



National Bank  
of Ukraine

# Interim Concise Consolidated Financial Statements

for the period ended 31 March 2022



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## Interim Concise Consolidated Statement of Financial Position

	Notes	As of 31 March 2022	As of 31 December 2021
(UAH millions)			
<b>Assets</b>			
Funds and deposits in foreign currency and investment metals	5	192,703	181,279
Foreign securities	6	563,211	644,288
SDR holdings	7.1	41,042	510
Monetary gold		44,482	38,800
Domestic securities	8	348,384	323,943
Loans to banks and other borrowers	9	129,721	99,861
Domestic public debt		1,516	1,541
IMF quota contributions	7.2	81,361	76,807
Property and equipment, and intangible assets		4,254	4,343
Other assets		12,106	5,525
<b>Total assets</b>		<b>1,418,780</b>	<b>1,376,897</b>
<b>Liabilities</b>			
Banknotes and coins in circulation		685,245	627,819
Accounts of banks	10	75,371	57,136
Accounts of government and other institutions	11	60,481	55,133
Liabilities to transfer distributable profit to the State Budget of Ukraine	20	–	18,786
Certificates of deposit issued by the NBU	12	141,838	212,926
Borrowings received		–	2,728
Liabilities to the IMF, apart from IMF quota contributions	7.3	148,938	156,570
Liabilities to the IMF with respect to quota contributions	7.3	81,351	76,798
Other liabilities		2,988	2,080
<b>Total liabilities</b>		<b>1,196,212</b>	<b>1,209,976</b>
<b>Equity</b>			
Statutory capital	19	100	100
General reserves and retained earnings	19	136,141	80,530
Revaluation reserves for assets and liabilities	19	86,283	86,247
<b>Total equity</b>		<b>222,524</b>	<b>166,877</b>
<b>Noncontrolling interest</b>		<b>44</b>	<b>44</b>
<b>Total capital</b>		<b>222,568</b>	<b>166,921</b>
<b>Total equity and liabilities</b>		<b>1,418,780</b>	<b>1,376,897</b>

Authorized by the Assets and Liabilities Management Committee of the National Bank of Ukraine for issue on 05 September 2022.

Signed on 19 September 2022.

Governor

Kyrylo SHEVCHENKO

Chief Accountant,  
Director of Accounting Department

Bohdan LUKASEVYCH

Notes on pages 8 through 40 are an integral part of these interim concise consolidated financial statements.

## Interim Concise Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	For the period ended 31 March	
		2022	2021
			(UAH millions)
Interest income	14	13,452	11,630
Interest expenses	14	(4,368)	(3,249)
<b>Net interest income before gains from reversal of impairment</b>		<b>9,084</b>	<b>8,381</b>
Gains from reversal of impairment on interest-bearing financial assets	17	781	96
<b>Net interest income after gains from reversal of impairment</b>		<b>9,865</b>	<b>8,477</b>
Fee and commission income		142	154
Fee and commission expense		(181)	(12)
<b>Net fee and commission (expenses)/income</b>		<b>(39)</b>	<b>142</b>
Gains or losses on transactions with financial assets and liabilities in foreign currency and monetary gold	15	48,918	(13,115)
Gains or losses on transactions with financial instruments at fair value through profit or loss	16	(2,163)	(3,723)
Other income		211	213
<b>Total net income/(expenses)</b>		<b>56,792</b>	<b>(8,006)</b>
Staff costs	21	(804)	(573)
Costs related to the production of banknotes, coins, souvenirs, and other products		(345)	(337)
Administrative and other expenses	22	(333)	(283)
Gains from reversal of impairment on other assets	17	1	–
<b>Income/(loss) before tax</b>		<b>55,311</b>	<b>(9,199)</b>
<b>Income tax expense of subsidiary</b>		<b>(1)</b>	<b>–</b>
<b>Profit/(loss) for the period</b>		<b>55,310</b>	<b>(9,199)</b>
Other comprehensive income not to be reclassified subsequently to profit or loss:			
Revaluation of investment metals		337	(80)
<b>Other comprehensive income/(expenses) for the period</b>		<b>337</b>	<b>(80)</b>
<b>Total comprehensive income/(expenses) for the period</b>		<b>55,647</b>	<b>(9,279)</b>
<b>Profit/(loss) for the period attributable to:</b>			
the National Bank of Ukraine		55,310	(9,199)
Noncontrolling interest		–	–
		<b>55,310</b>	<b>(9,199)</b>
Comprehensive income/(expenses) attributable to:			
the National Bank of Ukraine		55,647	(9,279)
Noncontrolling interest		–	–
		<b>55,647</b>	<b>(9,279)</b>

Interim Concise Consolidated Statement of Profit and Loss and Other 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 Changes in Equity

	Statutory capital	General reserves and retained earnings	Revaluation reserve for assets and liabilities	Total equity	Noncontrolling interest	Total capital
	(UAH millions)					
<b>Balance as of 1 January 2021</b>	<b>100</b>	<b>67,734</b>	<b>117,092</b>	<b>184,926</b>	<b>44</b>	<b>184,970</b>
Total comprehensive income for Q1 2021	–	(9,199)	(80)	(9,279)	–	(9,279)
Gain/(loss) on transfer of assets	–	(60)	–	(60)	–	(60)
Realized gain/(loss) on revaluation of disposed securities and derivatives	–	652	(652)	–	–	–
<b>Balance as of 31 March 2021</b>	<b>100</b>	<b>59,127</b>	<b>116,360</b>	<b>175,587</b>	<b>44</b>	<b>175,631</b>
<b>Balance as of 1 January 2022</b>	<b>100</b>	<b>80,530</b>	<b>86,247</b>	<b>166,877</b>	<b>44</b>	<b>166,921</b>
Total comprehensive income for Q1 2022	–	55,310	337	55,647	–	55,647
Realized result on revaluation of disposed investment metals	–	56	(56)	–	–	–
Realized gain/(loss) on revaluation of disposed securities and derivatives	–	245	(245)	–	–	–
<b>Balance as of 31 March 2022</b>	<b>100</b>	<b>136,141</b>	<b>86,283</b>	<b>222,524</b>	<b>44</b>	<b>222,568</b>

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## Interim Concise Consolidated Statement of Cash Flows

	Note	As of 31 March 2022	As of 31 March 2021
(UAH millions)			
<b>Operating activities</b>			
Interest received		5,655	4,372
Fees and commissions received		139	154
Other income		210	214
Interest paid		(4,403)	(3,207)
Fees and commissions paid		(19)	(12)
Other expenses		(1,047)	(1,052)
Taxes, duties, and charges paid		(284)	(129)
Transfers to the State Budget of Ukraine	20	(18,786)	–
Increase in loans to banks and other borrowers		(28,955)	(5,693)
Domestic public debt repaid		33	33
Increase in accounts of banks on demand		17,239	15,478
Increase/(decrease) in accounts of government and other institutions		5,050	(18,570)
Increase in other assets		(6,374)	(9,257)
Increase in other liabilities		932	521
Other cash flows		(147)	(483)
<b>Net change in cash flows from operating activities</b>		<b>(30,757)</b>	<b>(17,631)</b>
<b>Investing activities</b>			
(Increase)/decrease in term deposits placed		(3)	2,696
Net decrease in foreign securities		124,911	14,307
Purchase of monetary gold		–	(2)
Net (increase)/decrease in domestic securities		(17,516)	3,446
Acquisition of property and equipment, and intangible assets		(23)	(44)
Sale of property and equipment, and intangible assets		–	2
<b>Net cash flows from investing activities</b>		<b>107,369</b>	<b>20,405</b>
<b>Financing activities</b>			
Issue/(withdrawal) of banknotes and coins in/from circulation	13	57,426	(4,672)
Repayment of liabilities to the IMF	13	(17,049)	(11,713)
Repayment of certificates of deposit issued by the NBU	13	(70,996)	(20,194)
Repayment of loans received	13	(2,925)	–
<b>Net cash flows from financing activities</b>		<b>(33,544)</b>	<b>(36,579)</b>
<b>Effect of changes in exchange rate</b>		<b>8,340</b>	<b>(3,435)</b>
<b>Net change in cash and cash equivalents</b>		<b>51,408</b>	<b>(37,240)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>178,087</b>	<b>118,410</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	13	<b>229,495</b>	<b>81,170</b>

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# Notes to Interim Concise Consolidated Financial Statements

## Section I. Basis for Preparing Financial Statements

### 1. Principal Activities

The National Bank of Ukraine (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. In accordance with Ukrainian legislation, the main function of the NBU is safeguarding the stability of the Ukrainian national currency. In performing its main function, the NBU is guided by the priority of achieving and maintaining price stability in the country. The NBU facilitates the stability of the banking system and sustainable economic growth, and supports the economic policies of the Cabinet of Ministers of Ukraine, provided that these do not prevent the NBU from carrying out its primary function of maintaining price stability.

The NBU does not aim to earn profits.

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

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

As of 31 March 2022 and 31 December 2021, the NBU's structure comprised the Head Office and the Banknote Printing and Minting Works – a standalone unit of the central bank. These units operate exclusively within the NBU's mandate, which is enshrined in 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 SETTLEMENT CENTER PJSC).

The NBU's shareholding in the authorized capital of SETTLEMENT CENTER PJSC was 83.55% as of 31 March 2022 (unchanged from 83.55% as of 31 December 2021).

As of 31 March 2022 and 31 December 2021, the statutory capital of SETTLEMENT CENTER PJSC totaled UAH 206.7 million and comprised ordinary registered shares with a par value of UAH 1,000 each.

Under Ukrainian legislation, SETTLEMENT CENTER PJSC carries out professional activities in capital markets, clearing activities to identify liabilities, and clearing activities of a central counterparty.

Among other things, SETTLEMENT CENTER PJSC performs the following functions:

- makes/ensures cash settlements under concluded derivative contracts and transactions with money market instruments and assets admitted for trading in

the organized commodity market, subject to settlements based on the delivery-versus-payment principle, and under transactions with securities subject to settlements based on the delivery-of-securities-versus-payment principle

- ensures the exercise of rights (including rights to receive income) with regard to assets deposited in the relevant accounts of SETTLEMENT CENTER PJSC for making/ensuring settlements under derivative contracts and transactions with financial instruments and other assets, and facilitates the filing of claims under bank guarantees
- makes transactions with derivative contracts, financial instruments, and other assets to ensure the fulfillment of obligations.

The NBU is the founder of the Corporate Nonstate Pension Fund (CNPF).

The NBU manages and stores the CNPF's assets.

The NBU has analyzed the availability of controls required for consolidation in accordance with International Financial Reporting Standard (IFRS) 10 "Consolidated Financial Statements" with regard to the CNPF. The NBU is the founder of the CNPF, but it does not bear this fund's risks and is not entitled to the variable results of its activities. Under IFRS 10 "Consolidated Financial Statements," the NBU does not control the CNPF, and CNPF data has not been consolidated for the purpose of these consolidated financial statements.

As of 31 March 2022 and 31 December 2021, the NBU's investments in associated companies were represented by its investments in the authorized capital of the NATIONAL DEPOSITORY OF UKRAINE PUBLIC JOINT STOCK COMPANY (hereinafter ND PJSC).

The NBU, the National Securities and Stock Market Commission, and other stock market practitioners are shareholders of ND PJSC. Under its charter, ND PJSC conducts depository record-keeping, and maintains records of securities and issuers' corporate transactions on customers' securities accounts.

As of 31 March 2022 and 31 December 2021, the NBU owned 2,580 ordinary registered shares of ND PJSC with a face value of UAH 10,000 each and UAH 25.8 million in total. As of 31 March 2022, the NBU's shareholding in the authorized capital of ND PJSC was 25% (unchanged from 31 December 2021).

## 2. Basis of Accounting Policies and Reporting Presentation

*This section contains information on the NBU's accounting policy that relates to financial statements as a whole.*

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

These interim concise consolidated financial statements do not include all of the information required for complete financial reporting in line with 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 2021 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 that will continue to operate in the foreseeable future.

During Q1 2022, the NBU's financial risk management targets and policies remained unchanged.

The official hryvnia exchange rate against the major foreign currencies – which is reflected in the monetary items of the consolidated statement on financial position and monetary gold – was as follows:

	31 March 2022 (in hryvnias)	31 December 2021 (in hryvnias)
1 U.S. dollar	29.2549	27.2782
1 SDR	40.441953	38.178401
1 euro	32.5856	30.9226
1 GBP	38.4892	36.8392
1 Troy ounce of gold	56,308.37	49,115.22

### **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 about future events that could lead to substantial adjustments to the book value of assets and liabilities in the next reporting period

estimates of expected credit losses on demand deposits and term deposits in foreign currency and monetary gold

estimates of expected credit losses on securities that are measured at amortized cost

estimates of 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.

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

### **Contingent Liabilities**

#### **Capital Commitments**

As of 31 March 2022, the NBU had UAH 304 million in capital commitments with respect to the acquisition, construction, and improvement of plant, property, and equipment and intangible assets (up from UAH 215 million as of 31 December 2021).

#### **Legal Proceedings**

From time to time and in the normal course of business, certain lawsuits are filed against the NBU. As of 31 March 2022 and 31 December 2021, there were lawsuits for which the NBU estimates the probability of having to pay damages as low, but the NBU believes that disclosure in such property lawsuits may harm it in disputes with other parties on the subject matter of the lawsuit. The NBU made no provisions for liabilities that could arise from these lawsuits.

For lawsuits against the NBU that, the NBU estimated, had a high likelihood of resulting in losses, the NBU made a respective provision of UAH 223 million as of 31 March 2022 (unchanged from UAH 223 million as of 31 December 2021).

**Swap transactions**

For the purpose of managing international reserves, during Q1 2022 and 2021, the NBU performed foreign currency swaps with foreign banks with the maturity up to three months.

As of 31 March 2022, the NBU had 7 foreign currency swap agreements with USD 350 million (UAH 10,239 million at the official exchange rate as of 31 March 2022) in receivables, JPY 18,283 million (UAH 4,395 million at the official exchange rate as of 31 March 2022) in receivables, UAH 2,702 million in receivables, JPY 43,002 million (UAH 10,336 million at the official exchange rate as of 31 March 2022) in payables, and USD 246 million (UAH 7,188 million at the official exchange rate as of 31 March 2022) in payables.

As of 31 December 2021, the NBU had 15 foreign currency swap deals with USD 770 million (UAH 21,004 million according to the official exchange rate as of the end of the year) in receivables, UAH 2,684 million in receivables, JPY 87,564 million (UAH 20,745 million according to the

official exchange rate as of the end of the year) in payables, and USD 100 million (UAH 2,728 million according to the official exchange rate as of the end of the year) in payables.

Between July 2020 and September 2021, the NBU made interest rate swap transactions. Since 1 October 2021, such transactions have been suspended. As of 31 March 2022 and 31 December 2021, the NBU had 72 interest rate swap agreements in the total amount of UAH 19,411 million with maturities from 2 to 5 years, including UAH 2,980 million, in face value, in swaps maturing in 2 years, UAH 8,961 million in swaps maturing in 3 years, UAH 4,470 million in swaps maturing in 4 years, and UAH 3,000 million in swaps maturing in 5 years.

Changes that occurred in Q1 2022 in contingent liabilities for other derivative financial instruments and loan commitments are laid out in Notes 5 and 9, respectively.

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

In early 2022, the economy continued to grow thanks to the bumper crops of the 2021–2022 marketing year, and further increases in consumer and investment demand. However, mounting geopolitical tensions over the buildup of Russia's military presence on its border with Ukraine affected economic activity, fueling depreciation pressure on the hryvnia and limiting the country's access to the foreign capital markets.

After 24 February 2022, business activity in Ukraine fell sharply because of Russia's full-scale attack. The hostilities caused significant damage to infrastructure and disruption to supply and production chains. In March, active hostilities affected 10 oblasts of Ukraine and the city of Kyiv, which previously jointly accounted for around 55% of the country's GDP. A sharp decline in economic activity was also seen in relatively calm regions. This was driven by disruption to the supply and production chains between the regions and the rest of the world, as well as by migration and the destruction of infrastructure and production facilities. As a result, real GDP decreased by 15.1% yoy in Q1 2022 (according to a flash estimate by the State Statistics Service of Ukraine, ukrstat.gov.ua).

This sharp decline in economic activity led to a decrease in the revenues of the State Budget of Ukraine (state budget) in March compared to previous months. At the same time, weak year-on-year growth in revenues continued in March, thanks to early dividend payments by state-owned enterprises and advance tax payments. In turn, budgetary spending on military needs and social support increased markedly. A number of tax changes were introduced to reduce the shock to the economy. As a result, in Q1 2022, the consolidated budget recorded a deficit of UAH 31.3 billion, which stemmed from a large state budget deficit (UAH 56.1 billion). The state budget deficit was financed by borrowing from the domestic market (in particular, war bonds were introduced in March as a new instrument) and by international financing.

In line with the amended legislation<sup>1</sup>, the NBU for the duration of martial law was given the opportunity to purchase government debt securities in order to finance the state budget and thus to ensure there was a proper rebuff to Russia's full-scale military aggression. In March, the NBU purchased war bonds worth a total of UAH 20 billion. The NBU is also cooperating closely with the government of Ukraine, fostering inflows of financing from international partners, which in March amounted to USD 3.2 billion. Public and publicly guaranteed debt grew to UAH 2,832 billion as of the end of March.

Growth rates in the external trade of goods remained high in January–February 2022. Exports increased due to the bumper crops harvested in the marketing year 2021–2022 and persistently-high prices for the country's main exported goods, while the dynamics of imports were fueled by robust domestic demand and high energy prices. Combined with a

decrease in dividends and stable remittances, this contributed to the surplus of the current account.

Russia's large-scale military aggression against Ukraine led to a sizeable decline in the volume of external trade in goods. Cargo transportation capacity was greatly affected, while a portion of the country's production facilities were put out of operation or damaged. Exports of goods plunged in March 2022, especially exports of grains, sunflower oil, and ferrous metals. In turn, a large decrease in domestic demand – coupled with disrupted supply chains and restrictions on purchasing imported goods – affected imports, which declined significantly. In March, the balance of trade in services, which has usually been positive, was in deficit because of higher imports of travel services, with many Ukrainians migrating abroad and IT services exports dropping temporarily due to the uncertainty and the relocation of IT companies. On the other hand, steady remittances, strong international financial and humanitarian assistance, a decrease in reinvested earnings, and dividend payment restrictions led to a large current account surplus in March. As a result, the current account surplus reached USD 2.3 billion in Q1 2022.

In early 2022, the financial account recorded outflows, which were generated by both the public and private sectors. The public sector repaid its foreign debt, while the private sector increased its foreign assets, including cash outside banks. After the onset of the war, official financing grew in volume substantially, fueling capital inflows in the public sector. However, the inflows were not sufficient to offset capital outflows from the real sector, which have been formed by an increase in cash outside banks and trade loans, among other causes due to supply chain disruption. As of the end of Q1 2022, capital outflows from the financial account (USD 5.6 billion) significantly exceeded the current account surplus, and the balance of payments in Q1 recorded a deficit of USD 3.3 billion. As a result, gross international reserves declined by 9.2% from the start of the year, down to USD 28.1 billion as of the end of March. However, they remained relatively high thanks to strong financial support from Ukraine's international partners.

Inflationary pressures in Ukraine rose in early 2022, influenced by a steep rise in global prices for energy and food, as well as a deterioration in sentiment and expectations on the back of higher risks of Russia starting full-scale military aggression, and, following that, its actual invasion of Ukraine in late February. A jump in prices in the temporarily occupied territories, disrupted production processes and logistics, the physical destruction of warehouses and industrial facilities, and uneven demand spurred growth in consumer prices to 13.7% yoy in March 2022. Prices for food, pharmaceuticals, and fuel were the first to surge. At the same time, inflation was curbed by a significant drop in demand, the effect of the fixed exchange rate of the hryvnia, and a moratorium on utility price increases.

<sup>1</sup> Pursuant to the Law of Ukraine *On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Regarding the Specifics of Taxation and Reporting under Martial Law*, dated 3 March 2022,

Article 54 of the Law of Ukraine *On the National Bank of Ukraine*, which forbids the NBU from making loans to the state, was temporarily waived for the duration of martial law.

From the first hours of the war, the NBU promptly activated an anti-crisis plan that had been drafted in advance. In particular, to prevent the destabilization of the FX market, the NBU fixed the official hryvnia to U.S. dollar exchange rate as of 24 February 2022 and introduced a number of temporary administrative restrictions on FX transactions and cross-border capital flows.

Also, the NBU adapted the operational design of its monetary policy and took anti-crisis measures to mitigate risks to financial stability. Specifically, the following decisions were taken:

- to introduce tenders for the provision of refinancing to banks (including partially through unsecured mechanisms)
- to suspend tenders for placing 14-day certificates of deposit issued by the NBU
- to cancel the decision to raise reserve requirements that was made in early February.

In this way the NBU was able to counter the initial adverse effects of the full-scale hostilities on the banks' performance, protect the interests of bank clients (primarily depositors), and maintain uninterrupted settlements in the country. The banking system remained liquid. The stable functioning of the payment and banking systems, as well as state support measures, meant businesses were able to start recovering their operations by late March.

Given the strong psychological shock caused by the war, market-based monetary instruments, such as the key policy rate, did not play a significant role in the functioning of the money and FX markets during the first months of the war. Therefore, at the start of the war, the NBU temporarily postponed its key policy rate decisions, keeping the rate at 10%.

On 25 February 2022, Moody's confirmed Ukraine's credit rating at B3, while Fitch Ratings and Standard & Poor's downgraded it to CCC/C and B-/B<sup>2</sup> respectively. In later rating reviews, Moody's on 4 March 2022 downgraded Ukraine's credit rating to Caa2, and Standard & Poor's on 11 March 2022 affirmed the rating at B-/B.

Going forward, Russia's full-scale military aggression may have a mixed effect on the NBU's performance and financial standing. However, the size of the effect cannot be estimated reliably at this point. The NBU's management is closely monitoring current developments and is taking all necessary actions to mitigate the influence of adverse factors.

The NBU remains committed to pursuing its inflation-targeting regime with a floating exchange rate and a ban on the NBU financing the state budget. As the Ukrainian economy and financial system return to normal, the NBU will resume, as soon as possible, the observance of the principles and instruments of its monetary policy, as set by its Monetary Policy Strategy and the Monetary Policy Guidelines. The NBU will return to its traditional use of the key policy rate as the main tool of monetary policy for controlling inflation expectations, and will pursue the inflation target as soon as monetary transmission channels start functioning again and it becomes possible to forecast, with reasonable probability, the effects of monetary decisions over the policy horizon. FX restrictions will be returned to pre-war levels as soon as possible. However, this process might be gradual. The NBU will seek to completely abandon the financing of the state budget deficit, given the need to ensure an optimal balance between keeping inflation developments and expectations under control on the one hand, and on the other supporting the combat capability of the Armed Forces of Ukraine and uninterrupted operation of the public finance system and critical infrastructure.

<sup>2</sup> For Fitch Ratings and Standard & Poor's, the first and the second value of the FX debt rating refer to ratings for long- and short-term

debt respectively. For Moody's, the rating given is for long-term FX debt.

## Section II.I Financial Instruments

### 4. Presentation of financial instruments by measurement categories

In Q1 2022, the NBU's accounting policy remained unchanged.

#### Transactions with Financial Instruments

The NBU classifies all financial assets into the categories that are at fair value through profit or loss and amortized cost

depending on the models determined to manage financial assets and cash flow characteristics. The NBU's financial liabilities other than financial derivative instruments are estimated at amortized cost.

As of 31 March 2022, financial assets were broken down into measurement categories as follows:

	Assets at fair value through profit or loss	Assets at amortized cost	Total
(UAH millions)			
<b>Financial assets</b>			
Funds and deposits in foreign currency	28	188,440	<b>188,468</b>
Foreign securities	563,211	–	<b>563,211</b>
SDR holdings	–	41,042	<b>41,042</b>
Domestic securities	391	347,993	<b>348,384</b>
Loans to banks and other borrowers	–	129,721	<b>129,721</b>
Domestic public debt	–	1,516	<b>1,516</b>
IMF quota contributions	–	81,361	<b>81,361</b>
Other financial assets	336	6,624	<b>6,960</b>
<b>Total financial assets</b>	<b>563,966</b>	<b>796,697</b>	<b>1,360,663</b>

As of 31 December 2021, financial assets were broken down into measurement categories as follows:

	Assets at fair value through profit or loss	Assets at amortized cost	Total
(UAH millions)			
<b>Financial assets</b>			
Funds and deposits in foreign currency	33	177,552	<b>177,585</b>
Foreign securities	644,288	–	<b>644,288</b>
SDR holdings	–	510	<b>510</b>
Domestic securities	1,082	322,861	<b>323,943</b>
Loans to banks and other borrowers	–	99,861	<b>99,861</b>
Domestic public debt	–	1,541	<b>1,541</b>
IMF quota contributions	–	76,807	<b>76,807</b>
Other financial assets	278	300	<b>578</b>
<b>Total financial assets</b>	<b>645,681</b>	<b>679,432</b>	<b>1,325,113</b>

## Section II.II. Financial assets and liabilities

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

	As of 31 March 2022	As of 31 December 2021
		(UAH millions)
<b>Financial assets at amortized cost</b>		
Foreign currency cash	29,332	20,677
Demand deposits	75,748	58,631
Term deposits in foreign currency	83,372	98,249
Allowances for expected credit losses on deposits in foreign currency at amortized cost	(12)	(5)
<b>Total financial assets at amortized cost</b>	<b>188,440</b>	<b>177,552</b>
<b>Financial assets at fair value through profit or loss</b>		
Demand deposits for settling futures transactions	28	33
<b>Total financial assets</b>	<b>188,468</b>	<b>177,585</b>
<b>Nonfinancial assets</b>		
Term deposits in gold	4,235	3,694
<b>Total nonfinancial assets</b>	<b>4,235</b>	<b>3,694</b>
<b>Total funds and deposits in foreign currency and investment metals</b>	<b>192,703</b>	<b>181,279</b>

For the purposes of the consolidated statement of cash flows, the cash flows on term deposits in gold are classified as investment activities.

All funds and deposits in foreign currency are not in collateral as of 31 March 2022 and 31 December 2021.

As of 31 March 2022, the gross carrying value of demand deposits was UAH 75,748 million and it changed mostly due to increase in balances on nonresident bank accounts (as of 31 December 2021 it was UAH 58,631 million). In Q1 2022 and 2021, all demand deposits were at stage 1 for assessing expected credit losses. In Q1 2022 and 2021, the NBU did not recognize any allowances for expected credit losses on demand accounts.

As of 31 March 2022, the gross carrying value of term deposits in foreign currency was UAH 83,372 million, allowances for expected credit losses were UAH 12 million (as of 31 December 2021, the gross carrying value of term deposits was UAH 98,249 million, and allowances for expected credit losses were UAH 5 million). In Q1 2022 and 2021, all term deposits in foreign currency were at stage 1 for assessing expected credit losses. The changes in gross carrying amount were caused by decrease of amount of available deposits in foreign currency and changes in allowances were due to the release of allowances against returned deposits and recognition of new allowances against placed deposits.

The sum of demand deposits at fair value through profit or loss as of 31 March 2022 includes funds of UAH 28 million (UAH 33 million in 2021) for settling futures transactions under agreements on investment management and the provision of advisory services between the IBRD and the NBU, which were estimated at fair value and included in FX funds and deposits.

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

As of 31 March 2022, the NBU had 1,309 short stock-exchange futures contracts maturing from December 2022 to September 2026, the notional value of which equaled UAH 9,309 million or USD 318 million (as of 31 December 2021: 38 long stock-exchange interest futures contracts maturing in March 2022, the notional value of which equaled UAH 258 million or USD 9 million, and 1,593 short stock-exchange interest futures contracts maturing from June 2022 to September 2026, the notional value of which equaled UAH 10,714 million or USD 393 million).

## 6. Foreign securities

As of 31 March 2022, foreign securities were comprised of the following:

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(UAH million)			
<b>Foreign securities at fair value through profit or loss:</b>			
<b>Debt securities by issuers:</b>			
securities issued by U.S. issuers:			
denominated in USD	388,258	309	388,567
securities issued by EU issuers:			
denominated in USD	3,042	20,934	23,976
denominated in EUR	–	8,929	8,929
denominated in GBP	–	772	772
securities issued by other issuers:			
denominated in USD	1,473	88,891	90,364
denominated in EUR	1,552	19,151	20,703
denominated in AUD	724	329	1,053
denominated in GBP	4,007	–	4,007
denominated in Chinese renminbi	–	14,514	14,514
denominated in JPY	360	9,846	10,206
<b>Total debt securities</b>	<b>399,416</b>	<b>163,675</b>	<b>563,091</b>
<b>Equity instruments:</b>			
shares of the Black Sea Trade and Development Bank	–	120	120
investment in the Interstate Bank	–	–	–
<b>Total equity instruments</b>	<b>–</b>	<b>120</b>	<b>120</b>
<b>Total foreign securities at fair value through profit or loss</b>	<b>399,416</b>	<b>163,795</b>	<b>563,211</b>

In line with NBU Board Decision No. 108 On Assessing the Investment of the National Bank of Ukraine Into the Authorized Capital dated 3 March 2022, the absence of possibility to gain economic benefits from the NBU's investment into the equity instruments of the Interstate Bank was established as a criterion for derecognition of such investment as an asset. Losses in amount of UAH 1 million were reflected in Results from transactions with financial

instruments at fair value through profit or loss of the Interim concise consolidated statement of profit/loss and other comprehensive income (Note 16).

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 2021, foreign securities were comprised of the following:

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(UAH million)			
<b>Foreign securities at fair value through profit or loss:</b>			
<b>Debt securities by issuers:</b>			
securities issued by U.S. issuers:			
denominated in USD	462,574	299	462,873
denominated in GBP	–	844	844
securities issued by EU issuers:			
denominated in USD	2,337	21,679	24,016
denominated in EUR	–	10,218	10,218
denominated in GBP	–	2,029	2,029
securities issued by other issuers:			
denominated in USD	3,178	85,487	88,665
denominated in EUR	1,546	21,877	23,423
denominated in AUD	665	297	962
denominated in GBP	3,555	2,830	6,385
denominated in Chinese renminbi	–	14,687	14,687
denominated in JPY	355	9,710	10,065
<b>Total debt securities</b>	<b>474,210</b>	<b>169,957</b>	<b>644,167</b>
<b>Equity instruments:</b>			
shares of the Black Sea Trade and Development Bank	–	120	120
investment in the Interstate Bank	–	1	1
<b>Total equity instruments</b>	<b>–</b>	<b>121</b>	<b>121</b>
<b>Total foreign securities at fair value through profit or loss</b>	<b>474,210</b>	<b>170,078</b>	<b>644,288</b>

Information about the nominal value, coupon rate and maturities of foreign debt securities as of 31 March 2022 is presented in the table below:

	Total nominal value in foreign currency, millions	Total nominal value in hryvnia equivalent, UAH millions	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
<b>Debt securities at fair value through profit or loss by issuers:</b>					
<b>Government bonds:</b>					
securities issued by U.S. issuers:					
denominated in USD	13,226	386,914	0–2.25	Every 6 months, without coupon payments	From 15 days to 3.5 years
securities issued by EU issuers:					
denominated in USD	103	3,025	0.125–1.875	Every 6 months, once a year	From 6.9 months to 9.6 months
securities issued by other issuers:					
denominated in USD	50	1,463	2.125	Every 6 months	7.2 months
denominated in EUR	50	1,629	0.125	Once a year	4.9 years
denominated in AUD	33	721	0.25–5.75	Every 6 months	From 3.5 months to 2.6 years
denominated in GBP	104	4,007	0.125–0.75	Every 6 months	From 6.8 months to 2.1 years
denominated in JPY	1,500	360	0.02	Every 6 months	3.2 years
<b>Bonds issued by international agencies, banks and other issuers:</b>					
securities issued by U.S. issuers:					
denominated in USD	11	325	0.625–0.75	Once a year	From 1.1 months to 3.9 years
securities issued by EU issuers:					
denominated in USD	716	20,939	0–2.625	Quarterly, every 6 months, once a year, without coupon payments	From 8 days to 4.6 years
denominated in EUR	280	9,124	0–0.25	Quarterly, once a year, without coupon payments	From 17 days to 6.7 years
denominated in GBP	20	770	1	Once a year	8.6 months
securities issued by other issuers:					
denominated in USD	3,056	89,417	0–3.25	Quarterly, every 6 months, once a year, without coupon payments	From 5 days to 4.5 years
denominated in EUR	598	19,486	0–0.75	Quarterly, once a year	From 25 days to 6.4 years
denominated in AUD	15	330	0	Without coupon payments	2 months
denominated in Chinese renminbi	3,159	14,551	0–3.4	Every 6 months, once a year, without coupon payments	From 12 days to 3.4 years
denominated in JPY	41,000	9,855	0–0.295	Every 6 months, without coupon payments	From 1.8 months to 2.6 years

Information about the nominal value, coupon rate and maturities of foreign debt securities as of 31 December 2021 is presented in the table below:

	Total nominal value in foreign currency, millions	Total nominal value in the hryvnia equivalent, UAH million	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
<b>Debt securities at fair value through profit or loss by issuers:</b>					
<b>Government bonds:</b>					
securities issued by U.S. issuers:					
denominated in USD	16,800	458,264	0–2.5	Every 6 months, without coupon payments	From 15 days to 1.1 years
securities issued by EU issuers:					
denominated in USD	85	2,319	0.125–1.875	Every 6 months, once a year	From 6.9 months to 9.6 months
securities issued by other issuers:					
denominated in USD	115	3,137	2.125–2.625	Every 6 months	From 25 days to 10.2 months
denominated in EUR	50	1,546	0.125	Once a year	4.9 years
denominated in AUD	33	650	0.25–5.75	Every 6 months	From 6.5 months to 2.9 years
denominated in GBP	97	3,581	0.125–0.75	Every 6 months	From 6.8 months to 2.1 years
denominated in JPY	1,500	355	0.02	Every 6 months	3.5 years
<b>Bonds issued by international agencies, banks and other issuers:</b>					
securities issued by U.S. issuers:					
denominated in USD	11	303	0.625–0.75	Once a year	From 4.1 months to 4.1 years
denominated in GBP	24	884	0.25	Once a year	5.7 years
securities issued by EU issuers:					
denominated in USD	792	21,600	0–2.75	Quarterly, every 6 months, once a year, without coupon payments	From 18 days to 4.8 years
denominated in EUR	330	10,204	0–0.5	Quarterly, once a year, without coupon payments	From 2.4 months to 6.9 years
denominated in GBP	55	2,026	0–1	Once a year, without coupon payments	From 1.2 months to 11.6 months
securities issued by other issuers:					
denominated in USD	3,133	85,460	0–3.25	Quarterly, every 6 months, once a year, without coupon payments	From 11 days to 4.8 years
denominated in EUR	704	21,770	0–0.75	Quarterly, once a year	From 24 days to 6.7 years
denominated in AUD	15	297	0	Without coupon payments	5 months
denominated in GBP	77	2,837	0–0.375	Once a year, without coupon payments	From 12 days to 1.6 years
denominated in Chinese renminbi	3,459	14,804	0–3.4	Every 6 months, once a year, without coupon payments	From 1.5 months to 3.6 years
denominated in JPY	41,000	9,713	0–0.295	Every 6 months, without coupon payments	From 4.8 months to 2.8 years

## 7. Transactions with the IMF

### 7.1. SDR holdings

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

Movements in the SDR holding account in Q1 2022 and the same period in 2021 were as follows:

	2022	2021
		(UAH millions)
<b>Balance of SDR holdings as of 1 January</b>	<b>510</b>	<b>128</b>
Proceeds from the IMF:		
in favor of the government	41,263	–
Purchase of SDRs	25,326	20,123
Other proceeds and payments	26	–
Loan repayment:		
on behalf of the NBU (Note 7.3)	(17,049)	(11,713)
on behalf of the government	(6,546)	(6,338)
Payment of loan-related fees and commissions	(206)	–
Payment of interest for the use of IMF loans:		
on behalf of the NBU	(979)	(1,225)
on behalf of the government	(732)	(772)
Payment of interest for the use of funds received under SDR allocation:		
on behalf of the NBU	(2)	(1)
on behalf of the government	(19)	(11)
Income on SDR holdings	6	–
Exchange rate differences	(556)	(27)
<b>Balance of SDR holdings as of 31 March</b>	<b>41,042</b>	<b>164</b>

In Q1 2022 and Q1 2021, the NBU received no funds from the IMF.

## 7.2. IMF Quota Contributions

The quota balance is a special type of asset that represents Ukraine's contribution as an IMF member. Quotas vary based on the economic size of each country and are determined by the IMF Board of Governors. 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 debt instrument issued by the NBU to the IMF, with the remainder being credited to the IMF accounts No. 1 and No. 2 (Note 7.3).

As of 31 March 2022, Ukraine's total quota in the IMF amounted to SDR 2,012 million (UAH 81,361 million at the official UAH/SDR exchange rate as of the end of reporting

period) (as of 31 December 2021, it was SDR 2,012, or UAH 76,807 million at the year-end official exchange rate). The quota does not earn interest.

The reserve position in the IMF is a specific type of asset that is created by converting a part of the contribution of a member country to the IMF liquidity quota. The reserve position is part of a country's currency reserves.

As of 31 March 2022, the reserve position of Ukraine in the IMF amounted to SDR 241,031 (UAH 10 million at the official UAH/SDR exchange rate as of the end of the reporting period) (as of 31 December 2021, it was SDR 241,031, or UAH 9 million at the year-end official UAH/SDR exchange rate).

## 7.3. Liabilities to the IMF

	As of 31 March 2022	As of 31 December 2021
		(UAH millions)
Liabilities to the IMF for SDR purchases	145,640	153,455
Liabilities to the IMF for SDR allocations	3,295	3,112
IMF account No. 2	3	3
<b>Liabilities to the IMF apart from quota contributions</b>	<b>148,938</b>	<b>156,570</b>
Liabilities to the IMF with respect to quota settlement	81,147	76,605
IMF account No. 1	204	193
<b>Liabilities to the IMF to pay quota contributions</b>	<b>81,351</b>	<b>76,798</b>
<b>Total liabilities to the IMF</b>	<b>230,289</b>	<b>233,368</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 Q1 2022 and in 2021, there were no proceeds from the IMF to the NBU (Note 7.1).

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

Liabilities to the IMF to pay quota contributions represent liabilities for quota settlement. In Q1 2022 and in 2021, there were no changes in liabilities on quota contributions related to the IMF's administrative disbursements in hryvnia.

In Q1 2022 and in 2021, there were no changes to the size of the quota (Note 7.2).

In Q1 2022, liabilities worth SDR 419 million (UAH 17,049 million at the official exchange rate as of the transaction date, or UAH 16,701 million at the annual exchange rate of the IMF) were repaid to the IMF [in Q1 2021, repayments of liabilities to the IMF equaled SDR 294 million (UAH 11,713 million at the official exchange rate as of the transaction date, or UAH 10,839 million at the annual exchange rate of the IMF)] (Note 7.1).

## 8. Domestic Securities

	As of 31 March 2022	As of 31 December 2021
		(UAH millions)
<b>Securities measured at fair value through profit or loss:</b>		
in foreign currencies:		
government derivatives denominated in US dollars	391	1,082
<b>Total securities at fair value through profit or loss</b>	<b>391</b>	<b>1,082</b>
<b>Debt securities at amortized cost:</b>		
in domestic currency:		
domestic government debt securities	347,993	322,861
<b>Total debt securities at amortized cost</b>	<b>347,993</b>	<b>322,861</b>
<b>Total domestic securities</b>	<b>348,384</b>	<b>323,943</b>

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

From 7 March 2022, in line with the Law of Ukraine No. 2118-IX *On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Regarding the Application of Provisions Under Martial Law* dated 3 March 2022, the Verkhovna Rada has decided to temporarily waive for the duration of martial law in Ukraine Article 54 of the Law of Ukraine *On the National Bank of Ukraine*, which forbids the NBU to make loans to the state.

Pursuant to Resolution No. 156 of the Cabinet of Ministers of Ukraine *On Issuing War Bonds* dated 25 February 2022, the NBU has purchased war domestic government debt securities with the nominal value of UAH 20,000 billion in total. War domestic government debt securities are issued by the Ministry of Finance of Ukraine and have the nominal value of UAH 1,000 each.

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

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as of 31 March 2022 is presented in the table below:

	Total nominal value and notional value in the hryvnia equivalent, UAH million	Total nominal value and notional value in foreign currency, in millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
<b>Securities measured at fair value through profit or loss:</b>						
in foreign currency:						
government derivatives	1,283	44	–	–	–	Up to 18.2 years
<b>Debt securities at amortized cost:</b>						
in domestic currency:						
domestic government debt securities	330,267	–	7.55–14.10	8.12–16.00	Once a year, every six months	From 2.7 months to 25.6 years

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as of 31 December 2021 is presented in the table below:

	Total nominal value and notional value in the hryvnia equivalent, UAH million	Total nominal value and notional value in foreign currency, in millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
<b>Securities measured at fair value through profit or loss:</b>						
in foreign currency:						
government derivatives	1,196	44	–	–	–	Up to 18.4 years
<b>Debt securities at amortized cost:</b>						
in domestic currency:						
domestic government debt securities	312,752	–	6.97–13.10	8.12–17.25	Once a year, every six months	From 0.2 months to 25.9 years

In Q1 2022 and 2021, all government securities were at stage 1. In Q1 2022 and 2021, the NBU did not make provisions for expected credit losses on government securities.

## 9. Loans to Banks and Other Borrowers

Loans to banks and other borrowers by their designated purpose are classified as follows:

	As of 31 March 2022	As of 31 December 2021
	(UAH millions)	
Loans granted to banks to support their liquidity:		
for stabilizing banking activities	37,991	38,955
through tenders conducted by the NBU:		
long-term	87,778	88,852
short-term	37,727	6,578
overnight	250	470
other	10	10
Loans granted under credit lines to support small and medium businesses using funds received from the European Bank for Reconstruction and Development (the EBRD)	36	36
Other	2	2
Allowance for expected credit losses on loans to banks and other borrowers	(34,073)	(35,042)
<b>Total loans to banks and other borrowers</b>	<b>129,721</b>	<b>99,861</b>

During Q1 2022, the NBU supported the liquidity of banks via a standing refinancing line (overnight loans), refinancing banks for a period from 14 up to 90 days and up to one year by holding tenders [during 2021: via a standing refinancing line (overnight loans), refinancing banks for a period from 14 to 90 days and from one to five years by holding tenders].

The NBU performs banks refinancing by providing the banks overnight loans and refinancing loans and has the outstanding debts under those loans as of 31 March 2022 and 31 December 2021. The NBU grants to banks the overnight and refinancing loans secured by a pool that may consist of the following asset (property) types: Ukrainian government bonds, NBU certificates of deposit, bonds of international financial institutions (issued in accordance with the Ukrainian laws), corporate bonds placed against the CMU's guarantees, domestic municipal bonds, and foreign currency (U.S. dollars, euros, GB pounds, Swiss francs, Japanese yens).

The securities (Ukraine's government bonds, corporate bonds, including those placed under the CMU's guarantees), foreign currency, shares of the qualifying holders, real estate, and property rights under loan agreements were accepted as collateral against stabilization loans issued to banks to support their liquidity before 2017 and which remained outstanding as of 31 March 2022 and 31 December 2021. The NBU has not granted stabilization loans since 2017. Instead of stabilization loans, the NBU may issue to banks loans for emergency liquidity assistance, but no such loans have been issued yet.

As of 31 March 2022, the gross carrying value of stabilization loans to banks was UAH 37,991 million, loan loss provisions under stabilization loans were UAH 33,704 million (as of 31 December 2021, the gross carrying value of stabilization loans to banks was UAH 38,955 million, and loan loss provisions were UAH 34,688 million).

As of 31 March 2022, the gross carrying value of loans to banks provided through tenders conducted by the NBU was UAH 125,505 million, loan loss provisions under loans provided through tenders conducted by the NBU were UAH 321 million (as of 31 December 2021, the gross carrying value of loans to bank provided through tenders conducted by the NBU was UAH 95,430 million, and loan loss provisions were UAH 306 million).

As of 31 March 2022 and 31 December 2021, the gross carrying value of other loans was UAH 10 million, loan loss provisions were UAH 10 million.

As of 31 March 2022 and 31 December 2021, the gross carrying value of loans granted under credit lines to support small and medium enterprises using the funds received from the European Bank for Reconstruction and Development and other loans equaled UAH 38 million, and loan loss provisions were UAH 38 million.

The estimated fair value of loans to banks and other borrowers is presented in Note 18.

### Loan Commitments

As of 31 March 2022, the NBU had commitments for granting loans to the Deposit Guarantee Fund under an open revolving credit line totaling UAH 3,000 million (as of 31 December 2021, the NBU had no commitments for lending) (Note 23).

## 10. Accounts of banks

	As of 31 March 2022	As of 31 December 2021
	(UAH millions)	
Correspondent accounts:		
in domestic currency	50,061	34,843
Accounts of banks on special use terms:		
in domestic currency	6,982	1,644
in foreign currency	10,977	148
Funds placed to ensure the repayment of bank debts to the NBU:		
in foreign currency	7,351	20,501
<b>Total accounts of banks</b>	<b>75,371</b>	<b>57,136</b>

As of 31 March 2022 and 31 December 2021, no interest was accrued on the balances of correspondent accounts.

Accounts of banks on special-use terms as of 31 March 2022 and 31 December 2021 included accounts for liquidation committees of banks to make settlements in the process of a

bank's liquidation, and the accounts opened for other purposes specified by the laws of Ukraine and the NBU's regulations.

## 11. Accounts of government and other institutions

	As of 31 March 2022	As of 31 December 2021
	(UAH millions)	
Funds of budgets and budget entities:		
in domestic currency	10,303	15,672
in foreign currency	46,795	38,638
Deposit Guarantee Fund:		
in domestic currency	2,773	675
Other:		
in domestic currency	269	54
in foreign currency	341	94
<b>Total accounts of government and other institutions</b>	<b>60,481</b>	<b>55,133</b>

The NBU services the accounts of the State Budget of Ukraine and local budgets, which are consolidated into a 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 4.84% as of 31 March 2022 (4.80% as of 31 December 2021).

## 12. 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 that confirm the placement of banks' funds with the NBU and the right of banks to receive at their maturity the funds they placed,

together with the interest accrued. The expenses (yield for banks) of the certificates of deposit is set based on the NBU's interest rate policy framework, taking into account its current objectives.

	As of 31 March 2022	As of 31 December 2021
		(UAH millions)
<b>Certificates of deposit at amortized cost:</b>		
overnight certificates of deposit	141,838	112,147
certificates of deposit with maturities up to 100 days	–	100,779
<b>Total amount of certificates of deposit at amortized cost</b>	<b>141,838</b>	<b>212,926</b>

As of 31 March 2022 and 31 December 2021, the nominal value of the certificates of deposit issued by the NBU was UAH 1 million each.

Information on the nominal value, weighted average expenses, interest rate, and maturity as of 31 March 2022 is presented in the table below:

	Total nominal value of certificates of deposit, UAH million	Weighted average expenses, % p.a.	Interest rate, % p.a.	Maturity, calendar days	Frequency of interest payments
<b>Certificates of deposit at amortized cost:</b>					
overnight certificates of deposit	141,803	9.00	9.00	1	one time, at repayment
certificates of deposit with maturity up to 100 days	–	–	–	–	–

Information on the nominal value, weighted average expenses, interest rate, and maturity as of 31 December 2021 is presented in the table below:

	Total nominal value of certificates of deposit, UAH million	Weighted average expenses, % p.a.	Interest rate, % p.a.	Maturity, calendar days	Frequency of interest payments
<b>Certificates of deposit at amortized cost:</b>					
overnight certificates of deposit	112,122	8.00	8.00	4	one time, at repayment
certificates of deposit with maturity up to 100 days	100,677	9.00	9.00	15	one time, at repayment

### 13. Cash and Cash Equivalents

	Note	As of 31 March 2022	As of 31 December 2021
(UAH millions)			
Foreign currency cash	5	29,332	20,677
Demand deposits	5	75,763	58,661
Short-term deposits with maturities of up to three months (other than deposits in gold)	5	83,364	98,241
SDR holdings	7.1	41,036	508
<b>Total cash and cash equivalents</b>		<b>229,495</b>	<b>178,087</b>

Changes in liabilities that resulted from financial activities in Q1 2022:

	Notes	As of 1 January 2022	Issue/attraction/(repayment) of liabilities	Interest expenses paid	Changes in exchange rates	Interest expenses accrued	Other	As of 31 March 2022
(UAH millions)								
Banknotes and coins issued in circulation		627,819	57,426	–	–	–	–	685,245
Repayment of liabilities to the IMF	7.1, 7.3	233,368	(17,049)	(981)	13,911	1,007	33	230,289
Repayment of loans received		2,728	(2,925)	(15)	197	15	–	–
Repayment of certificates of deposit issued by the NBU	12	212,926	(70,996)	(3,357)	–	3,265	–	141,838

In March 2022, the NBU repaid a loan received from the Swiss National Bank in the amount of USD 100 million (UAH 2, 925 million at the official exchange rate as of the transaction date).

The NBU classifies interests paid as cash flows from operating activity in the consolidated statement of cash flows.

Changes in liabilities that resulted from financial activities in Q1 2021:

	Notes	As of 1 January 2021	Issue/borrowings/(repayment) of liabilities	Interest expenses paid	Changes in exchange rates	Interest expenses accrued	Other	As of 31 March 2021
(UAH millions)								
Withdrawal of banknotes and coins from circulation		558,694	(4,672)	–	–	–	–	554,022
Repayment of liabilities to the IMF	7.1, 7.3	275,388	(11,713)	(1,226)	(8,098)	1,187	47	255,585
Repayment of certificates of deposit issued by the NBU	12	163,485	(20,194)	(1,925)	–	2,008	(6)	143,368

## Section II.III. Financial Performance by Financial Instruments

### 14. Interest income and expenses

	For the period ended 31 March	
	2022	2021
	(UAH millions)	
<b>Interest income</b>		
Income on domestic securities at amortized cost	10,406	10,354
Income on loans to banks	2,957	1,216
Income on accounts and deposits in foreign currencies	51	22
Income on domestic state debt	32	34
Income on SDR holdings	6	–
Other	–	4
<b>Total interest income at the effective interest rate</b>	<b>13,452</b>	<b>11,630</b>
<b>Interest expenses</b>		
Expenses on certificates of deposit issued by the NBU	(3,265)	(2,006)
Expenses on operations with the IMF	(1,040)	(1,187)
Expenses on accounts of Deposit Guarantee Fund	(20)	(19)
Expenses on borrowings received	(15)	(22)
<b>Total interest expenses at the effective interest rate</b>	<b>(4,340)</b>	<b>(3,234)</b>
Interest expenses on demand deposits and term deposits with a negative interest rate	(28)	(15)
<b>Net interest income</b>	<b>9,084</b>	<b>8,381</b>

Other interest income includes interest income on loans to employees

In Q1 2022, income on domestic securities at amortized cost included UAH 5,929 million of interest income on inflation-indexed domestic government securities (up from UAH 5,549 million in the same period of 2021).

### 15. Gains or losses on operations with financial assets and liabilities in foreign currency and monetary gold

	For the period ended 31 March	
	2022	2021
	(UAH millions)	
Unrealized gains/(losses) on operations with financial assets and liabilities in foreign currency and monetary gold	37,336	(13,115)
Realized result on transactions with financial assets and liabilities in foreign currency and monetary gold	11,582	–
<b>Total results on operations with financial assets and liabilities in foreign currency and monetary gold</b>	<b>48,918</b>	<b>(13,115)</b>

## 16. Gains or losses on operations with financial instruments at fair value through profit or loss

	For the period ended 31 March	
	2022	2021
	(UAH millions)	
<b>Foreign securities at fair value through gains or losses</b>		
Interest income	1,900	2,021
Unrealized results on foreign securities at fair value through gains or losses	(3,385)	(4,512)
Realized results on foreign securities measured at fair value through profit or loss (previously unrealized results of the current period that were realized)	(340)	(74)
<b>Total gains or losses from foreign securities at fair value through profit or loss</b>	<b>(1,825)</b>	<b>(2,565)</b>
<b>Derivative financial instruments</b>		
Unrealized gains or losses from derivative financial instruments	(234)	(1,195)
Realized gains or losses from derivative financial instruments (previously unrealized gains or losses of the current period that were realized)	(103)	37
<b>Total amount of gains or losses from derivative financial instruments</b>	<b>(337)</b>	<b>(1,158)</b>
<b>Capital instruments at fair value through gains or losses</b>		
Unrealized gains or losses from capital instruments	(1)	–
<b>Total amount of gains or losses from capital instruments</b>	<b>(1)</b>	<b>–</b>
<b>Total results on transactions with financial instruments at fair value after revaluation in profit or loss</b>	<b>(2,163)</b>	<b>(3,723)</b>

In Q1 2022, interest received on foreign securities included in the net decrease of foreign securities in the interim concise consolidated cash flow statement amounted to UAH 2,677 million (UAH 1,672 million in Q1 2021).

## 17. Gains /(losses) on the reversal of impairment/(impairment) of financial and nonfinancial assets

Gains /(losses) on reversal of impairment/(impairment) of financial and nonfinancial assets:

	For the period ended 31 March	
	2022	2021
	(UAH millions)	
Losses on the impairment of deposits in foreign currency at amortized cost	(8)	–
(Losses)/gains on (impairment)/reversal of impairment on debt securities of other government institutions at amortized cost	(1)	14
Gains from the reversal of impairment on loans to banks and other borrowers	792	82
Impairment losses on loans to employees	(2)	–
<b>Gains from the reversal of impairment on interest-bearing financial assets</b>	<b>781</b>	<b>96</b>
<b>Gains from reversal of impairment on other assets</b>	<b>1</b>	<b>–</b>

## Section II.IV. Fair Value of Financial Assets and Liabilities

### 18. Fair Value of Financial Assets and Liabilities

The market where the NBU usually performs transactions to sell an asset or transfer a liability is deemed to be the principal market or, in the absence of a principal market, the most advantageous one for the asset or liability. The NBU should have access to the principal or the most advantageous market as of the measurement date. The NBU measures the fair value of an asset or liability using the same assumptions used by market participants for forming a price for the asset or liability, and assuming that the market participants act in their economic interests.

If the principal market for an asset or liability exists, fair value measurement represents a price on this market (irrespective of the fact whether the price is publicly available, or it was calculated using a different measurement method), even if the price on other market is potentially more advantageous at the measurement date.

To establish the fair value of financial instruments regarding which no information on market prices is available from external sources, such valuation methods are used as discounted cash flow and analysis of financial information on investment objects. The use of the valuation methods may require the assumptions not supported with market data. In these interim concise consolidated financial statements, the information on assumptions is disclosed in the cases when the replacement of such assumption with a possible alternative option may lead to substantial change in amounts of profits, income, losses, the total amount of assets or liabilities.

The NBU uses the valuation methods in conformity with the circumstances and for which the data are sufficient to evaluate fair value, using at maximum the proper, publicly available inputs and minimizing the use of confidential inputs.

All assets and liabilities whose fair value is measured or disclosed in consolidated financial statements are classified according to the hierarchy of fair value levels specified below, on the basis of the lowest level inputs, which are substantial for fair value measurement in general:

- Level 1 – quoted prices of the similar assets or liabilities on active markets (without any adjustment)
- Level 2 - evaluation models in which the inputs substantial for fair valuation in general and belonging to the lowest hierarchal level are directly or indirectly observable in the market
- Level 3 - evaluation models in which the inputs substantial for fair valuation in general and belonging to the lowest hierarchal level are not observable in the market.

The NBU determines the estimated fair value of financial assets and liabilities using available market information,

where it exists, and the appropriate evaluation methodologies. However, professional judgment is required to interpret market data to measure fair value. Given the low activity in Ukraine's financial market, the estimated fair value may not always reflect the value that could be realized by the NBU in the current circumstances.

#### **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 these securities is defined on quoted prices on the active market (Level 1 inputs), other quotations from trading information systems (Level 2 inputs), or in the absence of information on quoted prices on the active market, the fair value is based on an income approach and Level 3 inputs (the yield of the securities during their initial placement by the issuer and the assumption that the yield will remain unchanged until the maturity date of the relevant securities, taking into account their short maturities).

The fair value of such derivative financial instruments as futures and government derivatives is determined on the basis of quoted prices on an active market (Level 1 inputs).

When determining the fair value of derivative financial instruments such as interest rate and currency swaps, a valuation method is used for data that is openly observed on the market (Level 2). Fair value is determined with valuation models based on the current market-oriented and agreed value of the underlying instruments and other factors. The models include various data, namely forward and spot exchange rates, exchange rate volatility, interest rate indices on interbank markets, and so on.

#### **Financial Assets and Liabilities 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 state and other institutions, NBU certificates of deposit, loans received, 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 income approach). The said model takes into account future interest payments and principal repayments, the repayment period, and the discount rate.

The NBU estimates the fair value of domestic securities on the basis of the income approach and the following information:

for long-term inflation-indexed government bonds – Level 2 inputs, including the actual consumer price indices calculated month-on-month over the period from April 2021 to February 2022, and Level 3 inputs (the December 2022 FOCUSECONOMICS consensus forecast of consumer price indices for 2022–2026 and target consumer price indices established by the NBU for the period from 2022 to 2047)

for other government securities of Ukraine - Level 2 inputs.

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 inputs) is used as the discount rate.

As of 31 March 2022 and as of 31 December 2021, the NBU applied the market rate (the NBU's key policy rate plus 1% for overnight loans and the NBU's key policy rate for other refinancing loans) at the measurement date (Level 3 inputs) as the discount rate used to measure the fair value of loans to banks and other borrowers.

The discount rates used were as follows:

	31 March 2022	31 December 2021
	Discount rate, in % per annum	Discount rate, in % per annum
Domestic securities in domestic currency:		
domestic government debt securities (except for long-term inflationary bonds)	9.91 – 14.10	9.67–13.10
long-term inflationary domestic government bonds	7.55 – 9.90	6.97– 9.39
Domestic public debt in domestic currency (1994–1996)	11.00	9.92
Loans to banks and other borrowers in domestic currency:		
overnight	11.00	10.00
other	10.00	9.00

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

	31 March 2022		31 December 2021	
	Carrying amount	Fair value	Carrying value	Fair value
(in UAH millions)				
Domestic securities in domestic currency:				
domestic government debt securities	347,993	332,288	322,861	296,271
Domestic public debt	1,516	1,362	1,541	1,451
Loans to banks and other borrowers	129,721	131,342	99,861	100,987

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:

	31 March 2022			31 December 2021		
	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)	28	–	–	33	–	–
Foreign securities carried at fair value	443,311	104,992	14,908	498,539	128,800	16,949
Domestic securities carried at fair value:						
government derivatives	391	–	–	1,082	–	–
Other financial assets at fair value:						
currency swap	–	331	–	–	273	–
<b>Assets for which fair value is disclosed</b>						
Domestic securities in domestic currency:						
domestic government debt securities	–	179,372	152,916	–	161,952	134,319
Domestic public debt	–	–	1,362	–	–	1,451
Loans to banks and other borrowers	–	–	131,342	–	–	100,987
<b>Liabilities measured at fair value</b>						
Other financial liabilities at fair value:						
interest rate swap	–	1,175	–	–	1,105	–
currency swap	–	163	–	–	–	–

Over the first three months of 2022, there were no material transfers of financial instruments between Levels 1 and 2 of the fair value hierarchy. Over the first three months of 2022, there were no transfers of financial instruments to or from Level 3 of the fair value hierarchy.

Long-term inflationary domestic bonds – the fair values of which are disclosed – are included in Level 3 of the fair value hierarchy.

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

<b>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 millions)	
<b>Foreign securities as of 31 December 2020</b>	<b>24,999</b>
Income/(expense) recognized during the reporting period as part of profit or loss, including:	(1,040)
unrealized gain/(loss) from revaluation of financial instruments to their fair value	27
unrealized gain/(loss) from revaluation due to change in the official exchange rate of the hryvnia against foreign currencies	189
Purchases of foreign securities	1,376
Redemptions of foreign securities	(8,533)
<b>Foreign securities as of 31 March 2021</b>	<b>16,802</b>
<b>Foreign securities as of 31 December 2021</b>	<b>16,949</b>
Income/(expense) recognized during the reporting period as part of profit or loss, including:	772
unrealized gain/(loss) from revaluation of financial instruments to their fair value	19
unrealized gain/(loss) from revaluation due to change in the official exchange rate of the hryvnia against foreign currencies	362
Purchases of foreign securities	1,376
Redemptions of foreign securities	(4,189)
<b>Foreign securities as of 31 March 2022</b>	<b>14,908</b>

Income and expenses from change in the fair value of foreign securities measured as of the reporting date and assigned to Level 3 of the fair value hierarchy are included in profits or losses from transactions with financial assets and liabilities in foreign currencies and monetary gold, and profits or losses from transactions with financial instruments at fair value through profit or loss of the interim concise consolidated statement of profit or loss and other comprehensive income (Notes 15 and 16, respectively).

The average weighted modified duration under financial assets at fair value that are included in Level 3 of the fair value hierarchy (except for equity instruments at fair value through profit or loss) was 0.36 as of 31 March 2022 (0.45 as of 31 December 2021). An increase in the yield rates used to determine the fair value of these financial assets as of 31 March 2022 (Level 3 inputs) by 1 basis point would decrease the fair value of the relevant assets by UAH 53 million (by UAH 76 million as of 31 December 2021), while a decrease in these yield rates by 1 basis point would increase the fair value of these assets by UAH 53 million (UAH 76 million as of 31 December 2021).

## Section III. Capital Management

### 19. Capital Management

The NBU's capital function is to ensure economic independence and its ability to perform the functions defined by the legislation of Ukraine. As of 31 March 2022, the total amount of capital managed by the NBU was UAH 222,524 million (UAH 166,877 million as of 31 December 2021). No requirements are set for the NBU's equity, except for the amount of authorized capital and general reserves established by the Law of Ukraine *On the National Bank of Ukraine*.

#### Statutory Capital

According to the Law of Ukraine *On the National Bank of Ukraine*, the statutory capital is UAH 10 million. It was increased to UAH 100 million by the decision of the NBU Council based on results of 2007.

#### General Reserves

The NBU creates general reserves, which are used to cover its losses, in accordance with the Law of Ukraine *On the National Bank of Ukraine*.

General reserves made in the reporting year must equal 10% of the average annual monetary liabilities of the NBU that in 2021 amounted to UAH 804,893 million.

#### Reserve Capital

Reserve capital includes a reserve fund raised by the NBU's subsidiary by paying in annual contributions from the subsidiary's net profit – in accordance with the Law of Ukraine *On Joint Stock Companies* (from 1 July 2021). Contributions to the reserve fund must be at least 5% of the net profit until

the reserve fund reaches 15% of the subsidiary's authorized capital (from 1 July 2021).

#### Revaluation Reserves for Assets and Liabilities

In accordance with the Law of Ukraine *On the National Bank of Ukraine*, unrealized gains from revaluation of foreign currency and monetary gold due to changes in the official exchange rate of the hryvnia to foreign currencies/accounting price of gold throughout the reporting year, unrealized gains from revaluation of securities and derivative financial instruments in connection with their revaluation to fair value, and unrealized gains or losses from revaluation of bank metals due to changes in the accounting price of bank metals are attributed by the NBU to the item Revaluation Reserves for Assets and Liabilities in the Equity section of the consolidated statement of financial position and the consolidated statement of changes in equity.

The amount of revaluation reserves is used to offset the amount of unrealized losses from revaluation of foreign currency, monetary gold, securities, and derivative financial instruments carried at fair value if they accumulate throughout the reporting year.

The amount of revaluation reserves for foreign currency, monetary gold, securities, derivative financial instruments, and bank metals that are disposed of is included into the distributable profit in the corresponding reporting periods.

As of 31 March 2022 and 31 December 2021, the equity of the NBU consisted of the following components:

	As of 31 March 2022	As of 31 December 2021
	(UAH millions)	
Statutory capital	100	100
General reserves	80,489	67,691
Retained earnings	55,616	12,803
Reserve capital	36	36
Revaluation reserves of foreign currency and monetary gold	83,856	83,856
Revaluation reserves of investment metals	894	613
Revaluation reserves of financial instruments to their fair value	1,533	1,778
<b>Total equity</b>	<b>222,524</b>	<b>166,877</b>

## 20. Liabilities to transfer distributable profit to the State Budget of Ukraine

### Accounting Policy

Pursuant to the Tax Code of Ukraine, the NBU makes settlements with the State Budget in line with Article 5<sup>1</sup> of the Law of Ukraine *On the National Bank of Ukraine*.

The NBU transfers its portion of distributable profit to the State Budget of Ukraine in accordance with the Law of Ukraine *On the National Bank of Ukraine*. Distributable profit is determined by reducing the profit by the amount of unrealized gains for the reporting period, which are directed to revaluation reserves. A gain becoming realized in the following periods is recognized in the distributable profit of the respective reporting periods. The NBU redeems the excess of unrealized expenses over revaluation reserve against the current year's profit, and in the case of shortage – against general reserves. These transactions are presented in the Consolidated Statement of Changes in Equity.

Portion of distributable profit remaining after raising general reserves is subject to transfer to the State Budget. The total amount transferred by the NBU to the State Budget of Ukraine in 2022 amounted to UAH 18,786 million (in 2021, the NBU transferred UAH 24,434 million to the State Budget).

The NBU transferred funds under a special procedure to the State Budget of Ukraine on 24 February 2022 due to the full-scale Russian military aggression against Ukraine (before the annual consolidated financial statements for 2021 were verified by an external auditor and approved by the NBU Council and in the amount determined by the NBU Board in accordance with the amount included in the annual financial statements and submitted to the audit firm for verification).

The NBU's forecast for distributable profit in 2022 is UAH 25.3 billion, which was reported to the Government, the President, and the Verkhovna Rada of Ukraine. The estimated share of 2022 distributable profit that will be transferred to Ukraine's State Budget in 2023 is UAH 19.4 billion. The final amount of distributable profit that the NBU will transfer to the State Budget in 2023 will depend on actual macroeconomic performance in 2022, and will be determined after confirmation by an external auditor and approval by the NBU Council of the NBU's annual financial statements for the respective year.

## Section IV. Expenses Related to the Support of the NBU Operation

### 21. Staff costs

	For the period ended 31 March	
	2022	2021
		(UAH millions)
Payroll of staff	657	460
Single contribution for mandatory state social security and contributions to nonstate pension funds	141	105
Financial assistance and other social benefits	2	3
Other	4	5
<b>Total staff costs</b>	<b>804</b>	<b>573</b>

Other staff costs include costs for training and development, expenditures for voluntary medical insurance of employees, etc.

### 22. Administrative and other expenses

	For the period ended 31 March	
	2022	2021
		(UAH millions)
Banknote Printing and Minting Works' expenses not included in production cost	152	82
Depreciation and amortization	64	55
Utilities and household expenses	43	35
Expenses for maintenance of noncurrent tangible and intangible assets	35	29
Contributions to the NBU's Labor Union	8	2
Payments to NBU Council members	6	4
Telecommunication services and maintenance	5	2
Taxes, duties, and charges	5	6
Business trips	3	2
Cost of sewage facility services	2	4
Financial assistance and other social benefits to pensioners of the NBU	2	3
Consulting and legal services	2	1
Expenses on membership fees	1	1
Problem assets expenses	1	34
Excess of the carrying value over the value of sales of valuables and precious metals	–	15
Repayments to banks of the earlier paid fines	–	4
Other	4	4
<b>Total administrative and other expenses</b>	<b>333</b>	<b>283</b>

Depreciation and amortization charges in Q1 2022 exclude depreciation worth UAH 44 million (in Q1 2021: UAH 44 million) for property and equipment used in the production of banknote paper, banknotes, coins, and other products. This portion of depreciation and amortization charges is included in costs related to the production of banknotes, coins, and other products.

Other expenses include the cost of software maintenance, other operational expenses related to cash processing, expenses on purchase of stationary, etc

## Section V. Other Notes

### 23. Related Party Transactions

#### **Terms and Conditions of Related Party Transactions**

For the purposes of these interim concise consolidated financial statements, parties are considered to be related if they 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 managerial

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 balances of these transactions as of 31 March 2022 and 31 December 2021 are presented in the table below:

	Note	As of 31 March 2022			As of 31 December 2021		
		Government and state-controlled entities	Associated companies	Other related parties	Government and state-controlled entities	Associated companies	Other related parties
(UAH millions)							
Funds and deposits in foreign currency and investment metals		1	–	–	–	–	–
Domestic securities	8	348,384	–	–	323,943	–	–
Loans to banks and other borrowers		45,376	–	–	37,277	–	–
Loss allowances for loans to banks and other borrowers		(3,052)	–	–	(3,664)	–	–
Domestic public debt		1,516	–	–	1,541	–	–
Other assets		6,492	36	–	35	34	–
Accounts of banks		21,145	–	–	25,206	–	–
Accounts of government and other institutions	11	57,684	4	6	54,432	3	7
Accounts of the Deposit Guarantee Fund	11	2,773	–	–	675	–	–
Liabilities to transfer distributable profit to the State Budget of Ukraine	20	–	–	–	18,786	–	–
Certificates of deposit issued by the NBU		27,007	–	–	67,724	–	–
Other liabilities		1,273	–	–	595	–	–

Other related party transactions include the account balances of the 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 March 2022 bore an interest rate of 10.00% (9.00% as of 31 December 2021)

as of 31 March 2022, the NBU had commitments for granting loans to the Deposit Guarantee Fund under an open revolving credit line totaling UAH 3,000 million (as of 31 December 2021, the NBU had no commitments for granting those loans) (Note 9)

the accounts of the government and other institutions as of 31 March 2022 and 31 December 2021 were non-interest-bearing (Note 11)

the accounts of the Deposit Guarantee Fund bore an interest rate of 4.84% as of 31 March 2022 (4.80% as of 31 December 2021) (Note 11)

the balances of required reserves held by state-owned banks in the NBU's correspondent accounts (included in accounts of banks in the table above) earned no interest as of 31 March 2022 and 31 December 2021 (Note 10).

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 31 March 2022			For the period ended 31 March 2021		
	Government and state- controlled entities	Associated companies	Other related parties	Government and state- controlled entities	Associated companies	Other related parties
	(UAH millions)					
Interest income	11,440	–	–	10,749	–	–
Interest expenses	(857)	–	–	(579)	–	–
Fee and commission income	53	–	–	46	–	–
Other income and results	(34)	1	–	(497)	2	–
Staff costs	–	–	(16)	–	–	(11)
Other expenses	(6)	–	(16)	(58)	–	(11)
Gains on reversal of impairment	604	–	–	12	–	–

Other income and results include gains or losses on related party transactions with financial instruments at fair value through profit or loss.

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 2022, the short-term benefits (salary and social security tax) of key management personnel were UAH 16.31 million, including remuneration to members of the NBU Council of UAH 6.23 million (in Q1 2021, the short-term benefits of key management personnel were UAH 10.66 million, including remuneration to members of the NBU Council of UAH 3.82 million). No loans to key management personnel were outstanding as of 31 March 2022 and 31 March 2021.

## 24. Current and noncurrent assets and liabilities

The table below shows the classification of assets and liabilities by periods of their expected recovery or maturity into current (up to one year) and noncurrent (more than one year):

	Notes	As of 31 March 2022			As of 31 December 2021		
		Current	Noncurrent	Total	Current	Noncurrent	Total
(UAH millions)							
<b>Assets</b>							
Funds and deposits in foreign currency and investment metals	5	192,703	–	<b>192,703</b>	181,279	–	<b>181,279</b>
Foreign securities	6	563,091	120	<b>563,211</b>	644,167	121	<b>644,288</b>
SDR holdings	7.1	41,042	–	<b>41,042</b>	510	–	<b>510</b>
Monetary gold		–	44,482	<b>44,482</b>	–	38,800	<b>38,800</b>
Domestic securities	8	33,728	314,656	<b>348,384</b>	21,077	302,866	<b>323,943</b>
Loans to banks and other borrowers	9	42,203	87,518	<b>129,721</b>	11,440	88,421	<b>99,861</b>
Domestic public debt		110	1,406	<b>1,516</b>	110	1,431	<b>1,541</b>
IMF quota contributions	7.2	–	81,361	<b>81,361</b>	–	76,807	<b>76,807</b>
Property and equipment and intangible assets		–	4,254	<b>4,254</b>	–	4,343	<b>4,343</b>
Other assets		9,576	2,530	<b>12,106</b>	3,192	2,333	<b>5,525</b>
<b>Total assets</b>		<b>882,453</b>	<b>536,327</b>	<b>1,418,780</b>	<b>861,775</b>	<b>515,122</b>	<b>1,376,897</b>
<b>Liabilities</b>							
Banknotes and coins in circulation		685,030	215	<b>685,245</b>	627,604	215	<b>627,819</b>
Accounts of banks	10	75,371	–	<b>75,371</b>	57,136	–	<b>57,136</b>
Accounts of government and other institutions	11	60,481	–	<b>60,481</b>	55,133	–	<b>55,133</b>
Liabilities to transfer distributable profit to the State Budget of Ukraine	20	–	–	<b>–</b>	18,786	–	<b>18,786</b>
Certificates of deposit issued by the NBU	12	141,838	–	<b>141,838</b>	212,926	–	<b>212,926</b>
Borrowings received		–	–	<b>–</b>	2,728	–	<b>2,728</b>
Liabilities to the IMF, apart from IMF quota contributions	7.3	52,810	96,128	<b>148,938</b>	49,842	106,728	<b>156,570</b>
Liabilities to the IMF with respect to quota settlement	7.3	81,351	–	<b>81,351</b>	76,798	–	<b>76,798</b>
Other liabilities		1,853	1,135	<b>2,988</b>	1,012	1,068	<b>2,080</b>
<b>Total liabilities</b>		<b>1,098,734</b>	<b>97,478</b>	<b>1,196,212</b>	<b>1,101,965</b>	<b>108,011</b>	<b>1,209,976</b>

## 25. Events That Followed the Reporting Date

In February–May 2022, the NBU kept the key policy rate unchanged at 10%. Due to strong psychological pressure at the start of the war, changing the key policy rate was unlikely to stabilize expectations and encourage keeping hryvnia assets, in particular to support the fixed exchange rate.

The gradual adaptation of Ukraine's economy and the psychological shock giving way to the economic decision-making logics of businesses and households required returning to market-driven financial system management. On 2 June 2022, the NBU considerably raised the key policy rate to 25% to protect households' income and savings in the hryvnia, boost the attractiveness of hryvnia assets, and to ease pressures on the foreign exchange market. Such decision will reinforce the NBU's capability to maintain the exchange rate stability and restrain inflation processes in wartime.

The NBU also widened the interest rate corridor for monetary transactions with banks ( $\pm 2$  pp of the key policy rate) to provide additional room for reviving the interbank market.

Russia's invasion of Ukraine affected the assessment of Ukraine's solvency by international rating agencies. After Q1 2022, sovereign credit ratings continued their dramatic

fall, reaching a pre-default level and even the level of a limited default. The latter was caused by postponing for two years the redemption of sovereign Eurobonds and related interest payments. Changes to conditions of issuance and placement of government financial instruments were agreed with holders of sovereign Eurobonds and government derivatives (GDP warrants). After successful negotiations, some of the agencies revised their ratings slightly upward.

The NBU changed the official exchange rate of the hryvnia against the U.S. dollar by 25%, to UAH/USD 36.5686, effective 9 a.m. 21 July 2022. The reasoning behind the decision was the shift in the fundamental parameters of the Ukrainian economy during the war and the strengthening of the dollar against other currencies. This step will improve competitiveness of Ukrainian producers, converge exchange rate conditions for different groups of businesses and households, and support the resilience of the economy during the war.

Throughout the period from 1 April 2022 to the date these interim concise consolidated financial statements were signed, the NBU purchased war bonds to the total amount of UAH 295 billion by face value.

## 26. Introducing New and Amended Standards and Interpretations of the Financial Statements

**Amended IFRS and interpretations that came into effect and were adopted on 1 January 2022 and did not have any significant influence on the NBU's performance indicators and financial standing:**

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 the Conceptual Framework for Financial Reporting (apply to annual reporting periods beginning on or after 1 January 2022)

amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use* (apply to annual reporting periods beginning on or after 1 January 2022)

annual improvements to IFRS for the period of 2018–2020 (amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41).

**New and revised standards that have been published 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 – Classification of Liabilities as Current or Non-current* are

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 1 *Presentation of Financial Statements* are intended to provide clarifications on disclosure of accounting policies in financial statements (apply to annual reporting periods beginning on or after 1 January 2023)

amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are intended to explain the differences between changes in accounting estimates and changes in accounting policies (apply to annual reporting periods beginning on or after 1 January 2023)

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

amendments to IAS 12 *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (apply to annual reporting periods beginning on or after 1 January 2023)

The NBU did not apply the above new and revised standards before the effective date. The NBU's management expects the application of the above standards will not have a significant effect on the central bank's performance and financial standing.