and 90 short stock-exchange interest futures contracts of UAH 629 million

or USD 22 million in face value, maturing between June 2020 and December 2020 (as of 31 December 2019, the NBU had 269 long stock-exchange interest futures contracts of UAH 1,373 million or USD 58 million in face value, maturing in March 2020, and 90 short stock-exchange interest futures contracts of UAH 524 million or USD 22 million in face value, maturing between June 2020 and December 2020). UAH 25 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 31 March 2020 and 31 December 2019, no liabilities were created for lawsuits that the NBU believes were unlikely to result in losses.

For lawsuits that the NBU believes were highly likely to cause losses, the NBU made UAH 226 million in provisions as of 31 March 2020 (up from UAH 131 million as of 31 December 2019).

21 Fair Value of Financial Assets and Liabilities

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

Financial Assets and Liabilities Carried at Fair Value

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

The fair value of foreign securities is based on quoted prices in an active market (Level 1 inputs) or other active market quoted prices (consensus price, etc.) obtained from trading information systems (Level 2 inputs). In the absence of information on quoted prices, the fair value is based on discounted cash flows and Level 3 inputs (the yield of the securities during their initial placement by the issuer and the assumption that the yield will remain unchanged until the maturity date of the relevant securities, taking into account their short maturities).

The fair value of derivative financial instruments is determined on the basis of quoted prices in an active market (Level 1 inputs).

Financial Assets and Liabilities Carried at Amortized Cost

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

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

For the purposes of disclosing in its consolidated financial statements the fair values of financial assets and liabilities for which no active market exists, the NBU estimates the fair

values of such assets and liabilities using the discounted cash flow method. The said model takes into account future interest payments and principal repayments, the repayment period, and the discount rate.

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

for long-term inflationary government bonds, Level 2 inputs (spot rates calculated on the basis of the zero-coupon yield curve built using data from actually concluded and executed agreements on domestic government debt securities, using the Svensson parametric model, and the actual consumer price index calculated for one month and compared to the previous month over the period from March 2019 to February 2020), and Level 3 inputs (the March 2020 FOCUSECONOMICS consensus forecast of consumer price indices for the next five years and target consumer price indices established by the NBU for the period from year 6 to year 30)

for other Ukrainian government bonds, Level 2 inputs (spot rates calculated on the basis of the zero-coupon yield curve built using data from actually concluded and executed domestic government bond 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 executed agreements on domestic government debt securities using the Svensson parametric model) and Level 3 inputs (risk premiums of securities compared to the risk of government debt securities determined with the use of expert judgment at the level of 2,097 basis points, taking into account the availability of government guarantees in respect of those securities).

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

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

The discount rates used are as follows:

	As of 31 March 2020	As of 31 December 2019
	Discount rate, % per annum	Discount rate, % per annum
Domestic securities in domestic currency:		
domestic government debt securities	7.51–20.09	7.43–13.01
bonds of other state institutions	48.23	28.91
Domestic public debt in domestic currency (1994–1996)	11.41	14.51
Loans to banks and other borrowers in domestic currency	11.5	15.0

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

	As of 31 March 2020		As of 31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
	(UAH million)			
Domestic securities in domestic currency:				
domestic government debt securities	334,129	271,493	345,440	332,362
bonds of other state institutions	804	807	764	824
Total domestic securities not presented at fair value	334,933	272,300	346,204	333,186
Domestic public debt	1,705	1,487	1,727	1,307
Loans to banks and other borrowers	13,583	13,586	13,843	14,068

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

The fair value of financial instruments was categorized by levels of fair value hierarchy as follows:

	As of 31 March 2020			As of 31 December 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(UAH million)					
Assets carried at fair value:						
Funds and deposits in foreign currency (futures)	25	–	–	8	–	–
Foreign securities carried at fair value	483,940	66,722	28,803	429,937	41,642	33,400
Domestic securities carried at fair value:						
in foreign currency						
government derivatives	892	–	–	987	–	–
Assets for which fair value is disclosed:						
Domestic securities						
in domestic currency:						
domestic government debt securities	–	151,510	119,983	–	199,209	133,153
bonds of other state institutions	–	–	807	–	–	824
Domestic public debt	–	–	1,487	–	–	1,307
Loans to banks and other borrowers	–	–	13,586	–	–	14,068

In Q1 2020, there were no significant transfers of financial instruments between Level 1 and Level 2 of fair value hierarchy. There were also no transfers of financial instruments to or from Level 3 of fair value hierarchy.

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

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

Fair value of foreign securities that are measured at fair value through profit or loss and are attributed to Level 3 of the fair value hierarchy (UAH million)	
Foreign securities as of 31 December 2018	40,307
Total gains/(losses)	(6,113)
Purchases of foreign securities	37,364
Redemptions of foreign securities	(38,158)
Sales of foreign securities	–
Foreign securities as of 31 December 2019	33,400
Total gains/(losses)	3,773
Purchases of foreign securities	2,442
Redemptions of foreign securities	(10,812)
Sales of foreign securities	–
Foreign securities as of 31 March 2020	28,803

The weighted average modified duration of the financial assets that are carried at fair value and are included in Level 3 of the fair value hierarchy (except equity instruments that are measured at fair value through profit or loss) was 0.30 as of 31 March 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 31 March 2020 (Level 3 inputs)

by 1 basis point would decrease the fair value of the relevant assets by UAH 86 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 86 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 carried at amortized cost.

As of 31 March 2020, financial assets were broken down into measurement categories as follows:

	Assets that are measured at fair value through profit or loss	Assets measured at amortized cost	Total
			(UAH million)
Financial assets			
Funds and deposits in foreign currency	25	88,845	88,870
Foreign securities	579,465	–	579,465
SDR holdings	–	211	211
Domestic securities	892	334,933	335,825
Loans to banks and other borrowers	–	13,583	13,583
Domestic public debt	–	1,705	1,705
IMF quota contributions	–	77,048	77,048
Other financial assets	5	10,322	10,327
Total financial assets	580,387	526,647	1,107,034

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

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

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 government, state-controlled entities, key management personnel, etc.

In the normal course of its operations, the NBU conducts transactions with related parties. This note describes only material transactions with related parties. The balances on these transactions as of 31 March 2020 and 31 December 2019 are presented in the table below:

	Notes	As of 31 March 2020			As of 31 December 2019		
		Government and state-controlled entities	Associates	Other related parties	Government and state-controlled entities	Associates	Other related parties
(UAH million)							
Domestic securities	8	335,825	–	–	347,191	–	–
Loans to banks and other borrowers		6,645	–	–	11,989	–	–
Provisions for loans to banks and other borrowers		(4,116)	–	–	(4,346)	–	–
Domestic public debt		1,705	–	–	1,727	–	–
Other assets		6,154	31	–	49	30	–
Accounts of banks		35,234	–	–	51,564	–	–
Accounts of state and other institutions	12	56,502	52	1	36,278	108	3
Accounts of the Deposit Guarantee Fund	12	878	–	–	2,498	–	–
Liabilities to transfer distributable profit to the state budget	15	42,722	–	–	42,722	–	–
Certificates of deposit issued by the NBU		43,553	–	–	56,185	–	–
Other liabilities		6	–	–	5	–	–

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

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

long-term loans to state-owned banks (included in the loans to banks and other borrowers in the table above) as of 31 March 2020 bore interest rates of 14.25% per annum (from 14.25% to 16.00% as of 31 December 2019)

the accounts of the government and other institutions as of 31 March 2020 and 31 December 2019 were non-interest-bearing

the accounts of the Deposit Guarantee Fund bore interest rates of 8.79% as of 31 March 2020 (9.53% as of 31 December 2019)

the balances of required reserves transferred by state-owned banks to correspondent accounts with the NBU (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 correspondent accounts) (Note 11).

The terms of transactions with the domestic public debt and domestic securities are disclosed in the respective notes.

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

	For the period ended 31 March 2020			For the period ended 31 March 2019		
	Government and state- controlled entities	Associates	Other related parties	Government and state- controlled entities	Associates	Other related parties
						(UAH million)
Interest income	5,820	–	–	10,243	–	–
Interest expenses	(1,863)	–	–	(371)	–	–
Fee and commission income	30	–	–	25	–	–
Other income	45	2	–	148	6	–
Staff costs	–	–	(11)	–	–	(8)
Other expenses	(226)	–	(9)	(58)	–	(8)
Net decrease in provisions	229	–	–	25	–	–

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

In Q1 2020, the short-term benefits (salary) of key management personnel were UAH 10.58 million, including

remuneration to members of the NBU Council of UAH 3.68 million (in Q1 2019, the short-term benefits (salary) of key management personnel were UAH 8.28 million, including remuneration to members of the NBU Council of UAH 2.88 million). As of 31 March 2020 and 31 March 2019, there were no outstanding loans to key management personnel.

24 Events That Followed the Reporting Date

In April 2020, the NBU transferred a portion of its distributable profit in the amount of UAH 42,722 million to the State Budget of Ukraine.

1 June 2020
Kyiv, Ukraine