

Consolidated Financial Statements and Consolidated Management Report

for the Year Ended
31 December 2023





National Bank
of Ukraine

Consolidated Management Report

for the Year Ended 31 December 2023



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Part 1. Nature of Operations

1.1. General Information about the National Bank of Ukraine

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 (hereinafter referred to as "the NBU Law") as well as Ukrainian regulations.

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 must be guided by the priority of achieving and maintaining price stability in the country.

As of 31 December 2023 and 2022, the NBU's structure comprised the units of the Head Office and the Banknote Printing and Minting Works of the National Bank of Ukraine (BPMW) – a standalone unit of the bank. These units operate within the scope of the NBU's tasks and functions, as stipulated by the NBU Law.

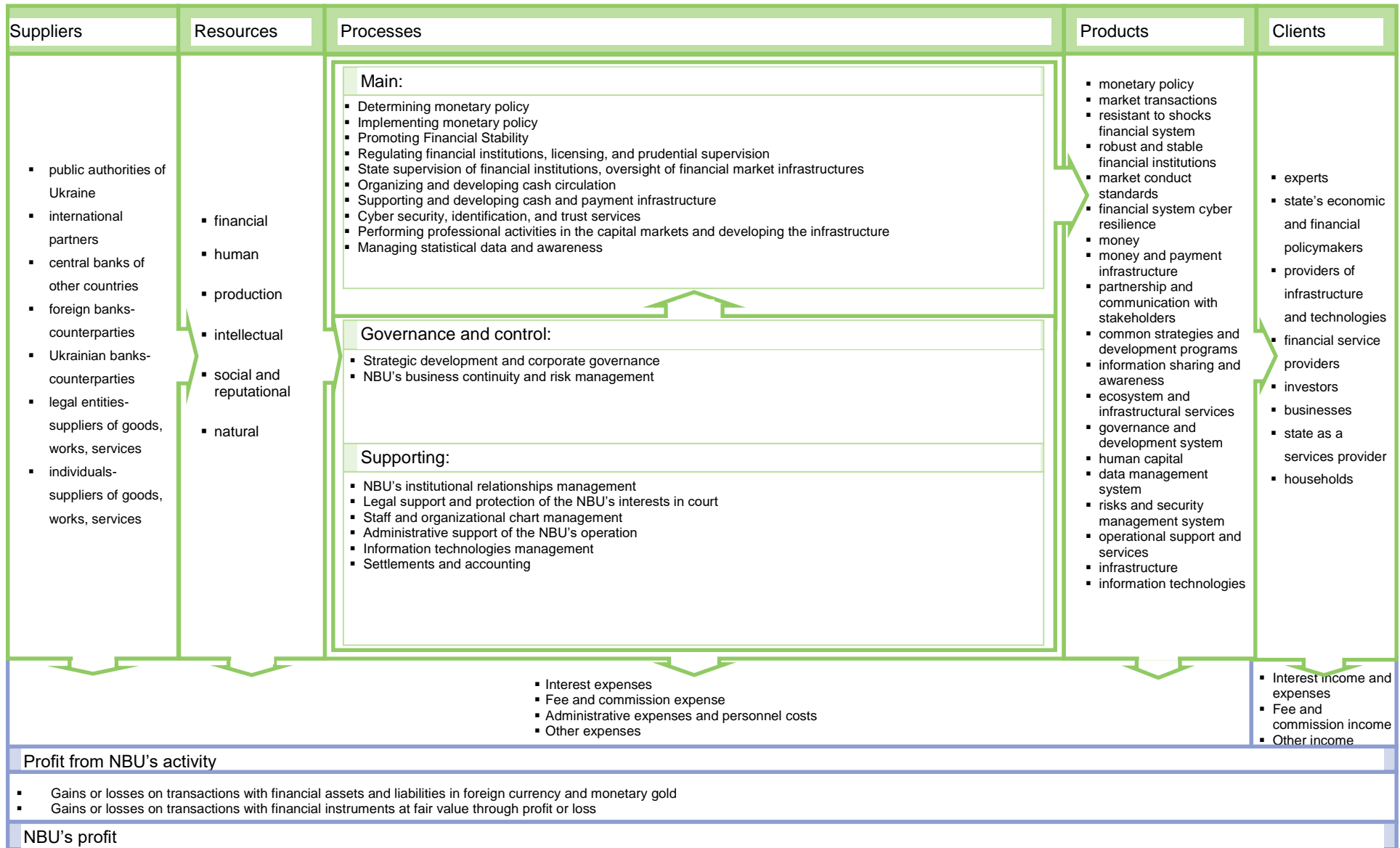
The NBU's subsidiary is the SETTLEMENT CENTER FOR SERVICING FINANCIAL MARKET AGREEMENTS PJSC (the Settlement Center).

Under Ukrainian legislation, the Settlement Center carries out professional activities in capital markets, clearing activities to identify liabilities, and clearing activities of a central counterparty.

As of 31 December 2023 and 2022, the NBU had investments in the National Depository of Ukraine PJSC.

More detailed information about the NBU's functions, operational purpose and the participating interest in its subsidiary and associated companies is provided in Note 1 to the Consolidated financial statements for the year ended 31 December 2023 (hereinafter - Consolidated Financial Statements).

Chart 1. Model of NBU activities



1.2. NBU Management

1.2.1. NBU Council

Under the Constitution of Ukraine, the main tasks of the NBU Council include developing Monetary Policy Guidelines and overseeing the conduct of monetary policy. Pursuant to the Law of Ukraine On the National Bank of Ukraine, the main task of the NBU Council is also exercising supervision over the NBU's internal control system.

The NBU Council consists of the NBU Board members that are appointed by the Verkhovna Rada of Ukraine and the President of Ukraine. The Verkhovna Rada of Ukraine appoints four NBU Council members through the approval of respective resolution. The President of Ukraine appoints four NBU Council members by presidential decree. The NBU Governor, who is appointed by the Ukrainian parliament on the recommendation of the Ukrainian president, is a member of the Council by virtue of their position.

The tenor of members of the NBU Council is seven years, except for the NBU Governor, who is part of the NBU Council for the duration of their term of office.

Meetings of the NBU Council shall be held once a quarter. The NBU Council holds extraordinary meetings, in case of necessity. Six members of the Council constitute a quorum. The Council organizes its work in accordance with the annual work plan approved at the Council meeting. The Council determines the rules of procedure for holding its meetings. Decisions are made by open voting. Each member of the NBU Council has one vote.

Sitting Council members that have been appointed by parliament:

Anatolii Barsukov
Vasyl Horbal
Olena Scherbakova

Sitting Council members that have been appointed by the President of Ukraine:

Ihor Veremii
Vasyl Furman
Andriy Pyshnyy – Governor of the National Bank of Ukraine, **member of the NBU Council** by virtue of his position

1.2.2. Board of the National Bank of Ukraine

The NBU Board is responsible for managing the central bank's activities, conducting monetary policy, and performing other functions, as set forth in Ukraine's Law On the National Bank of Ukraine.

The NBU Board consists of seven members: the NBU Governor, the First Deputy Governor, and Deputy Governors. The NBU Governor is appointed by the Ukrainian parliament at the suggestion of the Ukrainian president, and has a tenure of seven years. All NBU Deputy Governors are appointed and dismissed by the NBU Council at the suggestion of the NBU Governor. A meeting of the NBU Board shall be valid if at least four of its members are present. NBU Board decisions are taken on the principle of collegiality by a simple majority vote, with the Governor having the deciding vote.

NBU Board

Andriy Pyshnyy, Governor of the National Bank of Ukraine. The Governor of the National Bank of Ukraine provides overall leadership for the central bank and oversees the NBU units responsible for HR management, legal support, risk management, communications, consumer protection in financial services, security, state secret protection, and anti-corruption efforts.

Kateryna Rozhkova, NBU First Deputy Governor. Areas under her management include financial stability, methodology of banks regulation and nonbank financial institutions regulation.

Yuriy Heletiy, Deputy Governor. He is in charge of regulating monetary and FX markets, operations on managing liquidity of the banking system, liquidity support lending to banks and the Deposit Guarantee Fund, NBU Depository and corporate rights management.

Yaroslav Matuzka, Deputy Governor. Areas under Yaroslav Matuzka's management include accounting, financial controlling, administrative support, procurement, NBU corporate operation support, nonperforming assets management, administration of the NBU Corporate Pension Fund, and occupational, fire and environmental safety.

Sergiy Nikolaychuk, Deputy Governor. Sergiy Nikolaychuk is in charge of monetary policy and economic analysis, statistics and reporting, maintaining financial stability, and European integration.

Dmytro Oliinyk, Deputy Governor. Dmytro Oliinyk oversees such areas as banking supervision, nonbank financial services supervision, inspections, licensing, and financial monitoring.

Oleksii Shaban, Deputy Governor. Oleksii Shaban is in charge of such areas as the development and regulation of payment and settlement systems, the management of the cash circulation system and information technologies.

1.3. Organizational Structure. Organizational Changes at the NBU in 2023

More detailed information about the NBU's organization chart is available on the NBU official website at <https://bank.gov.ua/en/about/structure#orgchart>.

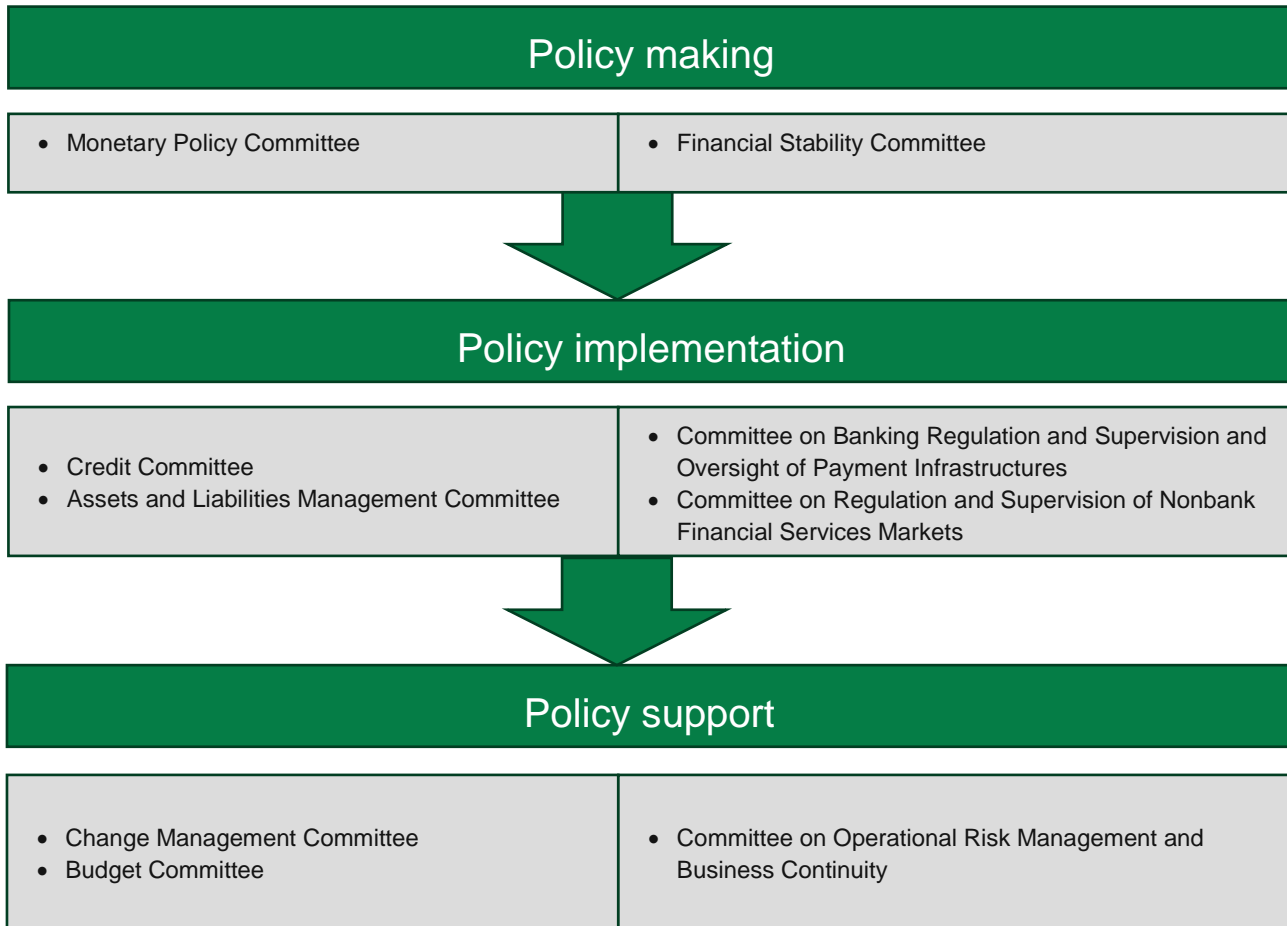
In 2023, the NBU's organizational chart was modified to improve its organizational structure as follows:

- The Office of the Board was reorganized into the Office of the NBU Board and Institutional Relations, which took over the functions of the Office of the Board. The reorganization aimed at raising the effectiveness and optimizing some functions related to interacting with the NBU's stakeholders and supporting the NBU Board.
- The Banking Supervision Department was reorganized into the Integrated Banking Supervision Department and the Bank Related Parties Monitoring Division, which took over the functions of the Banking Supervision Department. The Integrated Banking Supervision Department also received new functions. The reorganization aimed at raising the effectiveness of bank supervision functions and further implementing the functions of supervision over payment services providers.
- The Office for European Integration and International Programs was reorganized into the International Cooperation Department, which took over all the functions of the Office for European Integration and International Programs while also receiving new functions. The reorganization aimed at raising the effectiveness of the NBU's international cooperation functions.
- The Secretariat to the NBU Council was excluded from NBU's organizational structure, and its functions were transferred to the Office of the NBU Board and Institutional Relations. The reorganization aimed at raising the effectiveness of the functions to provide organizational support to the NBU Council and support interactions between the NBU Board and the NBU Council.
- The Office for Critical Infrastructure Protection was created, taking over the functions of the Security Department to ensure that the NBU develops and implements the state policy in the critical infrastructure protection and perform other functions assigned to the NBU by the Law of Ukraine *On Critical Infrastructure*. This unit was created in order to raise the effectiveness of the functions to ensure that the NBU performs tasks and functions of an entity of the national system of critical infrastructure protection, a sectoral body in critical infrastructure protection, and a critical infrastructure operator as prescribed by the Law of Ukraine *On Critical Infrastructure*.

1.4. Structure and Composition of Management Bodies

As of 31 December 2023, the NBU Board has nine special committees. The structure of the committees covers all key activities of the NBU that require collective decisions. The committees fall into three main groups shown in Chart 2.

Chart 2. Structure and composition of corporate governance bodies



Mandate of NBU Board Committees

Monetary Policy Committee. A consultative collegial body established to exchange information and opinions, hold quality and detailed discussions, and consider issues related to development and implementation of monetary policy so as to fulfill the goals set in Article 6 of the NBU Law, primarily to deliver financial stability. The main tasks of the Committee are:

- formulating the principles of, and conducting, monetary policy with the purpose of meeting the objectives and performing the tasks set forth in Ukrainian laws, Monetary Policy Strategy, and Monetary Policy Guidelines
- developing draft proposals on monetary policy objectives and benchmarks
- using monetary policy instruments.

Financial Stability Committee. A consultative and advisory collegial body that develops proposals and recommendations for the formulation of principles and implementation of

macroprudential policy to ensure financial stability. The main tasks of the Committee are:

- identifying potential systemic risks threatening the financial stability, and preparing proposals on minimizing their adverse impact
- developing recommendations on the use of macroprudential policy instruments, their alignment with measures of monetary and macroprudential policy, and monitoring of their use
- ensuring interaction between the NBU units in developing recommendations on financial stability.

Credit Committee. A consultative and advisory collegial body established to consider/review the issues and provide recommendations to the NBU Board concerning:

- lending to banks for the liquidity support, except for the operations with the use of standard instruments for banking system liquidity regulation, and to the Deposit Guarantee Fund
- creating (releasing) and using provisions to cover financial risks related to impairment of the NBU's assets

(including loans and securities), except for accounts receivable

- performing debt workout of the banks classified as insolvent under loans issued by the NBU
- the methodology of credit risk assessment (collateral appraisal) under the NBU's transactions and credit risk management.

Assets and Liabilities Management Committee. A collegial body mandated by the NBU Board to make decisions concerning the management of assets and liabilities, including Ukraine's gold and foreign exchange (international) reserves, and to monitor risks and financial performance on transactions with the NBU's assets and liabilities. The main tasks of the Committee are:

- formulating and implementing the policy of efficient management of assets and liabilities, including international reserves
- defining and implementing the NBU's investment strategy under transactions on international reserves allocation
- determining actions on open markets
- defining and implementing the policy of managing financial risks to the international reserves as well as the NBU's market risks
- monitoring market risks and financial performance under transactions with the NBU's assets and liabilities.

Committee on Banking Regulation and Supervision and Oversight of Payment Infrastructures. A collegial body mandated by the NBU Board with special powers on banking regulation and supervision, currency supervision, state regulation and supervision of financial monitoring, and oversight of payment infrastructures. The main tasks of the Committee are:

- ensuring stability and reliability of the Ukrainian banking system and protecting interests of banks' depositors and other creditors
- solving priority issues of supervision over banks, their standalone units and branches of foreign banks, and activities of the Ukrainian banking sector
- identifying trends in the banking system development and submitting respective proposals to the NBU Board (if needed)
- ensuring work coordination of the NBU structural units engaged in banking supervision, including improvement of information flows and further development of procedures for prompt and efficient decision-making and response to the banks' activities
- imposing corrective measures/sanctions for violations of the banking, currency laws of Ukraine, Ukrainian laws on financial monitoring, NBU regulations, including the regulations setting the restrictions for transactions that violate/intend to violate the laws, assist or may assist to bypass/break the restrictions established by personal special economic and other restrictive measures (sanctions) (hereinafter referred to as the "sanctions laws"), NBU requirements set pursuant to Articles 66 and

67 of the Law of Ukraine *On Banks and Banking*, Ukrainian laws on protection of critical infrastructure, cybersecurity, and information security, on protection of consumer rights in financial services, including the requirements for interaction with consumers when settling past due debts (requirements on ethical conduct), laws that regulate activities on the payment market and in the event of insufficient risk management measures taken to protect interests of payment services consumers, or in the case of the banks' risky operations threatening to the interests of depositors or other banks' creditors, as well as in the case of applying by the foreign states, interstate associations, or international organizations of sanctions to banks or qualifying holders in the banks that threaten the interests of depositors or other banks' creditors, and/or banking system stability

- implementing the measures for prevention of crimes and offences in the banking system
- assisting in improvement of the legal framework on banking regulation and supervision, currency supervision, state regulation and supervision of financial monitoring, supervision over compliance with the sanctions laws, oversight of payment infrastructures by initiating new and amending the applicable laws of Ukraine and NBU regulations
- approving and rejecting the appointment of chief executive officer (except for the chairperson of the management board) of a bank or a foreign bank's subsidiary, chief risk officer, chief compliance officer, head of the internal audit unit (candidates for these positions), employee in charge of financial monitoring of a bank or a foreign bank's subsidiary; taking a decision on fitness or unfitness of the chief executive officer (except for the chairperson of the management board), chief risk officer, chief compliance officer, head of the internal audit unit of a bank or a foreign bank's subsidiary, and employee who is a member of the management board in charge of financial monitoring of a bank or a foreign bank's subsidiary to the qualification requirements established by the laws of Ukraine and NBU regulations regarding independent director and/or independence requirements for members of the supervisory board of a state-owned bank, and/or requirements of Article 7 of the Law of Ukraine *On Banks and Banking*
- ensuring the NBU's functions on registration and licensing of banks, accreditation of subsidiaries and representative offices of foreign banks in the territory of Ukraine, and registration of payment systems.

Committee on Regulation and Supervision of Nonbank Financial Services Markets. A collegial body to which the NBU Board delegated special powers of state regulation and supervision over non-bank financial services markets, including imposing on non-bank financial services market participants and debt collection agencies of corrective measures, including penalty sanctions (fines) envisaged by Ukrainian laws, in the sphere of protection of consumer rights in financial services, currency supervision, and state

regulation and supervision in financial monitoring. The main tasks of the Committee are:

- ensuring stability and reliability of non-bank financial markets of Ukraine
- protecting consumer rights in non-bank financial services
- solving issues of supervision and regulation of Ukrainian non-bank financial services markets, including with regard to debt collection agencies in the area of consumer lending
- defining development trends of non-bank financial services markets and submitting respective proposals to the NBU Board (if needed)
- ensuring coordination of the units engaged in supervision over non-bank financial markets, improving information exchange between them, and further development of the procedures for prompt and efficient decision-making and response to the activities in non-bank financial markets, including with regard to the activities of debt collection agencies in the area of consumer lending
- applying corrective measures/penalties for violation of laws on non-bank financial services, laws on protection of consumer rights in non-bank financial services, currency legislation, laws on financial monitoring, or laws on applying and monitoring of effectiveness of imposed personal special economic and other restrictive measures (sanctions), including NBU regulations, by the following supervised entities:
 - legal entities/individuals providing one or more financial services and other services (transactions) related to provision of financial services, except for banks and subjects of payment systems oversight
 - debt collection agencies and non-bank financial institutions that are lenders and grant new loans
 - non-bank financial groups and institutions listed in NBU regulations on organization and conducting supervision in the area of financial monitoring, currency supervision, and supervision over the imposition and monitoring of personal special economic and other restrictive measures (sanctions)
- promoting the improvement of the legal framework for regulation and supervision of non-bank financial markets, currency supervision, state regulation and supervision in the area of financial monitoring, and protection of consumer rights in non-bank financial services, and providing recommendations on amending NBU regulations
- ensuring the fulfillment of the NBU's functions in the area of registration and licensing of participants of non-bank financial services markets
- ensuring the fulfillment of the NBU's functions in the area of protection of consumer rights in non-bank financial services.

Change Management Committee. A collegial consultative and advisory body of the NBU Board established to manage project activities at the NBU, with the purposes of implementing changes to build a modern, institutionally capable central bank and financial sector, including the

Ukrainian banking system. The main tasks of the Committee are:

- managing the strategic initiatives implementation within the NBU Strategy, Financial Sector Strategy, and functional strategies that meet the criteria and attributes of project activities, or those implemented within the changes to the NBU processes without launching the respective projects
- approving the introduction of new information systems and technologies and software complexes implemented within the project activities
- considering the introduction of innovative financial products/services at the NBU.

Committee on Operational Risk Management and Business Continuity A collegial consultative and advisory body established to coordinate the operational risk management, organize the NBU's business continuity management system, establish the system of internal control, and develop the culture of operational risk management at the NBU. The main tasks of the Committee are consideration and provision to the NBU Board of recommendations/proposals on operational risk management, business continuity management, and organization of the internal control system at the NBU.

Budget Committee. A collegial consultative and advisory body set up to ensure the professional discussion of the issues related to the NBU's supporting activities, with the ultimate goal of improving the quality of managerial decisions. The main tasks of the Committee are:

- promoting the formation and implementation of the NBU's policy aimed at raising the efficiency of its financial resources management
- performing the cost management process, including the budgeting process and its integration with the strategy planning process aiming at the development of an integral system of the NBU's activities management
- promoting the implementing the cost management process at the NBU to reinforce the economic justification of managerial decisions in the NBU's financial and economic activities.

In 2023, the Oversight Committee of Ukrainian Money Market and Forex Indicators was transformed into the Money and Foreign Exchange Market Indicators Oversight Council.

Mandates of the NBU Council Committees

In accordance with Article 9 of the NBU Law, the powers of the NBU Council include creating and determining the composition and chairpersons of the Audit Committee and other working bodies of the NBU Council. The NBU Council's working bodies focused on the Council's main tasks are: the Audit Committee and the Monetary Policy and Financial Stability Committee.

The Audit Committee of the NBU Council was established pursuant to the NBU Law. The committee's main objective is to assess reliability and effectiveness of the NBU's internal control system, and completeness and accuracy of its annual financial statements. The Audit Committee is an advisory working body of the NBU Council and operates on the basis of the regulation approved by the NBU Council.

In addition to members of the NBU Council, independent experts may be members of the Audit Committee. The Audit

Committee cannot have more than five members. As of 31 December 2023, the Audit Committee consisted of three members of the NBU Council and one independent expert.

Monetary Policy and Financial Stability Committee of the NBU Council is another advisory working body of the NBU Council. Its main task is to develop and submit draft decisions and other materials for the NBU Council's consideration pursuant to the NBU Council Rules of Procedure.

1.5. Process and Project Management

NBU's Process Management Maturity

NBU's assessment of process management maturity is conducted in compliance with Business Process Maturity Model (BPMM). NBU's process management maturity is one of the key indicators of its performance and an important element of its development, since operational efficiency depends on the extent to which the NBU processes are known, agreed upon, brought to the attention, understood, measured and supervised.

In 2023, the NBU's process management maturity is 3.76 points out of 5 and is defined as "Standardized" approaching "Predictable" according to the BPMM. The said maturity level was achieved due to consistent and systemic work of all NBU employees on the processes.

Acting systemically and following the plan to improve the process approach, the NBU has been taking measures to raise the level of process maturity, streamline processes, and achieve the planned level of their efficiency.

Developing Project Management

In 2023, project management at the NBU focused on ensuring effective strategic (at the level of the Change Management Committee) and operational (at the level of the Steering Committee (program/project leading teams, PLTs)) management of projects and programs. The portfolio implementation status was satisfactory, with 70% of project tasks implemented on time. This level has been relatively stable from the onset of the full-scale war and under conditions of rapid changes and new challenges.

Projects were also harmonized with strategy documents (primarily with operational plans of units) and improvements were made to the process of planning and assessing the

implementation of strategy documents and projects that are part of such documents.

Currently, the project portfolio consists of 4 project programs and 31 projects, including those launched in 2023: 8 projects and 1 project program aimed at the implementation of the NBU Strategy 2025 with regard to delivering financial stability, the country's recovery through the operation of the financial system, development of modern financial services, and improving the processes of the prudential block's supervisory functions.

Regarding the development of project management methodology, it should be noted that the NBU uses the standard of a waterfall approach to project implementation, which requires clear definition of expected results, more requirements for the product, and detailed planning of implementation. The drawback of this approach is the lack of flexibility in the event of changes in the project and excessively long implementation period. Although, when implementing some projects, the NBU also uses the flexible approach (Agile/Scrum framework), which ensures iterative delivery of project product, such approach has not been fully implemented. Therefore, in 2023, the NBU launched a pilot project to use the flexible approach aiming at setting up the process for implementing certain types of projects with the following advantages:

- planning and implementation are promptly adapted to current needs of the project (customer) and the environment
- the implementation envisages faster delivery of results.

If the result of the pilot implementation of the flexible approach is positive, the NBU intends to widen its application, and, if necessary, to revise the existing project portfolio in terms of the implementation approach.

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

In 2023, Russia continued its full-scale invasion of Ukraine. Despite persisting high security risks and more destruction and losses caused by the Russian aggression, the Ukrainian economy and household incomes returned to growth. However, due to significant expenditures, primarily on defense and security, and the still-weak domestic resource

base, the consolidated budget deficit reached a record high in 2023. International assistance and domestic borrowing remained the main sources of financing budget needs.

As of the end of 2023, consumer price growth decelerated sharply – to a large extent, thanks to the monetary policy, in

particular keeping the key policy rate at 25% in H1 2023. Considering an improvement in the inflation development forecast, the favorable dynamics of inflation expectations, and a decline in inflation risks, the NBU started a cycle of monetary easing from July 2023 by lowering the key policy rate to 15% up to the end of 2023. In 2023, the banking system's liquidity continued to expand: over the year, average daily balances of funds in correspondent accounts and certificates of deposit reached almost UAH 635 billion, up from UAH 279 billion in 2022. In order to absorb liquidity, the NBU started a cycle of gradual increases in the required reserve ratios since the start of the year, while improving the approaches to their calculation. In Q3, the NBU equalized the required reserve ratios for corporate deposits by maturity. These measures contributed to the strengthening of monetary transmission and the absorption of excess liquidity in the banking system. In addition, to strengthen market incentives for the banks to attract retail term deposits in the domestic currency, the NBU in April [updated the operational design of its monetary policy and adjusted its parameters](#) in September and October (modified the approach to calculating the limit on the banks' investments in three-month certificates of deposit).

On 3 October 2023, the NBU moved to the regime of managed flexibility of the exchange rate, in line with the [Strategy for Easing FX Restrictions, Transitioning to Greater Flexibility of the Exchange Rate, and Returning to Inflation Targeting](#). Under the new regime, the NBU continued to focus on maintaining exchange rate sustainability. The NBU remained the key player in the market, compensating for the structural deficit of foreign currency and limiting exchange rate fluctuations through FX interventions. Thanks to these actions, the situation in the FX market remained under control even after the change in the exchange rate regime. At the same time, after the transition to the regime of managed exchange rate flexibility, volumes of the banks' transactions without the NBU's participation rose significantly. This points to an increase in the depth of the interbank FX market and a strengthening of its resilience to situational factors.

More detailed information about the impact of economic conditions on the NBU's financial position and performance is provided in Section 4 of this report and in Note 3 to the NBU's Consolidated Financial Statements for the year ended 31 December 2023.

1.7. Impact of russia's Invasion on the NBU's Operation

Throughout 2023, the NBU ran a system of processes with an emphasis on ensuring the uninterrupted functioning of the NBU itself, the Ukrainian banking system, the activities of NBFIs and other entities regulated and supervised by the central bank, and on improving its approaches to managing critical processes and resources.

While under martial law, one of the NBU's main tasks has been to ensure the continuous operation of its information systems to sustain the uninterrupted functioning of the Ukrainian banking system. To this end, the central bank's IT team took measures to increase the computing power of the NBU's information infrastructure at all of the NBU's locations, expand the availability, quality, and security of the regulator's information systems and resources, and improve the construction and development of the IT architecture.

To enhance the reliability, manageability, and stability of the NBU's information infrastructure and ensure the continuity of its software-technical complexes, equipment was purchased to upgrade the local computer network and backup channels for internet access. The NBU put in place backup channels that connect the banks and NBFIs to the NBU's backup locations and that link the banks to the NBU's information network via cloud services. The NBU modernized its server infrastructure, data storage infrastructure, and telecommunications equipment and conducted relevant technical work.

To maintain the steady operation of the NBU's telephone network and Contact Center within the framework of consumer protection in financial services, the NBU backed up the telephone network at its locations.

During the reporting year, the central bank took measures to ensure the disaster and failure resistance of its corporate cloud and VDI virtual environment, and the reliable and continuous operation of its virtual servers/workplaces that operate 24/7.

To raise the level of the availability and continuous functioning of payment instruments and banking automation systems in emergencies during martial law, the NBU purchased satellite internet communication services.

In view of the need to conduct video conferences with exchange of messages and transmission of content in real time, the NBU purchased equipment for video conferences and related support services.

As part of measures to build, develop, and maintain the functioning of its modern information infrastructure, introduce the latest information technologies, provide employees who work remotely with the necessary technical means and access to information resources, the NBU carried out 91 procurement procedures in IT in 2023.

As part of its general business continuity plan, the NBU developed and regularly updated action plans for recovery after failure of all information resources designated as critical information infrastructure, as well as other information resources that have level-one criticality. Their testing takes place at least once a year, including at backup locations.

The NBU conducted an analysis of the impact of adverse factors on the activities and continuous work of its units while under martial law, including by identifying critical information

resources, their RTO and RPO indicators, and the possibility for backing them up at other locations.

Within the framework of the Information and Communication Technology (ICT) Risk Management Concept approved in 2023, the NBU made a pilot assessment of ICT risks and approved the Action Plan to implement recommendations for responding to ICT risks designated as having Significant residual impact.

The NBU Strategy envisages increasing workplace mobility. Specifically, the goal was to make workplaces mobile for 65% of NBU staff in 2023.

As of the start of 2023, workplace mobility was 55.6%. The indicator is calculated as the ratio between the number of portable less-than-five-year-old computers and the number of people working out of NBU offices. Thanks to the timely procurement of laptops, a mobility reading of 65% had been achieved by the end of 2023.

As martial law in Ukraine continues due to Russian aggression, the NBU has been taking steps to maintain the energy supply of its critical infrastructure facilities. To minimize the war's impact on NBU activities and maintain the uninterrupted operation of engineering equipment and systems during 2023, the NBU purchased more equipment that guarantees a continuous power supply and installed it at facilities in Kyiv and elsewhere. During 2023, the central bank properly maintained and repaired the equipment that facilitates the functioning of the NBU's critical infrastructure. The NBU bought and stored additional fuel for alternative sources of electricity (diesel-powered generators).

To ensure the stable functioning of cash circulation under martial law during 2023, the NBU extended the comprehensive measures to reinforce the banking system's resilience that were implemented at the onset of the large-scale invasion. Specifically, the NBU in 2023 resupplied the banks with as much cash as they needed for continuity of cash circulation. To safeguard its cash reserves and minimize the risks of their loss, the NBU carried out a further decentralization of storage of its reserve funds. In addition, a rule was in effect in 2023 that hryvnia cash withdrawals from a client's account must not exceed UAH 100,000 per day, except for certain payments (wages, social benefits, etc.). This helped ward off sharp fluctuations in the demand for cash, primarily from households.

The banking system is an important segment of Ukraine's critical infrastructure. The NBU therefore has an approved action plan to ensure the continuity of the banking system's operation if long-lasting power outages occur as a result of damage to energy infrastructure.

It is noteworthy that the NBU focuses on taking a holistic approach to Ukraine's recovery and long-term economic development. For this purpose, the NBU in 2023 significantly stepped up efforts to improve the quality of cash in circulation. In particular, the central bank increased the volume of cash

processing by automated banknote processing systems, removing a greater number of worn banknotes from circulation.

To improve the efficiency of cash management, the NBU refined the legal framework that governs the circulation of cash. In particular, the NBU made a number of changes to its cash circulation regulations regarding:

- the introduction of additional control mechanisms when making cash deposits to one's bank account via self-service machines, an amendment that aims to increase the transparency of transactions in the payment infrastructure
- the comprehensive optimization of the activity of authorized banks and improvement of their work with cash, including as a result of streamlining the provisions that govern the tariff policies of authorized banks
- the conduct of operations with test banknotes with the participation of authorized banks to help improve the quality of cash that authorized banks put back into circulation after sorting it using their own automated banknote processing equipment
- work with Ukrainian commemorative and investment coins, souvenirs, and related products during the special period.

In late November 2023, the NBU, together with Narodowy Bank Polski, completed an important project to return to Ukraine almost UAH 970 million in cash that Ukrainians had exchanged for local currency abroad thanks to 10 European central banks (Poland, Germany, Belgium, the Netherlands, Italy, Malta, Lithuania, Latvia, Sweden, and Switzerland).

In 2023, special focus was placed on corporate volunteering, which primarily consists in helping fellow defenders by collecting donations from NBU employees. NBU employees who are currently serving in the Armed Forces of Ukraine received UAH 1.4 million in assistance.

Overall, in 2023, NBU staff donated UAH 2.3 million to this charitable account.

Russia's large-scale armed aggression continues to drive a decline in demand for property or assets pledged to the NBU as collateral that the NBU aims to sell within the scope of its NPL resolution efforts. The full-scale war has also increased the duration of court hearings and execution of court orders in such cases and prompted the NBU to revise downwards its projected NBU repayment plan.

In addition, a significant risk persists of a decrease in the value of assets (property) pledged to the NBU or acquired by it, due to the probability of their damage or destruction, or because they are located in the war zone or in Russian-occupied areas or have been lost as a result of the illegal actions by the Russian invaders.

Part 2. Goals and Strategies

2.1. NBU's Vision, Mission, and Corporate Values

The NBU's Vision and Mission have been revised in 2023 to meet the challenges of military aggression by Russia against Ukraine.

Vision

The National Bank of Ukraine is a modern, innovative, open, and independent central bank that is able to execute its mandate at all times, is a leader in the development of the financial ecosystem, cares about financial services consumers, is integrated into the European community of national central banks, and enjoys trust of the public and international partners.

Mission

To ensure price and financial stability and promote sustainable economic development in order to enhance Ukraine's potential on its way to the Victory and during the post-war recovery.

Corporate values

A new value has been added to the NBU's existing 5 core values. The new one is focused on bringing the victory closer.

The NBU's operation is guided by five values:

patriotism: the NBU acts in the interests of the public and the state

transparency: the NBU is open, consistent and logical in decision making

integrity: the NBU is honest and principled, respects diverse ideas and opinions, and always complies with ethical business practices

professionalism: the NBU is focused on results, strives for excellence, and promotes an environment that inspires and supports innovation, development, and the spread of new ideas

partnership: the NBU supports dialogue and partnership, respects diverse ideas and opinions, has a shared vision and enjoys public trust, and its staff works together to implement the NBU's mission.

support: we support Ukrainian defenders and are setting the stage for the inclusive recovery and sustainable development of the national economy.

2.2. Current Trends and Challenges for the NBU

Forecasts of global economic development reflect significant geopolitical risks and project a moderate rate of average annual growth. The world is facing challenges related to the growth in cybercrime, and the need to better protect the data of those who use financial services. Artificial intelligence has gained considerable popularity in the world. Its use is growing wider for practical aspects of business processes. It will change marketing and e-commerce and require clear laws and regulations. World financial institutions are gradually articulating their attitudes to virtual assets and opportunities for their use.

Russia's war against Ukraine has been fueling high uncertainty and impacting the macroeconomic environment, the stability of Ukraine's financial system, and the NBU. Risks persist that reintegration of temporarily occupied territories may take long and the Ukrainian economy could run out of resources and people (rising unemployment, unanticipated widening of the budget deficit and the balance of payments deficit). The shortage of personnel is starting to have a more significant impact on Ukrainian businesses' potential for recovery, even amid a high unemployment rate. The risk that the regularity of military and economic aid may decline is affecting the Ukrainian economy's resilience and ability to restore territorial integrity. The challenge faced by Ukraine's financial system is how to continue to operate smoothly against the backdrop of hostilities and blackouts (cyber security, access to cash, quick restoration of access to financial services in de-occupied territories). The full-scale war increases demand for and development of technologies for online financial services. European integration is a positive process for Ukraine. Ukraine's accession to the EU passed a significant milestone in 2023: the EU opened negotiations on Ukraine's membership. But years of hard work are ahead.

Given the military and political factors, rapid technological change, and social upheavals, the NBU is operating under the conditions that threaten to degrade its ability to pursue its Vision and Mission.

Green Finance

Environmental protection issues are a concern to all modern financial regulators. Given how significantly the financial market impacts all sectors of the economy, central banks seek to lead the way in implementing progressive approaches and improving the environment at their level.

That is precisely why the NBU has made it one of its current priorities to implement regulatory practices that significantly mitigate environmental and social risks to the economic system.

In 2023, the NBU focused its efforts on updating the Sustainable Finance Development Policy in line with Ukraine’s new status as a candidate for accession to the European Union. The document is being updated in cooperation with the World Bank and is aimed at shaping the future landscape of sustainable finance in Ukraine in accordance with the best European practices and standards.

2.3. NBU’s Strategic Goals

In 2023, the NBU updated the NBU Strategy (hereinafter referred to as the Strategy).

Following the two-year implementation, the NBU had to revise its Strategy 2025 due to the full-scale military invasion by Russia.

The NBU was the first among public sector authorities to develop a new institutional Strategy focused on the resistance to Russian aggression and the country’s reconstruction.

The new Strategy takes account of the impact of Russian invasion on the conditions of the financial system’s functioning.

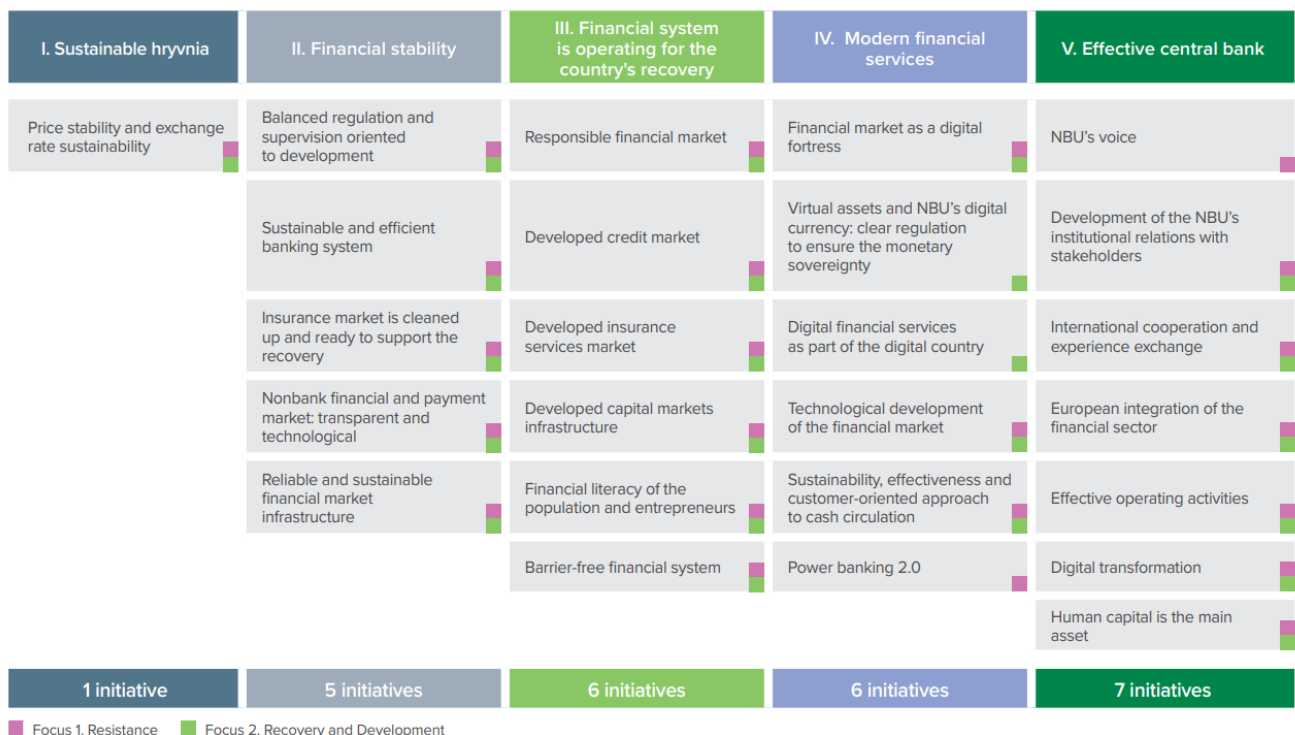
In order to successfully implement the NBU’s Vision and Mission amid current conditions and to live up to the expectations of customers, the NBU’s strategic objectives take into account the challenges that arise in two areas: resistance to Russian aggression and Ukraine’s reconstruction.

What we observe today is that the high level of uncertainty and volatile environment require flexibility in planning and the use of implementation tools to respond more quickly and effectively to changes. Amid this uncertainty, the NBU has planned a zone of certainty and devised alternative action plans in advance for any scenario.

The NBU’s strategic goals are focused on its main functions – to ensure the price and financial stability – and on supporting the country’s efforts for victory.

The Strategy outlines five strategic development goals, which need to be achieved when implementing it. The first four goals are external and aimed at meeting the needs of financial ecosystem participants. The fifth goal – Effective Central Bank – aims to improve the carrying out of the NBU’s Mission and Vision through internal transformation.

The strategic goals are detailed in 25 strategic initiatives, on which the central bank focuses.



The new Strategy is focused on:

resistance – short-term measures aimed at ensuring stability and preventing a deterioration of the situation in the financial system and the economy in general, including the use of tools

to control inflation and the hryvnia exchange rate, supporting the banking system, etc.

recovery – medium-term measures aimed at introducing transformations that will form the basis for future reconstruction and growth of the economy, for example:

reducing bureaucratic barriers, enhancing transparency and competitiveness of the environment, attracting investments, etc.

Both focus points imply medium-term comprehensive measures aimed at ensuring stability and further recovery and development. Some of the key deliverables will be implemented in the short term.

The NBU's activities demonstrate once again that the NBU is capable of working under any circumstances, unites the participants of the financial ecosystem to ensure Ukraine's financial defense, strengthens Ukraine's capacity on its way to victory, ensures price and financial stability amid the war, and comprehensively contributes to the country's recovery.

Part 3. Resources, Risks, and Relations

Resources

The NBU uses the following types of resources in order to create products/value proposition for its customers and attain the goals set forth in its mandate:

- financial resources
- human resources
- production resources
- intellectual resources
- social and reputational resources
- natural.

3.1. Financial Resources

Financial resources include available means which the NBU receives as financing or from transactions or investment and which it uses to fulfill its functions and provide services.

The NBU employs the following types of financial resources: debt and equity, namely paid-in capital and earned capital.

The funds raised include funds received from the IMF, including liabilities arising from quota contributions, SDR purchases (received loans), and SDR allocations.

Debt is shown in the NBU's consolidated statement of financial position as liabilities and gives rise to expenses recorded in the consolidated statement of profit or loss and other comprehensive income.

The paid-in capital refers to the authorized capital of UAH 100 million, which is owned by the state. A part of the NBU's distributable profit and, if required, the state budget of Ukraine, are the sources of the central bank's authorized capital.

The earned capital consists of retained profits and provisions created from profits. The NBU creates:

- general provisions to cover its losses; these provisions are made annually by distributing a portion of the profits earned during the year
- revaluation reserves to cover unrealized costs from the revaluation of financial instruments, monetary gold, and investment metals.

The NBU's equity is presented in the respective section of the NBU's consolidated statement of financial position.

General reserves are created from a portion of the profits earned in the current year. Revaluation reserves are made by accumulating gains from financial instrument revaluations carried out during the year. These revaluations are presented in the NBU's consolidated consolidated statement of profit or loss and other comprehensive income.

For more details on the management of NBU capital, see Note 28 to the NBU's Consolidated Financial Statements.

3.1.1. Distributable Profit Forecast

The NBU determines distributable profit in accordance with the Law of Ukraine *On the National Bank of Ukraine* and distributes it between its equity and the state budget, as set forth in the law. Therefore, forecasting distributable profit is important for assessing the central bank's future financial position and equity and for medium-term budget planning.

A process of financial forecasts has been introduced in the NBU. These forecasts include projections of the NBU's financial position (assets, liabilities and equity) and income and expenses, which allows the central bank to forecast distributable profit and its distribution. The forecasts can cover the following periods:

- the medium term (i.e. three years), in particular for informing state authorities about projected transfers from the NBU to the State Budget of Ukraine
- the current year – for obtaining more up-to-date information about the NBU's financial position and distributable profit as of the end of the year.

A macroeconomic forecast that is approved by the NBU Board as part of the monetary policy decision-making process is the basis for a distributable profit forecast. Macroeconomic forecasts contain information about the NBU's projections of the monetary base, international reserves and transactions with the reserves, the hryvnia exchange rate, the key policy rate, and the consumer price index. In addition, a forecast of open market operations provides inputs for a distributable profit forecast. These inputs include yields on foreign currency instruments, projected amounts of debt liabilities to the IMF, projected fee and commission and other income and expenses, including administrative expenses, projected repayments of past due debt on bank loans and making/cancelling provisions for such loans, and so on.

All inputs are integrated into a financial forecast model, which processes the inputs. What is more, a number of indicators are calculated in line with the algorithms set in the model. Expert assumptions are an important element of forecasting, as they allow for forecasting future indicators under

conditions of uncertainty. Scenario modelling may also be used in order to construct various scenarios, depending on the variations in inputs and expert assumptions.

3.1.2. Planning and Controlling Administrative Expenses

With a view to ensuring its operation, the NBU draws up an administrative budget for one year ahead; the NBU Council approves the budget by 15 November of the current year.

The administrative budget includes:

- staff costs
- administrative and other expenses
- depreciation and amortization
- investment in NBU activities.

Financial resources are planned to meet the needs of NBU subdivisions and the NBU Council for the year ahead and thus enable the NBU to fulfill its tasks and attain its strategic goals.

In line with the principles of transparency and efficiency of the NBU's expenses, control over the central bank's expenses is established by law:

- The NBU's expenses are disclosed in its annual financial statements in accordance with the Law of Ukraine On the National Bank of Ukraine.
- The financial statements are audited by an audit company selected through a procurement procedure in accordance with the Law of Ukraine *On Public Procurement*.
- The NBU Council, an independent body to which the NBU reports, approves the administrative budget, which includes the NBU's operating expenses, and controls the implementation of the budget during the year.
- The Accounting Chamber monitors the implementation of the NBU's administrative budget and its obligation to transfer funds to the state budget of Ukraine. The

Accounting Chamber reports audit results to the Ukrainian parliament, the Cabinet of Ministers, and the President of Ukraine.

Reports on the NBU's planned and actual expenses for the reporting period are submitted to the NBU's Budget Committee monthly, to the NBU Board quarterly and to the NBU Council semi-annually (for H1 and annual).

The approval and implementation of the NBU's administrative budget is controlled by the central bank's internal audit. The procurement procedure is public and competitive.

The NBU has a system of internal control of expenses. The controls ensure that expenses are justified and economically sound and that goods, works, and services of proper quality are purchased at reasonable prices.

The NBU has a cost management system, which, among other things, serves to determine general expenses incurred by NBU units as they work on reaching the strategic goals, record and analyze the expenses, assess the efficiency of resource usage, and search for cost cutting opportunities.

One of the cost management tools used by the NBU is cost allocation, which the central bank implemented in 2019.

Cost allocation implies distributing expenses from the administrative budget of the NBU head office among three cost allocation targets: NBU structural units, level two processes, and the NBU's functions.

Cost allocation results are reflected in regular reports that contain information (data as of a certain date and historical data) about the costs of structural units, level two processes, and the NBU's functions. These reports are used to assess the efficiency of NBU units and level two processes as well as to find ways to optimize costs, and make decisions on the management of costs and NBU activities.

3.2. Human Resources

Human resources include employees of the NBU, their competencies, abilities, experience, and motivation to fulfill the functions, provide the services, and attain the goals of the NBU.

In its activities, the NBU uses human resources represented by its staff, namely:

- specialists who work to fulfill the NBU's central bank functions
- workers who are support staff carrying out maintenance functions (drivers, cleaners, catering staff, and so on).

Human resources do not appear in the NBU's Consolidated Statement of Financial Position, as this type of the resources does not meet the recognition criteria – the NBU has no

control. However, the Consolidated Statement of Profit or Loss and Other Comprehensive Income reflects expenses on these resources: staff costs and other expenses, provisions for annual leave and other employee benefits.

HR Policy

In 2023, the NBU focused on one of its main work streams in the area of human resources. Specifically, the NBU ensured the timely and effective selection of personnel to staff NBU units with qualified and motivated employees to ensure continuity of processes and the performance of key tasks and functions by each unit and the NBU as a whole. NBU's screening and selection of candidates is based on the principles of transparency and ethics that are ensured during screening and selection stages. It also encompasses

selecting winners, including those who were competitively selected, and appointing candidates for positions at the NBU. In 2023, the NBU hired 252 employees and dismissed 278. NBU hired and dismissed employees in accordance with Ukraine's labor laws and NBU's regulations.

The NBU ensured uninterrupted operation and safe work environment for the NBU employees for the period of martial law in Ukraine. The NBU has introduced a remote work for its employees as a form of labor organization where employees are performing their duties from a location other than a central office or outside the premises of the NBU in Ukraine using information and communication technologies for the period of martial law.

Remuneration Policy

In 2023, the NBU ensured the payment of wages at regular intervals.

As an employer, the NBU builds its remuneration policy on the principle of internal and external equity (fairness). Internal equity refers to the principle of determining employee remuneration in accordance with the NBU's positions grading system. It means that positions with roles and functions that are more important for attaining the NBU's goals get a higher grade and, accordingly, a higher level of remuneration than other positions belonging to other grades. NBU's positions with similar functions in terms of complexity and worth have similar remuneration levels. The principle of internal equity is based on the analysis of the various functions and their differences depending on the position occupied within the NBU. External equity refers to the principle of determining remuneration in accordance with the NBU's remuneration policy under which the level of remuneration for similar

positions within the NBU is not lower than in the labour market and corresponds to the NBU's position as an employer in the labour market compared to other institutions / organisations with similar areas and scope of activity. The principle of external fairness is based on an analysis of the NBU's functions.

The remuneration policy and its components remained unchanged from the previous year, in particular:

- base component, which is base pay set as the official salary (tariff rate) within the range for each position grade
- a variable component, which is extra salary offered in the form of raises, bonuses, and premiums

Other payouts, namely, financial assistance for the medical treatment of employees and their family members, retirement or redundancy pay (severance pay and a lump sum).

The NBU continues to support its employees by providing financial and psychological support programmes. NBU introduced a programme for supporting employees whose homes were damaged as a result of hostilities. Besides, the NBU provides financial assistance for the medical treatment of employees, their families and pensioners as well as payments for the burial of deceased NBU employees / pensioners. The NBU also makes redundancy payments to employees that have been made redundant. Other remunerations (contributions), such as the pension contributions the NBU makes for its employees to the NBU Corporate Nonstate Pension Fund, insurance premiums under voluntary health insurance agreements, contributions to the NBU primary trade union organization, and contributions related to cultural events and health improvement.

3.3. Production Resources

The NBU's production resources include man-made (rather than natural) physical assets that it uses to perform its functions and provide services.

The NBU's production resources include:

- property and equipment (buildings, facilities, vehicles, machinery, equipment, tools, appliances, gear, capital investment in property and equipment)
- investment property
- inventories of tangible assets
- other similar assets.

Production resources are presented in the NBU's Consolidated Statement of Financial Position as assets. Production resources give rise to expenses that are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Management of State-Owned Real Assets

Under the Law of Ukraine On the National Bank of Ukraine, the NBU's assets are owned by the state and are under the central bank's operating control.

The NBU manages the following assets:

- the central bank's own real assets
- real estate acquired by the NBU as a partial pay-off of the banks' debts on the refinancing loans.

A list of the NBU's real estate was approved as part of implementing the NBU's Functional Strategy for Developing Infrastructure and Corporate Administration in 2021-2024, ensuring effective real estate management, optimizing the NBU's real estate portfolio, determining the efficient and sustainable use of the existing administrative and economic space, as well as developing measures to maximize their usage, analyze and determine the feasibility of projects designed in previous years.

In 2023, the NBU's administrative buildings or their parts, located in the regions, that were not used for performing the main functions were leased mainly to state institutions in accordance with the requirements of the Law of Ukraine On Leasing State and Communal Property, namely 22 real estate objects (with a total area of 9,522.05 square meters) for accommodation of state bodies and other business entities: Regional Office of the Deposit State Property Fund of Ukraine for the Kharkiv oblast, Regional Office of the Deposit State Property Fund of Ukraine for the Donetsk and Luhansk oblasts, Second Administrative Court of Appeal, Central and Western Interregional Office of the Ministry of Justice (Khmelnyskyi), Western Interoblast Regional Office of the Antimonopoly Committee of Ukraine, and others.

As of 31 December 2023, the NBU managed 351 own real assets, which were listed in the Unified Registry of State Property Objects.

Collateral Management Policy

The NBU issues loans backed by securities, real estate and movable property, property rights under loan agreements, and other types of collateral.

For more information on types of collateral and the extent of coverage of loans issued to banks, refer to Note 10 of the NBU Consolidated Financial Statements.

Under collateralized loan agreements, property put up as collateral shall be managed and kept by a collateral provider until enforcement is required to repay a debt under a loan agreement if there is a breach of the obligation.

Nonperforming loans issued to banks were repaid using proceeds including from the sale of property put up as collateral, as well as by the NBU's appropriation of collateral.

Under the Law of Ukraine On the National Bank of Ukraine, the NBU acquires, in order to cover the debts owed to the

3.4. Intellectual Resources

Intellectual resources include intangible, knowledge-based assets.

The NBU uses the following types of intellectual resources:

- intangible assets (software, both purchased and own, licenses, websites, information, databases, copyright, rights of enjoyment, etc.)
- organizational resources – knowledge, research, and knowledge bases accumulated in the NBU, systems, processes, and procedures.

The NBU's intangible assets, recognized and presented in the Consolidated Statement of Financial Position as assets, primarily include third-party software and licenses to use software that eventually expire, resulting in expenses that are

NBU, any rights and assets, provided that they are further alienated within the shortest possible time.

Under Article 73 part two of the Law of Ukraine On the National Bank of Ukraine, the NBU may sell through the established procedure the property that it acquired from banks to recover the money it loaned to the banks with the purpose of supporting liquidity, without obtaining approval from other government agencies.

The NBU's balance sheet as of 31 December 2023 included five real estate facilities with a total area of 42,600 square meters and 143 plots of land covering 751.9 hectares with a total book value of UAH 457.7 million (excluding VAT). They passed into the NBU's ownership as a result of partial repayment of debt on refinancing loans to be put up for further sale for the best bid in the shortest possible time.

In 2023, the NBU acquired five plots of land with a total book value of UAH 15.2 million, and sold two assets for a total price of UAH 13.8 million (excluding VAT).

It should be noted that some of the plots of land are located in the area where active hostilities were conducted, and therefore they may be contaminated with explosive ordnance, which also has a negative impact on the interest of potential buyers.

Also, in order to increase Ukraine's defense capabilities and ensure the needs of state in repelling the armed aggression of Russian Federation against Ukraine, the Verkhovna Rada of Ukraine passed a draft law granting the NBU the right to transfer to the Ministry of Defense of Ukraine, free of charge, under the procedure established by the Cabinet of Ministers of Ukraine, property acquired by the NBU as repayment of debt on loans granted to banks to maintain liquidity. The legislative proposals for the draft law were developed with NBU's participation.

Part 4 hereof describes how the NBU forecloses and acquires the assets of this type to recover outstanding loans.

recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income mainly as administrative and other expenses.

Proprietary software, the official website built by the NBU's software developers, databases, and the right to use state-owned land do not meet the criteria for being recognized as assets, and are thus not recognized as such in the Consolidated Statement of Financial Position. However, the NBU bears the costs of developing and maintaining these assets, and these costs are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For more information on further research at the NBU, the modernization of reporting systems, the development of open

data, IT, information security, and bank cyber security, see Part 4 hereof.

3.5. Social and Reputational Resources

Social and reputational resources include institutions and relationships within communities, as well as between stakeholders and other groups, and the ability to share information to increase individual and collective wealth.

The NBU uses the following types of social and reputational resources:

- the NBU values, the Code of Conduct for NBU employees (the Code of Conduct) and the rules of conduct, including anticorruption ones
- relationships with stakeholders
- reputation- and brand-related intangible assets
- social licenses to operate: NBU's rights to perform its main functions as set forth in the legislation.

The NBU's consolidated statement of financial position does not recognize social and reputational resources since they do not meet the criteria of financial statement items. However, the NBU bears the costs of developing and maintaining these assets, and these costs are recognized in the Consolidated Statement of Profit/Loss and Other Comprehensive Income mainly as administrative and other costs.

Collective Agreement

Promotion to the regulation of labor relations and social and economic interests of employees and the employer is one of the elements of social reputational resources. In 2023 the collective negotiations were held on conclusion of a new Collective Agreement between the management (administration) and staff of the Head Office of the NBU for 2024-2028, in order to reconcile the interests of the NBU as the employer and the employees. In the process of drafting the agreement, amendments to the labor laws of Ukraine and NBU's regulations on labor relations were taken into account.

The subject of the Collective Agreement is the regulation of production, labor, social and economic relations, reconciliation of the interests of employees and administration on issues of remuneration, guarantees and benefits in housing, social, and medical servicing, organization of the NBU's employees rest and recreation.

The draft of Collective Agreement was approved at the conference of the NBU's labor collective and signed by parties in January 2024. The share of employees who signed collective agreements, is 100%.

Code of Conduct

One of NBU's main tasks is to create an environment characterized by ethical and responsible conduct that is based on the NBU values.

The guidelines and rules on employees' conduct and ethics are set forth in the NBU's Code of Conduct.

In 2023, the NBU continued to work on amendments to the Code of Conduct to bring it in line with the NBU Strategy, applicable laws of Ukraine, and NBU regulations.

Anticorruption Policy

The NBU's policy on preventing and counteracting corruption bases on the principles of good faith, "zero tolerance" to any form of corruption, inevitability of punishment for corruption or offenses related to corruption, transparency and openness of its activities.

In 2023, the corruption prevention was carried out in accordance with the requirements of the anti-corruption legislation and the NBU's Anticorruption Program for 2022–2023, approved by the decision of the NBU Board.

With a view of preventing, detecting, eliminating, and combating corruption, the NBU regularly implements the following measures:

- upholding the collegiality principles in decision-making
- regulating the processes of NBU units' operation
- building awareness of the anti-corruption legislation among NBU employees and providing methodological and consultation support on compliance with the laws on corruption prevention
- overseeing compliance of NBU employees with anticorruption restrictions, requirements regarding prevention and resolution of conflict of interest, other requirements of anti-corruption legislation
- carrying out anti-corruption examination and assessment of NBU's draft regulations
- verifying the details of applicants for positions of NBU officials
- reviewing reports of whistleblower-blowers and reports on violations of the requirements set out in the Law of Ukraine *On Prevention of Corruption* by NBU employees
- developing the culture of whistle-blowing within the NBU of possible facts of corruption or corruption-related offences, methodological and consultation support
- implementing other measures provided for by the current anti-corruption law and Anticorruption Program.

Based on the certification audit in 2023, the NBU's anti-bribery management system was recognized as compliant with the requirements of the international standard ISO 37001:2016.

Labor Safety

The NBU's key priority in labor safety is to create in each of its structural units the working conditions as prescribed by the regulations and ensure compliance with the laws regulating the employees' rights in this field, namely:

- creating safe working conditions at each workplace
- applying effective measures to reduce the impact on the employees' health at the workplaces where hazardous or dangerous factors have been identified higher than standard
- granting the employees benefits and compensations for difficult and dangerous labor conditions
- providing the employees with special clothing, special footwear and other personal and collective protection means
- ensuring effective functioning of the labor protection management system by exercising control over labor conditions within the units responsible for labor safety
- complying with the employer's obligations set forth in the collective agreement and undertaking comprehensive measures to meet the required standards and improve the labor safety level
- ensuring proper maintenance of buildings and facilities, production equipment and machinery, monitoring of their technical condition
- ensuring availability of fire protection means in the premises and transport vehicles
- ensuring 24/7 operation of the fire protection systems and fire alarm announcement system
- introducing preventive measures based on the investigation findings on accidents, occupational diseases and other emergency situations to prevent the similar accidents in the future
- organizing lab studies of labor conditions, assessment of technical condition of the production equipment and machinery, certification of workplace compliance with the labor safety requirements
- developing and approving regulations, guidelines and other internal documents for occupational safety

Creating safe working conditions at the NBU:

- 2022-2025 Comprehensive Action Plan to meet the required standards and improve the labor safety level in the NBU Head Office has been drafted.
- The employees of the NBU Head Office that fulfil the functions related to hazardous and dangerous working conditions and involved in works connected with contamination or those performed in unfavorable meteorological conditions, are equipped with modern certified means of individual protection, special clothing and footwear.
- Special training in occupational safety for the NBU Head Office employees performing high risk work (including high fire risk), was organized.
- The risk-based approach is introduced to prevent injuries and occupational diseases.

- On an ongoing basis, the control of labor safety, fire and environmental safety in the NBU Head Office is performed.

The NBU's Banknote Printing and Minting Works, taking into account the specifics of production processes, introduces and implements the following:

- internal special training in occupational safety under thematic programs NBU's Banknote Printing and Minting Works employees that perform high risk works
- briefings on occupational health and safety for the employees according to the approved instructions on labor safety
- list of high-risk works that are performed according to special assignments for safe performance of works
- allowance for issuance free of charge of special clothing, special footwear, and other personal protective means
- control over the employees health through previous and periodic physical examinations.

NBU Corporate Nonstate Pension Fund (CNPF)

The NBU as a responsible employer, provides the possibility to its employees to receive additional pension payments from the NBU Corporate Nonstate Pension Fund upon achieving the pension age.

The establishment of the NBU Corporate Nonstate Pension Fund aimed at creation of an additional social protection to employees after their retirement and, in its turn, it allows the employer to attract best qualified employees and to reduce the potential high turnover of personnel in the NBU.

The operation of the NBU Corporate Nonstate Pension Fund provides for the funds accumulation only in favor of the CNPF participants, assets management and consequently the provision of decent pension payments to the CNPF participants.

More detailed information on the NBU's relationships with the CNPF is provided in Note 1 to the consolidated financial statements for the year ended 31 December 2023.

Voluntary Health Insurance System and Healthcare

For the purposes of additional motivation and caring on employees' health, the NBU proposes the opportunity for each employee to obtain the voluntary health insurance policy ensuring timely and high-quality medical aid and being means of welfare raising. In 2023 the single type of policy was introduced for all categories of the NBU's employees.

To support employees' mental health various events were held on a continual basis: lectures of doctors in specialized areas, trainings on information hygiene for the employees' children, video advices of psychologists, etc.

The continuation of the practice of kids rooms at all NBU locations served as an additional measure of support.

For information on indicators related to employees' health care, see Section 4 hereof.

Primary Labor Union Organization of the National Bank of Ukraine (hereinafter referred to as "Labor Union")

Social initiatives of the Labor Union are:

- regular support of the Labor Union members who enlisted in the Armed Forces of Ukraine
- regular support of the Labor Union members whose homes have been damaged by hostilities
- protection of rights and interests of the members, accident prevention
- cooperation with the NBU administration to mitigate adverse effects of dismissals, the Labor Union members' health care.

3.6. Natural Resources

The NBU is doing its utmost to minimize the use of natural resources and deploys natural resources of both national importance (atmospheric air, groundwater) and local significance (land). Other natural resources are used indirectly.

The NBU deploys natural resources in compliance with compulsory environmental requirements. Therefore, the NBU receives all permits to use natural resources provided by law, and pays taxes and makes compulsory payments for their use: land charge, air and water emissions, etc.

The NBU complies with the domestic legal requirements on environmental protection, systemically assesses and continually improves the internal system of environmental protection system, which implements the following main principles:

- when handling the wastes, the NBU classifies the produced wastes and transfers those to economic entities operating in the area of waste management. To preserve the hierarchy of waste management, the valuable resources (wastepaper, scrap) are sold for recycling
- in the area of atmospheric air protection, the NBU complies with the mandatory standards, rules, and requirements on ensuring environmental safety, implements safe exploitation of fixed sources of emissions, and complies with the requirements on maximum permissible emissions of pollutants into the air
- as for the protection of water resources, the NBU implements measures on control and rational use of water resources.

In addition, the NBU is engaged into the environmental awareness raising of its employees through in-house and external trainings.

NBU Employer Brand

In 2023 the NBU continued to develop and promote the employer brand. The special attention was paid to events for young people. These measures were implemented by setting the cooperation with higher education institutions of Ukraine, organizing the internships of students, conducting thematic meetings, lectures, job fairs with the purposes of searching for intellectually and creatively gifted youth able to work efficiently in the NBU.

We also organized internships for 71 students, 5 of whom were approved for employment at the NBU after successful completion of internship.

In 2023 the work on enhancing the employer brand was rewarded after the NBU won two ratings: *Best Employer 2023* (best 3 companies of banking sector) according to the opinion of Ukrainian students and *TOP-25 Employers Open to Talent Aged under 25*, according to STUD-POINT.

The NBU produces a rather minor effect on the environment. However, the structure of the NBU includes a separated unit — NBU Banknote Printing and Minting Works production facility, for which the issue of environmental protection raises higher concern.

The NBU Banknote Printing and Minting Works adheres to and complies with the requirements and regulations of the Labor and Environmental Protection Policy of the NBU Banknote Printing and Minting Works (hereinafter referred to as "Policy").

The current system of ecological protection of the NBU Banknote Printing and Minting Works complies with the DSTU ISO 14001:2015 standard and is developed, implemented, analyzed, and improved based on a risk-oriented thinking as a set of interrelated processes, aimed at increase in the production performance, rational use of natural resources, reduction of environmental load within the area of facility's possible impact.

The Policy is focused on activities of the NBU Banknote Printing and Minting Works – manufacturing of competitive production – banknotes, coins, state awards, securities, and other production that satisfies the demand of customers and partners of the NBU Banknote Printing and Minting Works with stable quality which meets the state and international standards.

Such possible ways to achieve goals regarding the boost of the facility's energy efficiency and provision of minimal negative impact on the environment are envisaged by the Policy:

- technical re-equipment of the production facility by introducing the cutting-edge technologies, high-performance equipment, innovative materials, energy-

efficient and resource-saving technologies, low-waste, no-waste and eco-friendly technological processes that ensure mitigation of negative impact on the environment, human health, and guarantees safe working conditions

- management of significant ecological aspects that impact or may impact the state of environment
- constant analysis and enhancement of current eco management system
- training, professional development, consultations, and involvement of employees into development,

implementation and enhancement of environmental protection system.

The NBU recognizes in Consolidated Statement of Profit/Loss and other Comprehensive Income the costs on payment of taxes and activities related to environment protection mainly as administrative and other expenses, and profits on sale of waste (recyclables) as other income.

3.7. National Bank of Ukraine and Its Stakeholders

NBU Clients and Value Accumulation Chain

In pursuing its Mission, the NBU works to create maximum value for the clients.

NBU clients are participants of the financial ecosystem classified into the following eight groups by the NBU according to the nature of their needs and operations, interests, role of the group in the financial ecosystem, and current changes influenced by global and local trends:

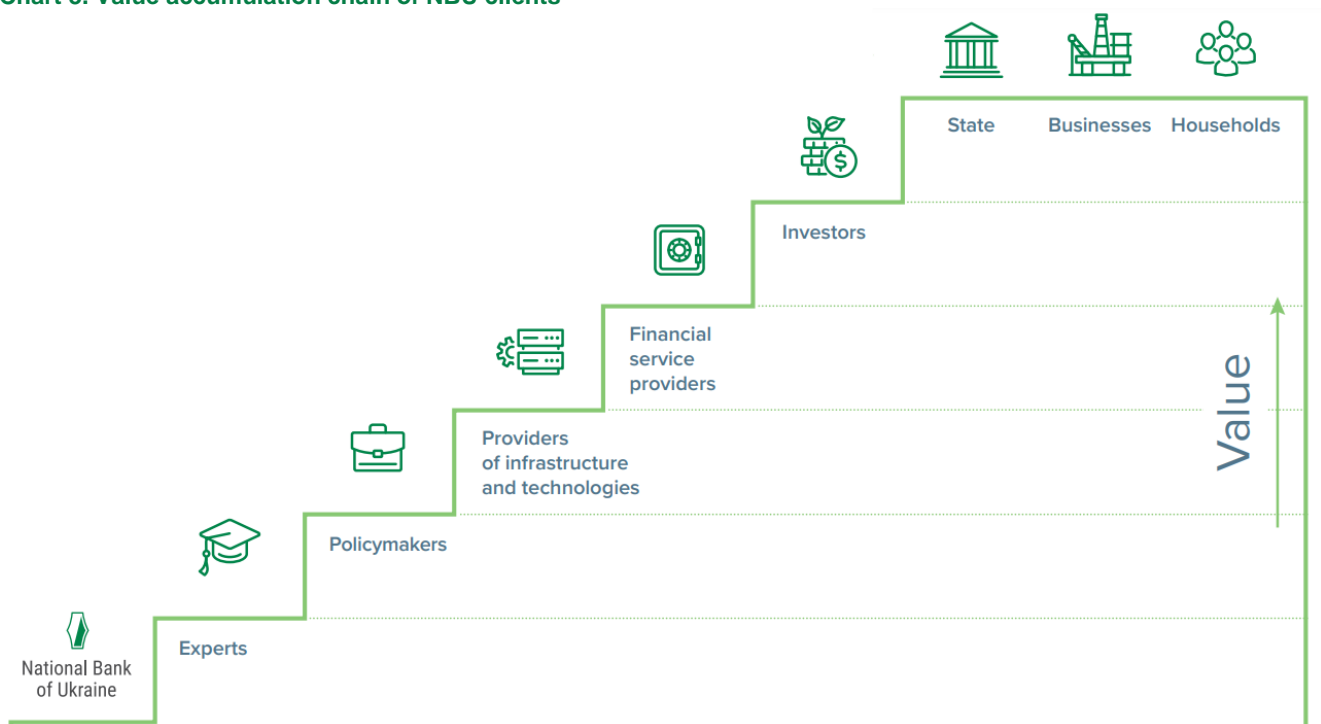
- experts
- economic and financial policymakers
- providers of infrastructure and technologies
- financial service providers
- investors

- economic entities (businesses)
- state as service provider
- households.

Every participant of the ecosystem acting within their role boundaries performs certain functions, in this way offering other participants certain value that is created by them, independently or jointly with the NBU or other ecosystem participants. The logic behind the client grouping follows the value accumulation chain: each client creates value that is accumulated, and simultaneously the final consumers (state, businesses, and households) receive the maximum value.

Value accumulation chain of NBU clients is presented in Chart 3.

Chart 3. Value accumulation chain of NBU clients



Cooperation with International Partners

In 2023, the NBU's bilateral cooperation with international partners answered the challenges of wartime.

In particular, bilateral meetings and consultations held with partners (the European Central Bank, De Nederlandsche Bank, National Bank of Croatia, National Bank of Belgium, Sveriges Riksbank, Narodowy Bank Polski, Deutsche Bundesbank, Federal Reserve System, U.S. Senators, the Ministries of Finance of the Netherlands, Germany and the

United States, and others) centered on gaining international support and increasing pressure on Russia both through expanding sanctions and by seeking ways to use frozen Russian assets for the benefit of Ukraine.

To facilitate the recovery of the business environment in the territories liberated from the Russian occupiers, the NBU contacted international banking and insurance groups, as well as their subsidiaries, regarding the lifting of the ban on cross-border payments to domestic companies registered in the non- and/or de-occupied territories of Kherson, Zaporizhzhia, Donetsk, and Luhansk oblasts.

Throughout the year, we continued our dialogue with diplomatic missions of other countries in Ukraine, discussing important issues of bilateral cooperation, macroeconomic and financial stability, the prospects for gradual FX liberalization, and obtaining the support Ukraine needs to fight the enemy during the war and to rebuild after the war.

To preserve Ukraine's appeal as an investment destination and its image as a country that continues to successfully overcome the challenges of war, the NBU participated in a number of international events and held several meetings with representatives of international rating agencies to inform them about the current economic situation in Ukraine, development forecasts, and the regulator's planned steps to maintain financial stability in the face of war.

Over the reporting year, the NBU was active in strengthening its contractual relations with other central banks. The NBU made progress in approving the provisions of future memorandums on Combating Money Laundering and Terrorism Financing and on regulatory and supervisory matters with Magyar Nemzeti Bank, as well as the Memorandum of Understanding, Cooperation and Exchange of Information on Regulation and Supervision of Banks and Nonbank Financial Institutions with the National Bank of Georgia. The NBU signed agreements with the Central Bank of Malta and Sveriges Riksbank on handling cash hryvnia, which regulate the return to Ukraine of cash hryvnia purchased as part of the hryvnia exchange scheme introduced in 2022 for Ukrainian citizens who had to leave Ukraine due to the war.

In March 2023, the agreement on a UAH/USD FX swap between the central banks of Ukraine and Poland, concluded in the early days of the war to support Ukraine's financial sector, was extended for another year.

The primary focus of the NBU's international technical partnerships in 2023 was to strengthen the NBU's institutional capacity, support and develop Ukraine's financial sector by adopting best international practices and implementing European standards, and establish and expand international relations and the NBU's visibility in the international professional arena.

The NBU's proactive approach to strengthening international relations, which involves pursuing technical assistance,

adopting best international practices, and acquiring specialized knowledge, resulted in an 11.5% rise in the number of international technical cooperation activities in 2023 compared to 2022 (443), nearly reaching the prewar level of activity (470 activities in 2021 being the highest in the last 7 years).

The most relevant topics for the NBU's international technical cooperation were as follows: ensuring macrofinancial stability and stability during martial law and postwar recovery, implementing monetary policy, including DSGE model for the medium-term forecasts; ensuring exchange rate stability during FX liberalization, regulating and supervising the banking sector and nonbank financial institutions, introducing innovations, and improving the operation of payment systems, including the possibility of integrating Ukrainian banks into the payment infrastructure of the Single Euro Payments Area (SEPA), bringing the BankID System in line with the eIDAS requirements for electronic identification schemes with a medium level of trust; improving communications, including on monetary policy, the regime of limited flexibility of the exchange rate, development of the NBU's brand, improving financial literacy and supporting relevant information campaigns; improving consumer protection in financial services, insuring against political and war risk insurance, and more.

The main international partners of the NBU that contributed to the development of its institutional capacity, maintaining the stability of Ukraine's financial system, achieving strategic and European integration goals, and seeking unique experience in addressing today's challenges have consistently been the IMF, the World Bank Group, the EU, the European Bank for Reconstruction and Development, the United States Agency for International Development (USAID), the European Central Bank, as well as central banks and financial market regulators of Ukraine's partner countries, such as the United Kingdom, Germany, Italy, Poland, and the United States. In addition, the NBU proceeded with renewing or establishing cooperation with the central banks of Austria, Argentina, Denmark, Cyprus, Romania, the Republic of North Macedonia, Japan, Finland, Croatia, and Greece.

In spite of the full-scale aggression, in 2023 the NBU maintained the tradition of holding large-scale annual events for the international technical and expert cooperation projects:

- 7th Annual Research Conference on *Economic Policies during Wartime and Post-War Recovery* (116 participants from Ukraine and from abroad)
- 5th international roundtable *Strategic Planning of the Financial Sector and Identifying Stability Areas within the Unstable External Environment* (70 participants from Ukraine and from abroad)
- International Workshop *Monetary Policy in Emerging Markets: Understanding the Causes and Consequences of a New Wave of Inflation* (117 participants from Ukraine and from abroad)

The NBU staff actively participated in international conferences, roundtables, and forums at the invitation of international development partners and other central banks. The demand for the NBU's expert opinion doubled compared to 2022, reaching 31 events, marking the highest figure in the last 7 years.

The main topics of international technical and expert cooperation in 2023 include the regulation of NBFIs, the implementation of SEPA, cash management in times of war, monetary policy, cybersecurity, payment systems, financial stability, banking supervision, financial inclusion and consumer rights protection, etc.

In addition, in 2022 and 2023, the EU member states and developed economies showed a steady interest in the NBU's unique expertise in maintaining the continuity of the financial system under conditions of uncertainty/instability. In 2023, the NBU shared its experience with:

- Eesti Pank – on oversight and preparedness for extreme crises in the field of payment systems
- Sveriges Riksbank – on maintaining the functionality of payment systems before and during Russia's invasion
- Bank of England – on performing payment transactions and sustainability
- Sveriges Riksbank and the Bank of England - on running the NBU's Power Banking project
- Eesti Pank – on regulating the use of cloud technologies to reduce risks
- Latvijas Banka – on the implementation of crisis communications
- ECB – on aspects of conducting an internal audit of a central bank
- Sveriges Riksbank – on personnel management during martial law
- Central Bank of Albania - on IFRS (the NBU's expert participated in the IMF TA mission).

Institutional Relations with Ukrainian Stakeholders

Ukraine's accession to the EU, the implementation of European standards in banking and nonbanking regulation, continuing to ensure the smooth operation of the banking system, finding solutions to increase the investment appeal of Ukrainian economy, and possible post-war recovery paths became important vectors of the NBU's interaction with stakeholders in 2023.

At the beginning of the year, the NBU Board resumed monthly meetings with the management of the top 30 banks. The NBU's regular communication with representatives of the largest banks has helped to establish a productive and effective dialog and to foster relevant banks' expectations of the regulator's actions. The topics discussed at these meetings included cooperation with the International Monetary Fund, the key policy rate, currency controls easing, resumption of lending and implementation of responsible lending, revival of the domestic debt market, changes in financial monitoring approaches, and strengthening of bank

continuity. At the request of banks, meetings were also held on specific topics. A total of 66 meetings were held with representatives of the banking community during the year.

Quarterly meetings with representatives of the largest insurance companies were started in 2023. One of the most important issues discussed was the transition to the implementation of the new insurance legislation.

Regular interaction with representatives of nonbank financial institutions was a priority and was carried out at all levels.

Over the course of 3 months, the NBU held regular meetings with representatives of nonbank financial institutions to discuss the acceptance and exchange of worn-out foreign currency.

In total, 25 meetings of various formats were held during the year with the management and representatives of nonbank financial institutions.

The NBU maintains constant dialog with business representatives. During the year, the NBU Board held several meetings with the management and members of the American Chamber of Commerce, European Business Association, and Union of Ukrainian Entrepreneurs to discuss the issues of easing FX controls and corporate lending. In 2023, a total of 25 events were held with the participation of the business community. In February, NBU Governor Andriy Pyshnyy spoke at an event organized by the European Business Association and dedicated to post-war recovery, development, and Ukraine's future after the victory, as well as the favorable investment climate. In November, at the Annual Meeting of the European Business Association, he outlined the milestones for business in the actions and decisions of the NBU in 2024.

In its interactions with the business community, the NBU maintains its position as an open, transparent, consistent, and predictable institution. In December, the NBU Governor met with representatives of Austrian and German businesses in Ukraine with the support of the embassies of both countries and the European Business Association. During the meeting, they discussed the regulator's monetary policy and the possibility of easing FX controls in 2024.

The NBU's main priorities in its interaction with other state authorities remain cooperation with the Government of Ukraine to ensure monetary stability and efficient operation of the banking system, including support for domestic businesses, as well as cooperation with the Verkhovna Rada of Ukraine to continue implementing legislative changes in the financial sector. During the year, the NBU supported the consideration of draft laws in parliament, including decisions aimed at minimizing the risks associated with military aggression and continuing to implement European integration changes in the financial sector. Facilitating the legislative process to ensure the fulfillment of Ukraine's international obligations under financial assistance programs was one of the component of this cooperation.

As a result of active cooperation with the Verkhovna Rada, the parliament passed a number of important laws for the financial sector. Some of these laws were drafted entirely by the NBU or with its active involvement, or have incorporated its proposals.

In 2023, representatives of the NBU took part in 23 meetings of the Verkhovna Rada committees, as well as in more than 100 working meetings and conferences held as part of the parliament's legislative work.

One of the important formats of institutional interaction with government agencies was the conclusion of a number of cooperation documents.

In May 2023, the NBU signed a Memorandum of Understanding on interaction and cooperation in assessing the resilience of banks and the banking system of Ukraine with the State Property Fund of Ukraine. The Memorandum is aimed at strengthening cooperation in the field of professional valuation activities, namely, reviewing reports on the assessment of the market (fair) value of property prepared by valuation entities in the course of assessing the resilience of banks and the banking system of Ukraine.

In October, the NBU signed a Memorandum of Understanding with the National Securities and Stock Market Commission and the Audit Public Oversight Body of Ukraine. The Memorandum is aimed at coordinating efforts and joint activities to ensure cooperation between the institutions to implement the provisions of the Law of Ukraine *On the Audit of Financial Statements and Audit Activities*.

The Agreement *On Information Cooperation* between the State Tax Service of Ukraine and the National Bank of Ukraine was also updated and expanded to ensure better coordination and interaction between the institutions.

Cooperation with the IMF and Other International Financial Institutions

The cooperation with the IMF remained the central bank's priority. The successful performance under the Program Monitoring with Board Involvement paved the way for the launch of a new financing program for Ukraine, and on 31 March 2023, the IMF Executive Board approved a new four-year Extended Fund Facility for Ukraine. The program is worth about USD 15.6 billion (SDR 11.6 billion). Ukraine has proved its ability to fulfill its obligations (both structural benchmarks and other important commitments set out in the program documents were completed) and successfully completed two reviews of the program in 2023. As a result, Ukraine received three disbursements under this program totaling almost USD 4.5 billion, which were channeled to the general fund of the state budget of Ukraine.

In Ukraine's relations with the IMF, the NBU is a direct recipient of funds from the IMF, both for the distribution of SDRs and for the purchase of SDRs (it receives loans from the IMF), and also acts as a depositary bank.

The ultimate beneficiary of the funds on behalf of Ukraine under the separate tranches of the IMF-supported credit facilities or the SDR distribution is defined by the IMF at each funds disbursement (Government of Ukraine or the NBU). The party that receives the funds, undertakes to repay the principal and the servicing of such debt (payment of interests, fees, etc.)

The information below represents the principal amount balances of Ukraine's liabilities to the IMF distributed between the NBU and the Government of Ukraine.

	2023			2022		
	on behalf of the NBU	on behalf of the Government	Total	on behalf of the NBU	on behalf of the Government	Total
	(UAH millions)					
Liabilities under principal to the IMF for SDR purchases	80,928	379,913	460,841	136,201	234,073	370,274
Liabilities under principal to the IMF for SDR distribution	4,150	160,841	164,991	3,964	153,604	157,568
Liabilities to the IMF	85,078	540,754	625,832	140,165	387,677	527,842
	(SDR millions)					
Liabilities under principal to the IMF for SDR purchases	1,588	7,455	9,043	2,798	4,810	7,608
Liabilities under principal to the IMF for SDR distribution	82	3,156	3,238	82	3,156	3,238
Liabilities to the IMF	1,670	10,611	12,281	2,880	7,966	10,846

The detailed information on the NBU's liabilities to the IMF (including interests, fees and other charges) can be found in Note 8.3 to Section II.II Financial Assets and Liabilities of the Consolidated Financial Statements.

The NBU was actively engaging in the systemic projects of Ukrainian government with organizations of the World Bank Group, that allocate financing for the support of the state budget and the implementation of investment projects in Ukraine aimed at financial sector development. In particular, on 29 June 2023, the World Bank approved the Ukraine Relief and Recovery Development Policy Loan and the allocation of USD 1.5 billion to Ukraine. This loan was guaranteed by the Government of Japan under the Trust Fund to provide Ukraine with the necessary credit support. The loan is provided to support key areas of government reforms aimed at mitigating the effects of the Russian invasion. The project's previous activities included measures in the financial sector. In particular, the NBU approved the Terms of Reference for assessing the resilience of the banking sector.

European Integration

In 2023, despite the full-scale war, Ukraine continued to advance toward the goal of the EU membership. The progress in reform efforts and the successful implementation of the European Commission's recommendations contributed to the historic decision of the European Council on 14 December 2023 to open EU accession negotiations with Ukraine.

In 2023, the NBU, as the central bank of the candidate country, actively participated in the country's European integration processes. It should be noted that the European Commission in its Enlargement Package reports on Ukraine, noted Ukraine's progress in the financial services sector and praised the NBU's efforts to maintain financial stability and strengthen confidence in the domestic currency. The NBU also took part in the development of the Government's Action Plan to implement the recommendations of the European Commission presented in the abovementioned report.

In 2023, the NBU focused one of its main work streams in the area of European integration on continuing to fulfill its obligations under the EU-Ukraine Association Agreement related to financial services, payment systems, combating money laundering and terrorism financing, consumer protection, and more to ensure the alignment of the national system of regulation and supervision in the financial services sector with the EU acquis. NBU representatives also engaged in the work of the EU-Ukraine Association bodies to discuss progress in the financial sector and participated in preparation of the meetings of the high-level bilateral bodies, such as the EU-Ukraine Summit and the meeting of the EU-Ukraine Association Council, and implementation of tasks based on the results of the meetings.

In addition, in 2023, the NBU continued to actively cooperate with the European Central Bank (ECB), the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the EU Delegation to Ukraine, and the European Commission.

The NBU actively engaged in the initial assessment of the state of implementation of EU acquis (self-screening) initiated by the Cabinet of Ministers of Ukraine, and ensured coordination of negotiating Chapter 4 "Free movement of capital" and Chapter 9 "Financial services", two areas of each of the negotiating chapters, specifically Chapter 6 "Company law" and 17 "Economic and monetary policy". The NBU was also engaged in analyzing individual acquis in eight other negotiating chapters.

Based on the results of self-screening, the NBU reviewed more than 2,000 EU acquis in terms of the need for implementation, the current level of approximation, and the legislative changes required to achieve full alignment, and proposed to include in the National Programme for the Adoption of the Acquis more than 200 EU acquis falling within remit of the NBU.

In the spring of 2023, the NBU prepared information on progress/answers to EU questions as part of the annual assessment of Ukraine's progress as an EU candidate country and within the EU Enlargement Package.

In 2023, the NBU successfully completed two EU-funded technical assistance projects aimed at implementing European integration tasks: "Strengthening regulation and supervision of the non-banking financial market in Ukraine" (EU-FINREG Project) and "Strengthening the Institutional and Regulatory Capacity of the National Bank of Ukraine to Implement the EU-Ukraine Association Agreement" (Twinning Project).

Active cooperation continued within the framework of the project "Implementation of EU Practices for Accounting, Financial Reporting and Audit in Ukraine" (EU-FAAR Project) to develop the UA IFRS XBRL Taxonomy 2022. In December 2023, the Financial Reporting System Management Committee held a meeting at which a decision was made to approve the UA IFRS XBRL Taxonomy 2022 (v 1.0) for publication and further use by reporting entities in the preparation of financial statements in electronic format for 2022 and interim financial statements for 2023. The Committee also made a decision to extend the implementation period of the EU-FAAR Project until February 2025.

In 2023, the EU continued to provide financial assistance to Ukraine. In 2023, the NBU ensured the implementation of measures that enabled Ukraine to receive EUR 18 billion in EU macrofinancial assistance to maintain financial stability. In addition, the NBU was actively involved in the preparation of Ukraine's draft Plan for the implementation of the European Commission's Proposal for a Regulation of the European Parliament and of the Council on establishing the Ukraine Facility. Said EU initiative aims to accelerate Ukraine's economic recovery through highly concessional loans, grants, and technical assistance for an amount of EUR 50 billion for the years 2024 to 2027.

3.8. Main Risks

NBU Risk Profile

The NBU's risk profile comprises both financial and nonfinancial risks.

Financial risks constitute the risks that arise in connection with financial instruments. The NBU's financial risks are grouped as follows:

- financial risks related to the policies determined and conducted by the NBU (hereinafter referred to as NBU policy financial risks). These risks arise from financial instruments, when their recognition on the NBU's balance sheet or off balance is related to the central bank's performance of its main function and other functions, as set forth in Articles 6, 7 of the Law of Ukraine On the National Bank of Ukraine, with the exception of Article 7 paragraph 15 thereof.
- financial risks arising from Ukraine's international (foreign exchange and gold) reserves
- other financial risks.

Each financial risk category includes several risk types defined by the factors that cause the respective risks. In particular, the NBU distinguishes between liquidity, credit and market risks.

Financial risks		
Probability of incurring losses or additional losses on financial instruments, or additional underperformance of planned proceeds from financial instruments, or failure to fulfill obligations on financial instruments due to the effects of adverse internal and external factors		
Financial Risk Groups	Financial instruments and transactions with them	Level I processes
Financial risks to policy	<ul style="list-style-type: none"> Transactions on cash storage FX interventions Derivative financial instruments Emergency liquidity assistance to banks Liquidity management transactions: <ul style="list-style-type: none"> refinancing transactions (loans) repo transactions certificates of deposit transactions with government bonds 	<ul style="list-style-type: none"> Organizing and developing cash circulation Implementing monetary policy Promoting Financial Stability
Financial risks to international reserves	<ul style="list-style-type: none"> Reserve financial assets 	<ul style="list-style-type: none"> Implementing monetary policy
Other financial risks	<ul style="list-style-type: none"> Other financial assets and liabilities NBU's financial investments Pension assets of the NBU Corporate Nonstate Pension Fund 	<ul style="list-style-type: none"> Performing professional activities in the capital markets and developing the infrastructure Administrative support of the NBU's operation

Nonfinancial risks include the risks of the NBU that arise in connection with nonfinancial factors.

The NBU's nonfinancial risks are as follows:

- operational risk is the potential threat of direct or indirect losses stemming from improper or failed processes, incorrect actions by NBU employees, failures of internal systems, or external events
- compliance risk is the risk of sanctions against the NBU, financial or reputational losses due to noncompliance by the NBU or its employees with the laws of Ukraine, NBU regulations and orders, including the code of ethics and the rules for the prevention and resolution of conflicts of interest

- strategic risk is the probability that the NBU does not achieve its strategic goals or performs its functions inefficiently due to incorrect strategic management decisions and inadequate responses to changes in the external environment.

When managing financial and nonfinancial risks, the NBU takes into account the potential impact of their materialization on its reputation, but does not separately distinguish a reputation risk.

NBU orders on risk management set out the management policy for certain types of NBU risks, its risk tolerance level, and its risk appetite. The activities of the NBU units are carried out within the established risk appetite.

Risk Management Process

The NBU Board organizes the risk management process and system in such a way that they correspond to the functions, specifics, and role of the NBU as Ukraine's central bank and special central body of public administration determining Ukraine's monetary policy.

The NBU's risk management system aims to support its institutional capacity and independence by protecting its assets, capital, and reputation, as well as maintaining the level of trust in the central bank and the policy that the NBU develops and implements.

The NBU's risk management system is based on holistic risk management as a systematic and continuous process. It is run by the NBU Board and NBU employees, starting from the NBU's strategy development and throughout its whole activity.

The NBU's risk management process is a continuous process incorporated in the management of the NBU at all organizational levels, and embedded in the corporate culture and daily activities of the NBU. This process is aimed at detecting events that may adversely affect the NBU's activities, and the management of risks related to such events within the set level of risk appetite, in order to ensure that the NBU performs its functions and achieves its goals.

At the same time, due to developments triggered by Russia's military aggression against Ukraine, the NBU was forced to change current processes in some units and introduce some restrictions. Specifically, the Temporary Investment Declaration of Ukraine's International Reserves for the period of martial law validity or special period was approved (dated 27 February 2022).

The NBU's risk management process comprises the following interconnected components:

- internal environment and risk management culture
- risk management circumstances (context)

- detection of events that can have an adverse impact on the NBU's operation
- risk assessment
- measures in response to risks (counterreaction to risks)
- control function
- information, communications, and reporting
- monitoring and review of the risk management system.

The NBU's **financial risk management policy** covers all of the central bank's assets and liabilities (both on- and off-balance-sheet items).

Notes 22–27 of the NBU's Consolidated Financial Statements contain information on the stages of the financial risk management process, the measures taken by the NBU in response to financial risks, and a detailed evaluation of the risks.

The operational risk management policy was implemented to define approaches and a unified methodology for managing the NBU's operational risks, ensure stability and continuity of its operations, interact with the NBU's units at all organizational levels, and implement a corporate culture for managing operational risks.

The operational risk management process has the following stages:

- prevention of operational risks
- identification of operational risks
- assessment (measurement) and analysis of operational risks
- monitoring of operational risks and reporting
- development of measures for operational risk management
- implementation of measures for operational risk management
- evaluation and monitoring of the results of the implementation of measures for operational risk management.

Internal Controls

The NBU has introduced a uniform and structured approach to ensure the effective performance of the NBU's functions, its stable and continuous operation, cooperation between NBU units at all organizational levels, and to introduce a corporate culture of organizing and developing the NBU's internal controls.

The NBU's internal controls and risk management system are interrelated and complementary systems with aligned goals and based on the **three lines of defense policy**.

The NBU units that are the **first line of defense** own all of the risks that fall under their mandate and are responsible for identifying, measuring, taking administrative measures and reporting such risks, as well as drawing up, introducing, complying with and improving controls when performing their functions/assignments.

Units of the **second line of defense** support risk management and control procedures within the remit and have the mandate to propose/recommend improvements of business control to other units according to control procedure performance findings.

The Internal Audit Department performs the functions of the **third line of defense**.

Business Continuity Management

In order to manage its business continuity, the NBU takes measures to ensure an appropriate response to threats to its operations and to ensure its continuous operation, namely:

- analyzes the impact of negative factors on the NBU's operations and the continuous operation of its units
- takes measures to arrange back-up work stations
- develops and keeps up to date the business continuity plans and protocols
- conducting regular testing of disaster recovery plans (DRP) developed for recovering critical information resources after breakdowns.

Part 4. Overview of Key Indicators

4.1. Overview of Key Indicators

The NBU prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board since 1998, and in full compliance with IFRS since - 2012.

NBU financial statements are the consolidated financial statements prepared according to the IFRS, the NBU Law and the law of Ukraine On Accounting and Financial Reporting in Ukraine.

As of the end of 2023, the NBU's balance-sheet total increased by 22.16% and reached UAH 2,393 billion.

In 2023, the NBU continued to execute its functions as a central bank, which is reflected in the corresponding profile of its assets, liabilities, and equity.

The NBU's assets mainly include:

- foreign securities
- domestic securities
- funds and deposits in foreign currency and investment metals.

The NBU's liabilities mainly include:

- banknotes and coins in circulation
- certificates of deposit issued by the NBU
- liabilities to the IMF

Figure 1. NBU's assets and liabilities in 2022–2023, UAH million



Overall, international reserves increased by 42%, to USD 40.5 billion as of the end of 2023, up from USD 28.5 billion at the end of 2022.

The increase in international reserves was mainly driven by proceeds of USD 47.2 billion in favor of the government, including USD 38.2 billion of financial aid from international partners, placement of USD 4.5 billion in domestic government debt securities, receipt of USD 4.5 billion disbursement from the IMF under the Extended Fund Facility (EFF).

The decrease of international reserves stemmed from the NBU's net purchase of USD 28.6 billion in foreign exchange interventions in the FX market of Ukraine, government's payments of USD 5.6 billion under external and internal liabilities, payments of USD 3.4 billion to the IMF.

The main tools in the process of managing International Reserves were securities of nonresidents and short-term deposits with foreign banks.

The NBU's hryvnia assets are mainly comprised of domestic securities, the value of which decreased by UAH 29.2 billion or 3.9% in 2023, to UAH 728 billion. Owing to this and the rise in assets that form international reserves, the percentage of domestic securities in the NBU's balance-sheet total fell to 30.4% in 2023, compared to 38.7% in 2022. Of the domestic securities, 99.9% are securities held to generate cash flows in line with the terms of issue, and are accounted at their amortized cost.

The NBU's loan portfolio decreased by 7 times, mostly due to long-term loans (repayment) issued to banks via the NBU's tendering procedure. Thus, the gross carrying value of loans (actual debts) decreased by UAH 36 billion, to UAH 40 billion, whereof UAH 2.5 billion are long-term loans. Meanwhile, 93% of debts outstanding as of the end of 2023 consisted of the problem debts of banks that were being wound up. However, the gradual repayment of debt on such loans continues - in particular, during 2023, UAH 0.9 billion were repaid, and the amount of expected loan losses (provisions made) decreased by UAH 1.5 billion.

The main changes in the NBU's liabilities, except for liabilities to the IMF, were related to the following items:

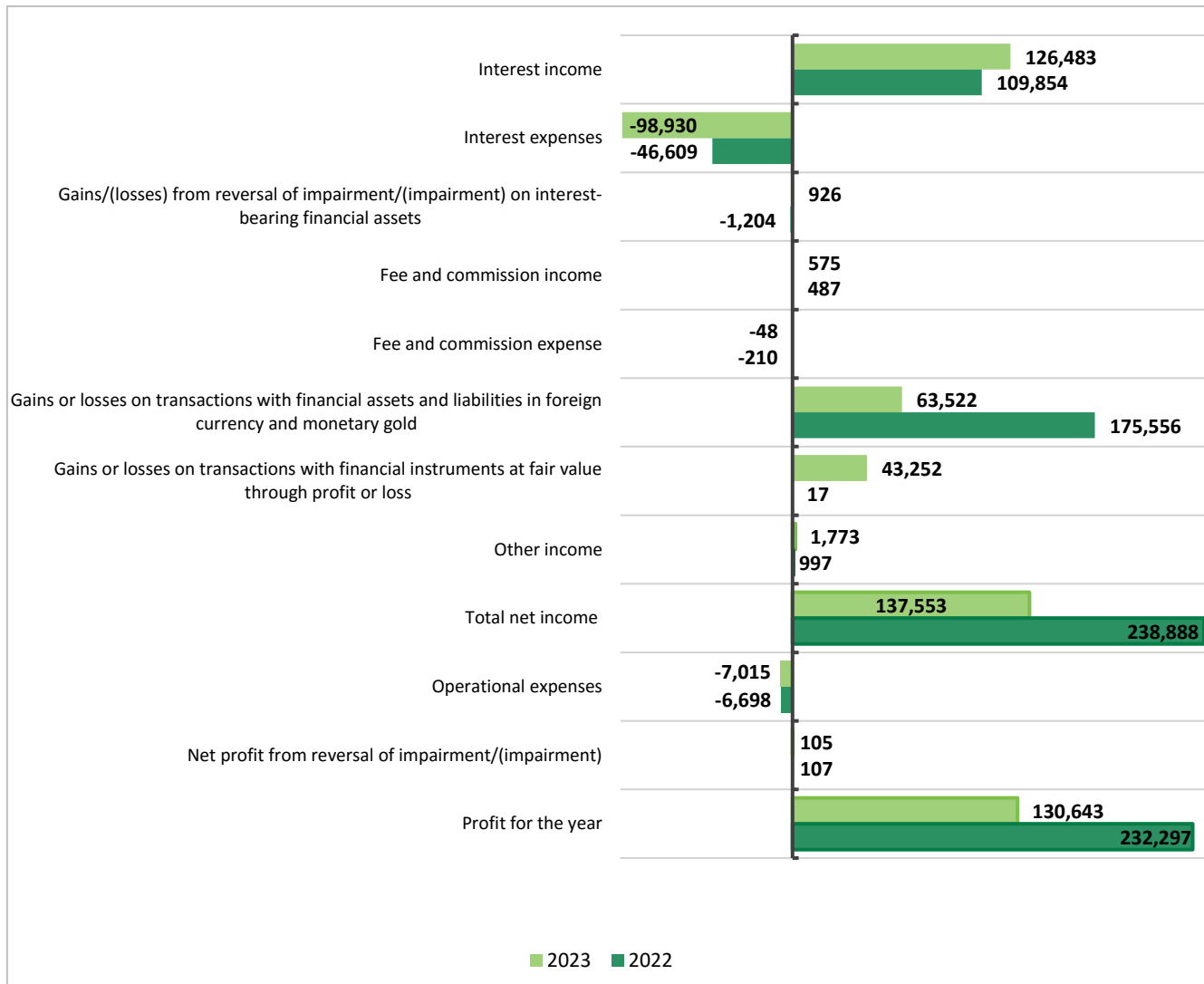
- banknotes and coins in circulation grew by 6.9%
- certificates of deposit issued by the NBU increased by 35.9%
- liabilities to transfer profits to the state budget decreased by 46%
- accounts of banks and government and other institutions increased 2.5 and 2.6 times, respectively.

Financial Results

The main driver of the NBU's profit is traditionally the interest income.

Compared with 2022, interest income, mainly from domestic securities and loans to banks, increased and reached UAH 126 billion, along with the decrease in domestic securities volumes and average weighted interest rates.

Figure 2. NBU profit or loss in 2022–2023, UAH million



The interest expenses increased 2.1 times, to UAH 98.9 billion in 2023, primarily due to higher expenses on the NBU certificates of deposit, which is associated with the increase in volume of transactions and decrease in weighted average interest rates from 23% in 2022 to 16.40% in 2023. Meanwhile, expenses on interest-bearing liabilities to the IMF increased.

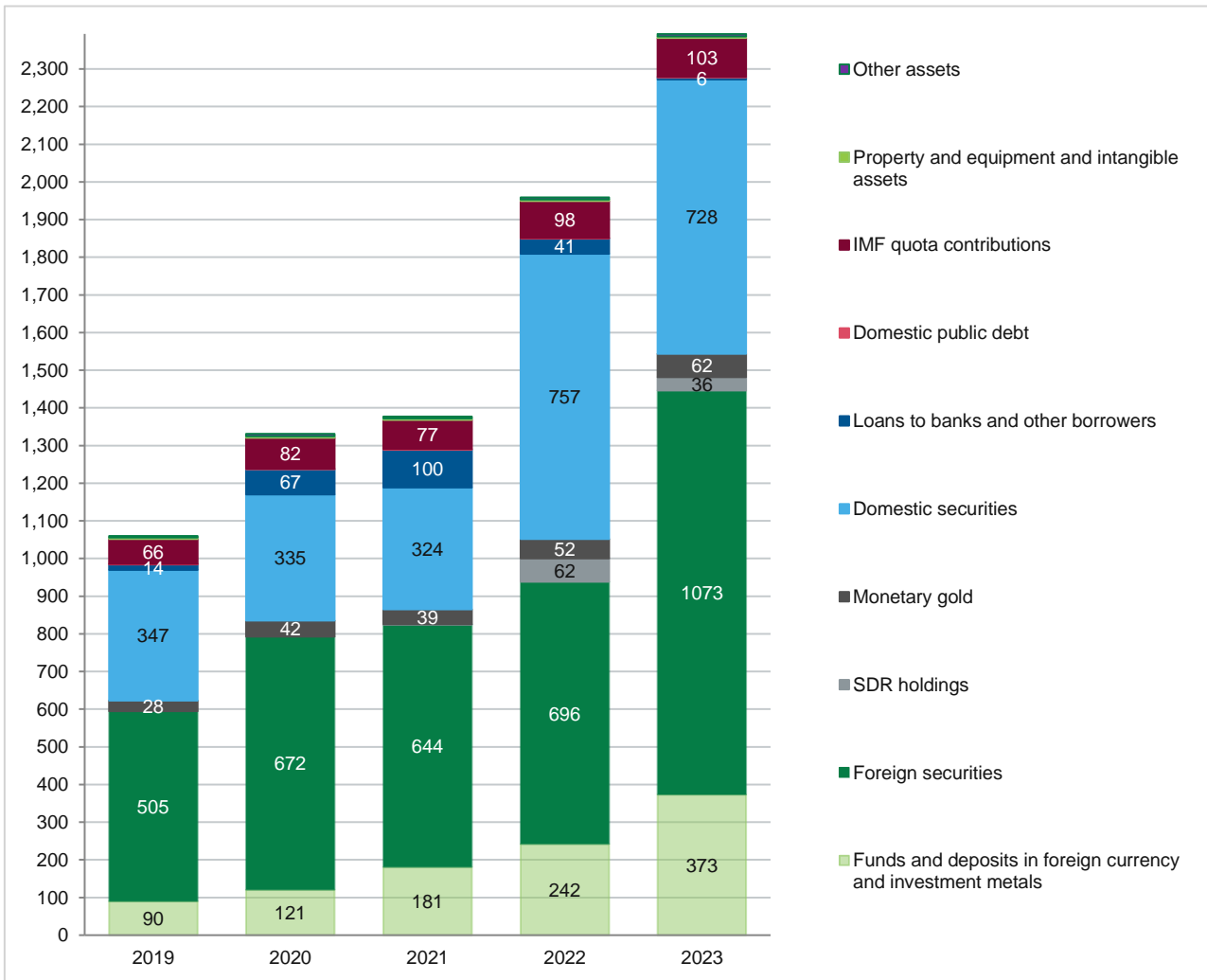
In 2023, the NBU's impairment provisions for loans issued to banks decreased. Overall, due to reversal of impairment of interest-bearing financial assets, gain (positive result) was UAH 926 million (in 2022, the negative result was UAH 1,204 million).

Net interest income (considering impairment) totaled UAH 28 billion in 2023, which was 2.2 times less than in 2022.

The exchange rate fluctuations have exerted a significant influence on the NBU's performance and cause high volatility of both the relevant item and the NBU's financial result. In particular, in 2023, the exchange difference was positive at UAH 63.5 billion (in 2022, it was UAH 175.6 billion).

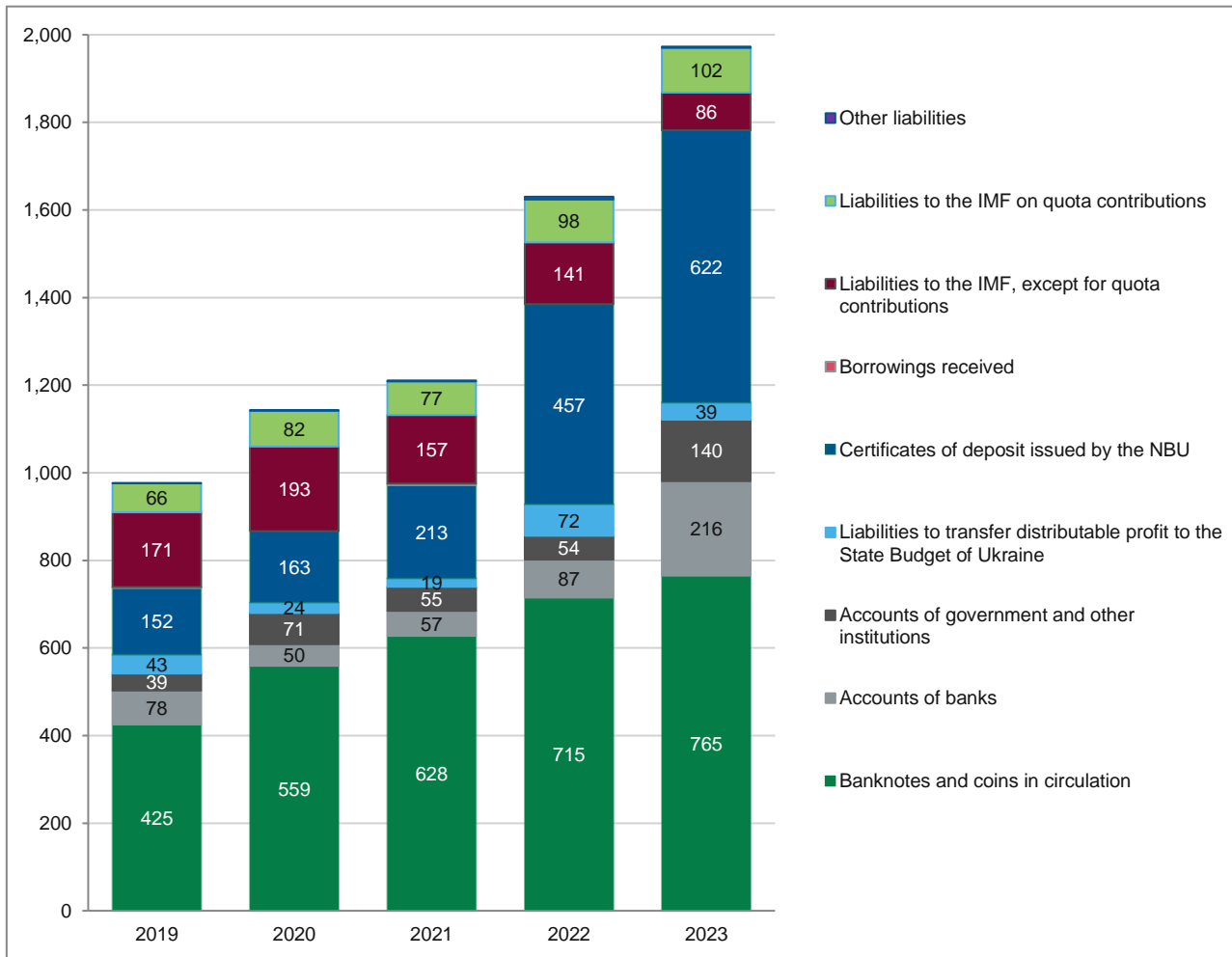
For more details on setting exchange rates, see Note 4 to the NBU's Consolidated Financial Statements.

The NBU's administrative and other expenses increased by 5% from UAH 6.698 million in 2022 to UAH 7.015 million in 2023. In 2022 and 2023, the provisions for court claims were not formed.

Figure 3. NBU assets in 2019–2023, UAH billions

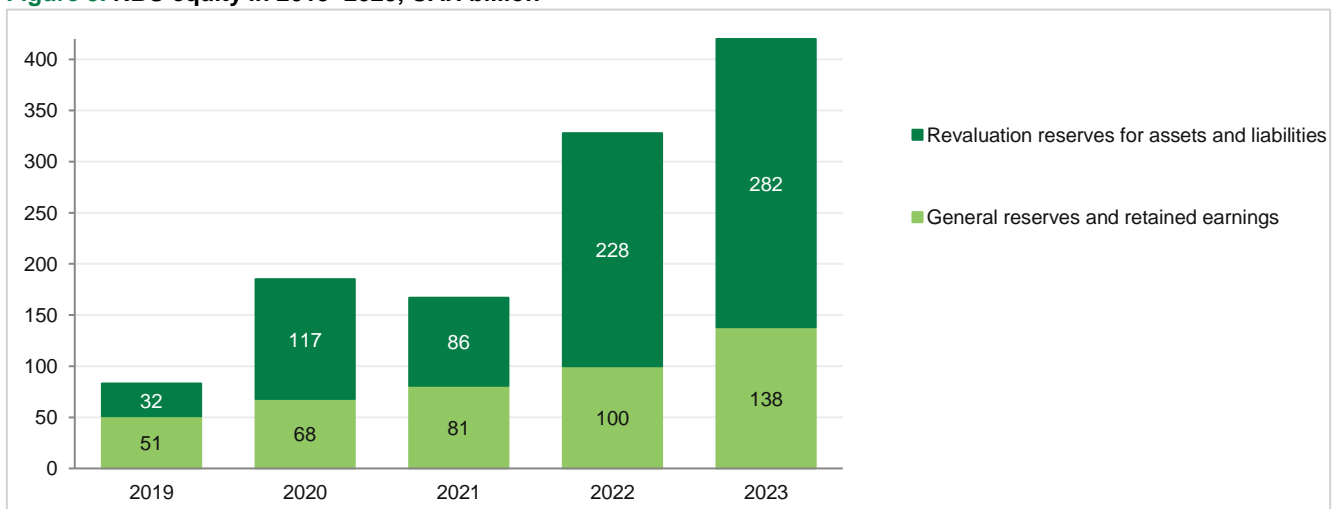
Over the past five years, the main changes in the NBU's asset structure came from increases in components of international reserves.

For more details on domestic securities, see Note 9 to the NBU's Consolidated Financial Statements.

Figure 4. NBU liabilities in 2019–2023, UAH billions

In general, the liabilities structure has hardly changed over the past five years (except for banknotes and coins in circulation and certificates of deposit issued by the NBU, the carrying value of which has increased over the past five years).

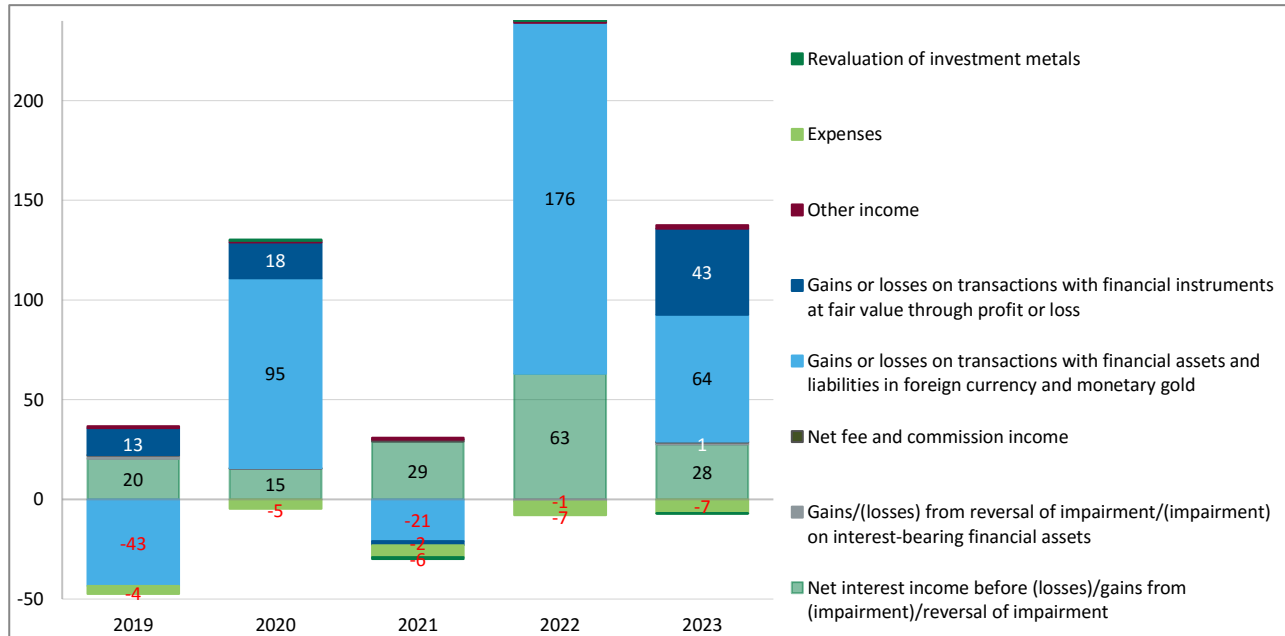
A large portion of the NBU's liabilities consists of banknotes and coins in circulation, liabilities to IMF and NBU certificates of deposit.

Figure 5. NBU equity in 2019–2023, UAH billion

The NBU's equity, which is the residual value of assets after deducting liabilities, was mainly formed from sources other than government contributions. The NBU's equity consisted of the deferred unrealized revaluation of the NBU's assets

and liabilities, including due to exchange rate fluctuations, and a part of the profits retained by the NBU as reserves, as required by Ukrainian law.

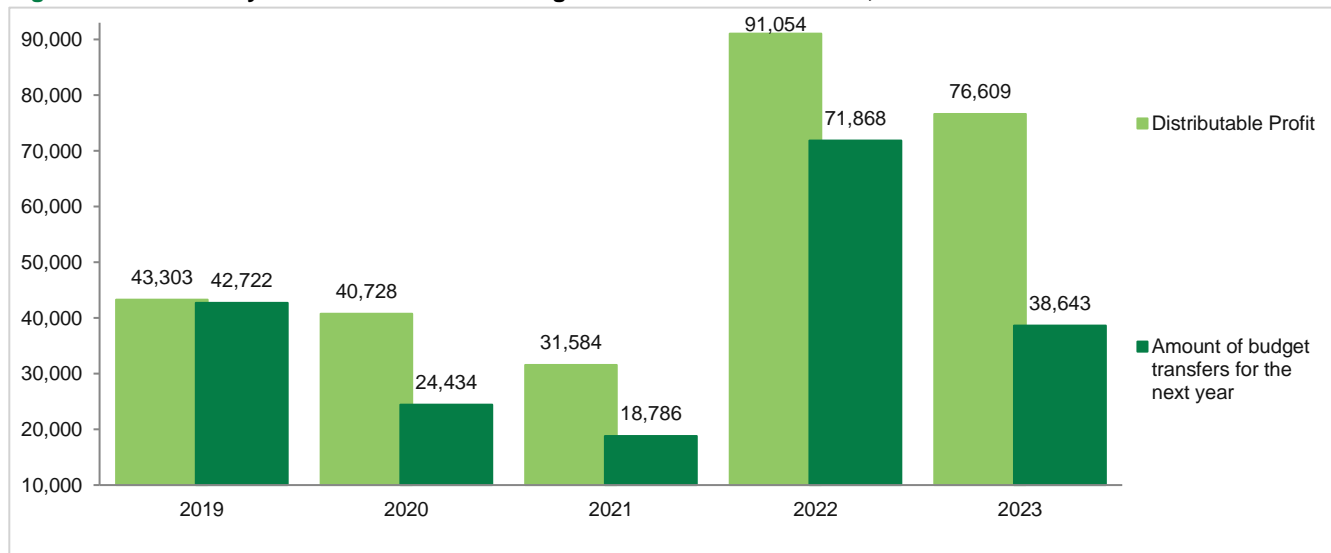
Figure 6. NBU income and expenses in 2019–2023, UAH billions



Net interest income as usual was the main contributor to the NBU's financial result. The central bank's financial performance is also influenced by changes in the exchange

rate, as FX items make a large share on the NBU's balance sheet.

Figure 7. Transfers by the NBU to the State Budget of Ukraine in 2019–2023, UAH millions



Payments to the State Budget of Ukraine

In 2023, the NBU transferred UAH 71.9 billion to the State Budget of Ukraine. As of 31 December 2023, the NBU recognized liabilities to transfer a part of distributable profit to the State Budget of Ukraine for year 2023 in the amount of UAH 38.7 billion.

The NBU's remaining 2023 distributable profit of UAH 38 billion will be set aside to create general reserves of the NBU.

Read more about assessment of the distributable profit, liabilities to transfer the distributable profit to the State Budget of Ukraine, and creating general reserves of the NBU in note 29 to the NBU's Consolidated Financial Statements.

4.2. Overview of Other Indicators

4.2.1. Financial Resources

NBU's Administrative Expenses

The NBU operates under the administrative budget, which is drafted for the year ahead and approved by the NBU Council.

The table below provides data on key items in the administrative budget for 2023 and planned data for 2024.

NBU's administrative expenses (including expenses of the Settlement Center) for 2022–2023

	Planned for 2023 (revised)	Actual performance 2023	Percentage of plan performance in 2023	Planned for 2024
(UAH millions)				
Staff costs	3,509	3,284	94%	3,974
Administrative and other expenses	957	694	73%	1,184
Depreciation and amortization	317	266	84%	294
Total administrative expenses	4,783	4,244	89%	5,452
Investment costs for creating and developing facilities and equipment required for the NBU's operation	567	371	65%	498

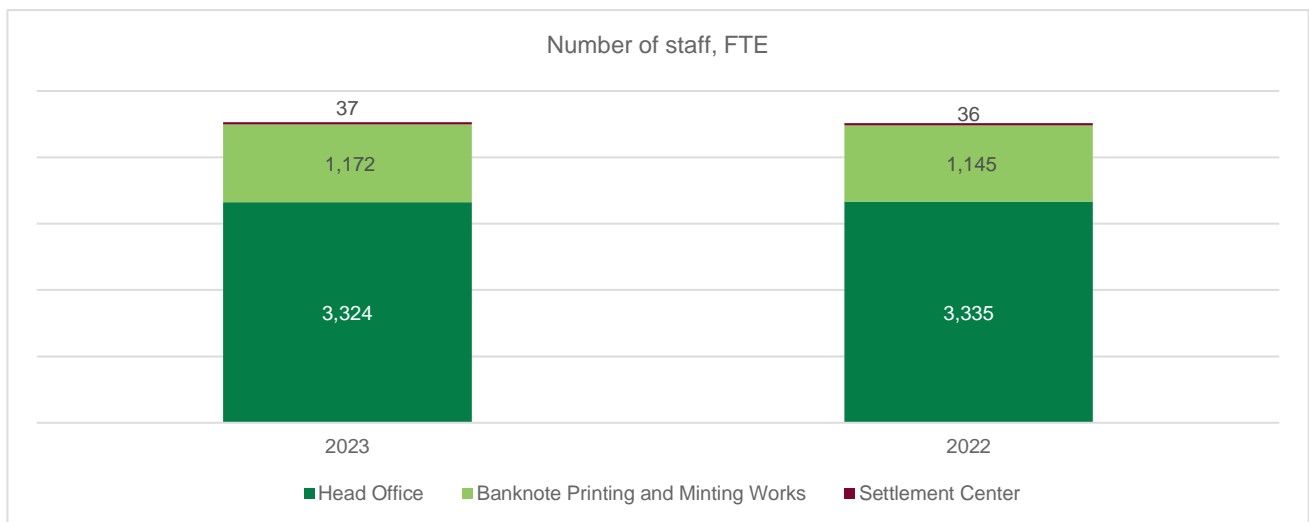
The data presented show that the NBU is complying with its planned administrative expenses and managed to save resources. This is in line with the NBU's goal of using public resources efficiently and effectively.

According to the results for 2023, administrative expenses were lower than planned by 11% on average.

Also, in 2023 a significant part of funds planned for the NBU material and technical base remained unused (about 35% of the planned amount). This is primarily related to extending deadlines for work completion, equipment delivery, conducting procurement, saving through public procurement results and contract negotiations, as well as suspending the implementation of projects/events not related to meeting critical needs.

4.2.2. Human Resources

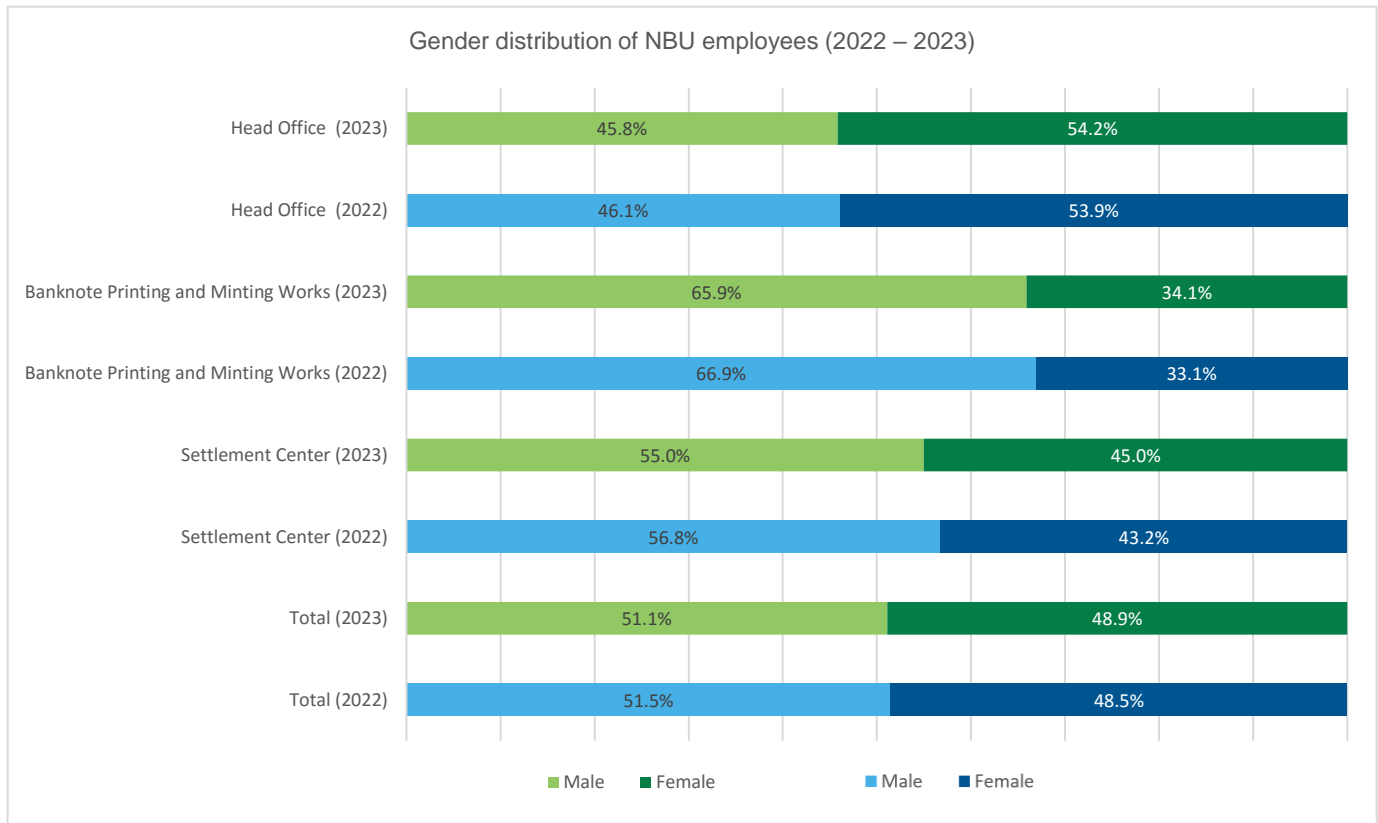
As of 31 December 2023, the NBU staff number increased by 0.36% compared with the previous year and was 4,532 FTEs (staff at work); as of 31 December 2022, it was 4,516 FTEs.



As of 31 December 2023, the average age of an NBU employee was 47 years, and the average employee tenure for the NBU was 13 years. NBU employee gender distribution is as follows: the NBU's Head Office employs 54.2% females

and 45.8% males, the Banknote Printing and Minting Works – 34.1% females and 65.9% males, the Settlement Center – 45.0% females and 55.0% males.

The NBU staff structure by gender as of 31 December 2021 and 31 December 2022–2023 was as follows:



The NBU staff structure by occupational classification as of 31 December 2022 and 31 December 2023 was as follows:



For more information on the NBU labor costs in 2023 refer to Note 34 of the NBU Consolidated Financial Statements.

In 2023, the average base pay (or the base component of remuneration) was UAH 42,337 at the NBU Head Office; UAH 21,132 at the Banknote Printing and Minting Works; UAH 41,924 at the Settlement Center.

The average salary including additional payments (raises, bonuses, extra pay, etc.) was UAH 64,751 at the NBU Head Office; UAH 33,050 at the Banknote Printing and Minting Works; and UAH 61,578 at the Settlement Center.

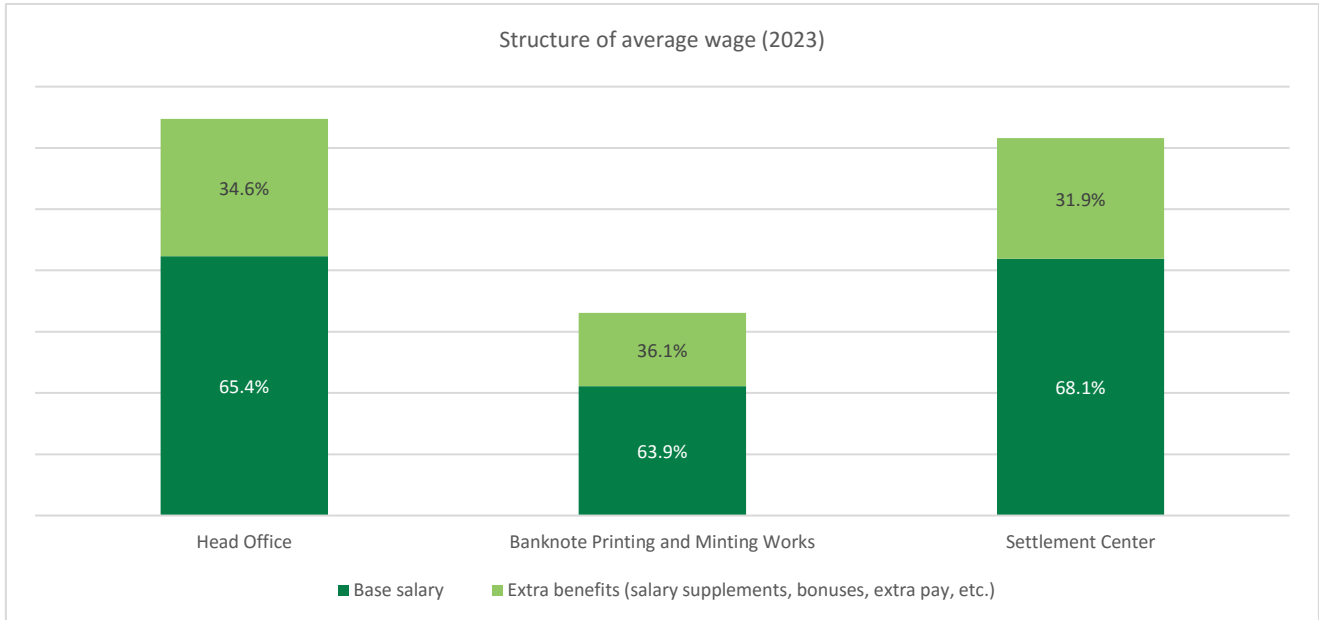
The total number of the educational events held in 2023 was 654, which is 32.4% more than in 2022. The number of participants exceeded 9,700 attendees. Training costs in 2023 amounted to UAH 4.3 million.

As in previous years, the trend for prevalence of the educational events related to hard skills preserved, compared to soft skills training, 394 vs. 230 events in 2023, respectively. A significant number of soft skills trainings were conducted by the NBU's internal trainers.

The NBU also expanded peer-to-peer education, whereby employees from different units share their professional knowledge with each other. Colleagues from various departments conducted 25 training events, which were attended by 2,656 NBU employees. The topics and number of training sessions in the form of Club events also expanded. Overall, 17 educational events were held in the format of Club

Events on the most relevant topics for the employees of the NBU: "Art of Communication", "Resilience", and "Negotiation Club".

New e-courses have been developed. The total number of users who successfully completed distance learning was 11,167, up by more than 10% compared to 2022.



4.2.3. Production resources

State property management

As of 1 January 2024, the NBU managed 351 own real assets, which were listed in the Single Register of State Property Objects. They included: 51 plots of land and 300 buildings and engineering structures. As many as 149 buildings are listed according to the real estate classifier; of them, there were four residential buildings, 125 nonresidential buildings, 20 other facilities, as well as 151 engineering structures. Among them, 71 objects are located in the temporarily occupied territory, namely:

- Donetsk oblast: 4 land plots, 8 buildings and structures
- Luhansk oblast: 3 land plots, 18 buildings and structures
- AR of Crimea: 4 land plots, 7 buildings and structures
- city of Sevastopol: 4 land plots, 23 buildings and structures

In order to implement the Strategy of Infrastructure Development and Corporate Operation Support in 2021-2024, a list of the NBU's real estate was approved. It was classified into four basic segments, including the property planned to be transferred for free and disposed through termination of the right to use land plots. In 2023, 3 state-owned objects were disposed of (1 real estate item was transferred to another body authorized to manage the property, the right to use 1 land plot was terminated, and 1 real estate item was privatized).

The detailed information on the NBU buildings and engineering structures is given in Note 30 of the NBU Consolidated Financial Statements.

Collateral Management

In 2023, the NBU received UAH 0.9 billion in repayment of debt on refinancing loans of insolvent banks (in 2022: UAH 1.1 billion).

Most of the proceeds – UAH 480.7 million – came from the disposal of the property rights pledged by insolvent banks under loan agreements.

The NBU recovered part of the debt on its refinancing loans to insolvent banks also by:

- out-of-court foreclosure on immovable and movable property of a property guarantor of an insolvent bank by selling it in the amount of UAH 298.6 million
 - sale of the pledged real estate of guarantors of insolvent banks as part of enforcement or bankruptcy proceedings, or acquisition of unsold property by the NBU in the amount of UAH 93.1 million
- other sources of debt repayment in the amount of UAH 65.9 million.

	2023			2022		
	Through DGF	Through third parties	Total	Through DGF	Through third parties	Total
	(UAH millions)					
Repayments at the expense of sale of pledged:						
real estate	–	377	377	–	28	28
property rights under pledged loans	481	–	481	–	–	–
Total repayments from sale of collateral	481	377	858	–	28	28
Repayments through NBU's acquisition of title to immovable property:						
Premature repayment of creditor claims	–	–	–	945	–	945
From other sources	66	–	66	–	–	–
Total	547	392	939	988	83	1,071

As of the end of 2023, based on the NBU's claims, 6 cases to property surety providers on foreclosure of property, 13 cases on bankruptcy of property surety providers, 8 claims to financial guarantee providers, and 5 civil actions within the

scope of criminal cases were pending in the courts of various instances.

At present, the NBU is taking actions to enforce the court decisions regarding financial and property surety providers.

4.2.4. Intellectual Resources

The NBU's intellectual resources, which count as its intangible assets, comprise mainly software and licenses for its use.

Improvement of Reporting System and Communications

In order to provide a wide range of users with access to statistical information, in 2023, the NBU continued to put this information in the public domain on its website. The central bank has expanded the list of indicators that are published in the open data format (API) to include detailed information on surveys conducted by the NBU.

In 2023, the NBU expanded the practice of using the latest data presentation tools based on the MicroStrategy Inc. BI platform, boosting statistical data visualizations by 13.5% in all reports.

According to agreements entered into with government authorities and international organizations and with a view of meeting the information needs of internal users, in 2023 the NBU, on the basis of the statistical reports it received from banks, prepared and submitted about 20,700 regular statistical reports. Some of these reports were submitted to the Office of the President of Ukraine, Ukraine's Ministry of Economy, Ukraine's State Statistics Service, Ukraine's State Tax Service, and to the International Monetary Fund.

The NBU also considered and drew up responses to people's requests, rulings of Ukrainian courts, and the queries submitted by Ukraine's National Police, committees of the Ukrainian parliament, and Ukraine's Antimonopoly Committee.

Research and Development

In 2023, the NBU conducted active research in line with the NBU's [priority research areas](#). The NBU's research is aimed at examining the central banking issues in the areas of monetary policy, financial stability, economic recovery, and digital markets, taking into account the short- and long-term effects of russia's war against Ukraine.

In 2023, the NBU's researchers published working papers and articles in scientific journals on a wide range of relevant topics. This events included:

- [Sparse Warcasting](#) (the NBU's working paper)
- [Between russian Invasions: The Monetary Policy Transmission Mechanism in Ukraine in 2015-2021](#) (the NBU's working paper)
- [Agricultural Commodity Price Dynamics: Evidence from BVAR Models](#) (the NBU's working paper)
- [The NBU's Credibility in the Formation of Firms' Inflation Expectations](#) (the NBU's working paper)
- [The Role of the Media in the Inflation Expectation Formation Process](#) (Visnyk of the National Bank of Ukraine)
- [A Heatmap for Monitoring Systemic Financial Stability Risks in Ukraine](#) (Visnyk of the National Bank of Ukraine).

NBU researchers also [published](#) three articles in international peer-reviewed journals and three working papers under the [Bilateral Assistance and Capacity Building Program for Central Banks](#).

In 2023, the NBU held all its traditional research events.

The NBU's main scientific event was the [Annual Research Conference *Economic Policies during Wartime and Post-War Recovery*](#) organized jointly with the National Bank of Poland with the assistance of the International Monetary Fund. For the first time since 2019, the conference was held in a live format in Krakow.

Besides, the NBU hosted its traditional Workshop on [Monetary Policy in Emerging Markets](#). The event was organized in cooperation with the Euro Area Business Cycle Network (EABCN). The seminar was dedicated to the causes and consequences of the new wave of inflation in the world, which shook the world first due to the post-pandemic economic recovery, and then as a result of Russia's full-scale invasion of Ukraine, geo-economic fragmentation and disruption of global supply chains.

The NBU also held [12 regular open research seminars](#), where at these events, NBU experts and invited leading researchers presented their findings in areas relevant to the NBU's work.

A conference for students and young scientists [Banking Sector and Monetary Policy: Development Prospects](#) was held for the sixth time.

The NBU also hosted the fifth student championship [Monetary Policy: NBU University Challenge](#). 24 student teams from 22 Ukrainian universities participated in the competition.

Information Technologies

Despite martial law conditions, the NBU has been taking every step necessary to ensure the reliable functioning of the information infrastructure of both the NBU and the financial sector of Ukraine, ensuring the smooth operation of all information systems that are designated as elements of critical information infrastructure of the NBU and the banking system of Ukraine.

The NBU not only ensured the uninterrupted functioning of the national payment system – the NBU System of Electronic Payments (hereinafter referred to as the “SEP”) – but also implemented a new generation of SEP based on the international standard ISO 20022 in 24/7 operation mode since 1 April 2023.

Amendments were approved to the Regulation *On Approval of the Regulation on the Procedure for Cashless Payments in the Event of Unavailable Communications Means for Interbank Payment Transactions in Hryvnia*. A legal procedure has been established for the exchange of information between banks, the State Treasury Service of Ukraine, and the NBU in the form of files on removable storage media for the case when the automation system of a bank that is a SEP participant is functional and can generate financial messages, but there is no physical possibility to use

regular and backup means of telecommunication that are usually used for exchanging information with the NBU. This will ward off the need to manually process payments if a blackout occurs.

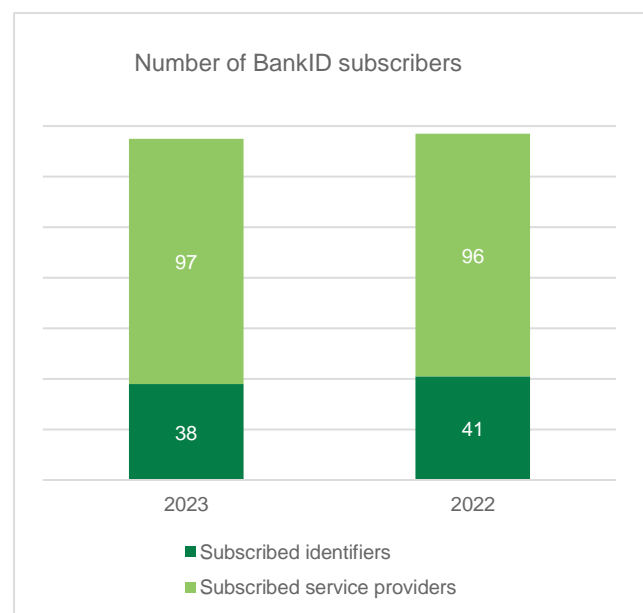
Some 423 million payments were made through SEP in 2023 (i.e. the average daily SEP workload was 1.24 million payments) for a total amount of more than almost UAH 210 trillion. Specifically, the SEP in 2023 made 17% more payments by number than in 2022, and 57% more by amount.

The NBU continues to work on implementing instant payments functionality in SEP version 4.1, which is a logical continuation of SEP development. In 2023, SEP participants began testing the instant payment functionality of SEP version 4.1 at the NBU's stand. The NBU is currently working on the components of the successful implementation of SEP instant payments, SEP version 4.1 documents and their technological implementation.

To develop and distribute remote services and ensure individuals have access to them within the framework of the BankID System, the NBU as the owner of the National Electronic Remote Identification System (hereinafter referred to as the “BankID System”) connected 21 new subscribed providers of services, including 18 commercial institutions and 3 noncommercial ones. According to data available at the end of 2023, the total number of connected participants of the BankID System was 135. Those included:

- 38 subscribed identifiers (banks of Ukraine that provide access to the system to 99.9% of individuals who have accounts with Ukrainian banks).
- 97 were subscribed service providers (including nonbank financial institutions, insurance companies, mobile operators, utility providers, and government agencies).

The NBU BankID System is still used as one of the main tools for authenticating citizens in the Diia mobile app and ID.GOV.UA Integrated Electronic Identification System.



The stable and reliable operation of the BankID System continues to play an important role in the development of remote services in Ukraine, especially amid martial law. This is because the system remains a much sought-after method for identification and verification of individuals wishing to receive financial and public services remotely. In 2023, the NBU BankID System performed 42.9 million successful electronic identifications. This was up by 31% from last year (a 10.1 million increase in electronic identifications).

Also in 2023, the online service of the NBU Credit Register was connected to the NBU BankID System. This gave system users the ability to obtain electronic information about their loans in Ukrainian banks.

To ensure the effective development of the BankID System, standardized data sets and differentiated inter-subscriber tariffs were implemented in 2023, and the requirements for multi-factor user authentication by subscribed identifiers were clarified.

To provide a reliable source of information about the NBU and the banking system of Ukraine, the NBU supported and developed the NBU's official website during the year, in particular:

The information export service for data.gov.ua was expanded to include new data sets:

- laws and regulations – plans to draw up draft laws and regulations and compile data on the conduct of regulatory activities by the NBU
- data from the Register of Foreign Currency Exchange Bureaus – a widget was developed to display information from the Register of Foreign Currency Exchange Bureaus (<https://bank.gov.ua/ua/supervision/ree-pov>).

A feedback form was developed for the Single Agreement on Banking Services (SABS), as was a data-sending service according to this feedback form on a monthly and weekly basis.

The functionality of management of collection agreements was improved: the “second-hand rule” was implemented for the conduct of actions to publish/remove from publication information about agreements.

A service was developed for synchronizing the root certificates of qualified certified electronic trust service providers, which is necessary to ensure the continuous operation of the main website's services that work with QES.

A tool has been developed to search for information about bank managers (with the possibility of exporting a sample to an “.xlsx” file).

Work continues on developing a search system for the Payment Infrastructure Register.

To deepen financial inclusion, a module was developed for the financial literacy website that allows its users to generate, send, and verify certificates regarding the completion of certain courses by students.

The NBU actively developed and improved its other information systems as part of pursuing the NBU Strategy.

To meet the requirements of the Law of Ukraine *On Payment Services*, work was done in 2023 to refine and improve the software that powers the Payment Infrastructure Register. Specifically, a new section – Oversight – was added to the Register.

In October 2023, the NBU introduced an online service for providing information from the NBU Credit Register. With the help of this service, individuals can get information about their bank loans that exceed 100 minimum wages. Under applicable laws of Ukraine, the service is provided to individuals free of charge. The service is available 24/7 through a link on the NBU's official website. Using the website of the NBU Credit Register, a user can also obtain information from the Register of requests/applications that have been processed as per the user's data in the NBU Credit Register.

To improve the quality of Credit Register data, software for additional controls on incoming information was developed and implemented in 2023. The Credit Register database stores information on more than 193,000 loan agreements concluded with almost 55,000 clients (more than 29,000 of them legal entities and 25,000 individuals). During 2023, about 600,000 searches were successfully performed by banks in this system using the search function. Access to the search system is provided on the NBU's official website.

For Automation Systems for Monetary Policy Instruments (hereinafter referred to as the “ASMPI”):

- During the year, a number of improvements were made to the NBU Depository, a system that services the circulation of Ukrainian-issued government bonds and municipal bonds.
- The finalization was completed of the NBU Depository Institution, the central bank's depository accounting system.
- In January 2023, software for Electronic Form of the State Register of Banks, an ASMPI-based web application that maintains the electronic form of the State Register of Banks, was put into research-industrial operation.
- In March 2023, in accordance with amendments to Ukrainian laws, additional control was implemented into CredLine, a system of refinancing transactions by banks, to exclude banks affiliated with the aggressor state from refinancing transactions. In July 2023, additional restrictions were placed on the removal of collateral from the collateral pool for such banks.
- In CertLine, the NBU's service system for the circulation of certificates of deposit, the NBU in April 2023 introduced the possibility of making transactions to place

the NBU's limited certificates of deposit. In November 2023, the possibility of placing the NBU's limited certificates of deposit was implemented in CertLine that takes into account banks' debts on long-term refinancing loans.

- In June 2023, in OVDP-online2, a system for making transactions to place domestic government debt securities, the NBU introduced the possibility for operational verification of auctions to place domestic government debt securities that are conducted by means of the electronic trading systems (hereinafter referred to as "ETSs") Bloomberg, Refinitiv, or other ETSs of companies with which an agreement to provide relevant services was signed. In October 2023, to reserve auctions to place domestic government debt securities through ETSs, OVDP-online2 was supplemented with new client modules designed in an architecture that uses web technologies.
- A number of new reporting and analytical forms were developed, including to ensure the analysis and control of compliance with the requirements of Ukrainian legislation regarding the payment of income from domestic government debt securities to foreign investors/nonresidents, to provide information to the International Monetary Fund, to post information on the NBU's official website, to optimize the analysis of domestic government debt securities and NBU certificate of deposit, and more.

The Cash Circulation Automation System (hereinafter referred to as "CCAS") is a centralized system for effective management of cash in the cash reserves and reserve funds of the NBU and other valuables that automates their accounting and transactions, including transactions to transfer the NBU's cash reserves for safekeeping to authorized banks. During 2023, in particular:

- the functionality for the introduction of an online store to sell numismatic products was put into industrial use.
- the System for Accounting of Transactions to Purchase and Accept Damaged Investment Coins for Appraisal was put into commercial use.
- the functionality for automating the relocation of the NBU's cash reserves between authorized banks was developed.
- the possibility of applying machine-learning methods to create classification and regression models was explored (a model was created to determine the type of new numismatic products).

BARS Millennium automated banking system (hereinafter referred to as "BARS Millennium ABS") – the NBU's general ledger – is constantly being developed and improved.

On 1 April 2023, an updated version of BARS Millennium ABS was implemented to exchange messages in ISO 20022 format while interacting with the SEP and to support the cross-platform mode.

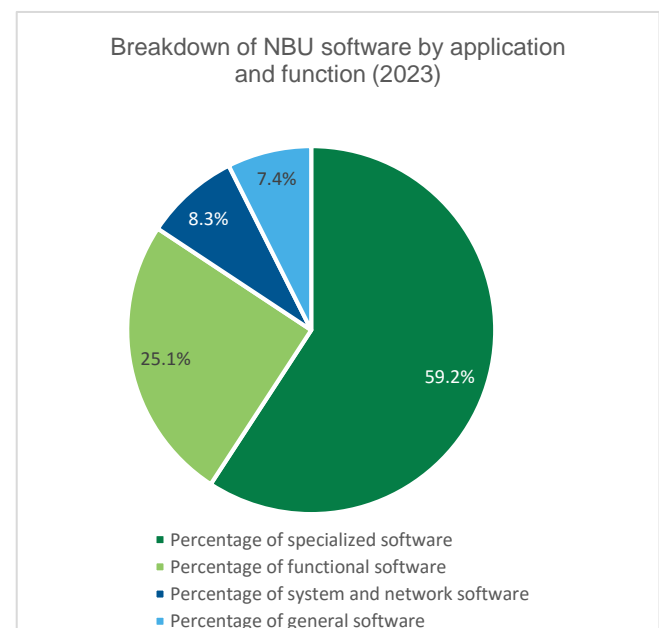
Reporting Analytical System and NBU data warehouse are undergoing improvements.

The NBU's banking, financial, and business process automation system – NBU SAP – implemented on the basis of SAP systems, is constantly under improvement and development.

The NBU information systems continuity is also maintained due to continual user support by Omnitracker system which is developed and improved by covering more aspects of assisting the NBU employees' activities.

To optimize the management of the NBU's operational risks, the OPRISK information system was developed and put into research and industrial operation. In 2023, an independent assessment of operational risks and means of control was carried out using OPRISK in standalone units of the NBU Head Office.

The regulator keeps the Register of software used by the NBU (363 units as of the end of the reporting year) to optimize managing intangible assets.



The provisions were streamlined and updated for maintaining general-purpose computer equipment and means of communication in the NBU to effectively furnish employees of the structural units of the NBU Head Office and members of the NBU Council with general-purpose computer equipment and means of communication. The Rules for the Use of General-Purpose Computer Equipment were also updated to ensure its effective operation.

Measures were taken to write off fully depreciated, obsolete, and unsuitable for further use computer equipment and intangible assets.

On an ongoing basis, work is being carried out to transfer computer equipment that has already been decommissioned from the NBU as obsolete but that still remains operational to

organizations that need help with technical equipment and that have asked the NBU to provide said equipment. During 2023, the following were selected, validated, and transferred:

- 188 pieces of equipment to Ukraine's Ministry of Defense and other military units
- 604 pieces of equipment to the Ministry of Education and Science of Ukraine and the National Academy of Medical Sciences.

Throughout 2023, the efforts of the National Payment System PROSTIR (hereinafter referred to as "NPS PROSTIR") were primarily aimed at supporting system participants, ensuring a reliable and stable infrastructure of the financial market, and implementing measures to expand the use of NPS PROSTIR.

The level of acceptance of NPS PROSTIR payment cards in Ukraine's payment infrastructure was almost 100% in point-of-sale terminals and 94% in ATMs at the end of 2023.

During 2023, the acceptance of NPS PROSTIR payment cards was ensured:

- in payment device networks of two participating acquirers (Nova Pay LLC and Lviv JSCB)
- by the payment service provider FC EVO LLC, which served more than 9,000 e-commerce stores at the end of the year.

At the end of 2023, 17 participants in the system were issuing PROSTIR NPS payment cards. The total number of NPS PROSTIR payment cards issued by banks participating in the system was 460,000, including 254,000 active payment cards.

The amount of interbank transactions processed by the Central Router of NPS PROSTIR in 2023 increased by 12% compared to 2022, to UAH 3,377 million.

There is also an uptrend in the use of NPS PROSTIR cards in cashless transactions, as evidenced by the increase in their share in the total number of NPS PROSTIR transactions from 76% to 79% and a 20% increase in the number of online payments.

During 2023, NPS PROSTIR together with banks and processing centers did active work to connect participants to PROSTIR e-Secure, enabling them to do business while meeting the requirements of the Law of Ukraine *On Payment Services* and the Regulation *On Authentication and Use of Strong Authentication in the Payment Market* regarding enhanced authentication of payment service users that hold NPS PROSTIR payment cards when making transactions without the physical presence of said payment cards.

The NBU continues its work to determine the need for large-scale issuing of the e-hryvnia, the NBU's CBDC, in Ukraine. In this regard, one of the NBU's strategic goals is to run a pilot project to issue and test the e-hryvnia and make a relevant decision.

In 2023, the NBU started getting ready for the e-hryvnia pilot project and is planning to test the e-hryvnia in an open environment, i.e. on a group of real users and payment service providers.

Information and Cyber Security

As Russia continues its full-scale war against Ukraine, the NBU continues to ensure smooth operation of Ukrainian banks and nonbank institutions, secure critical infrastructure of the banking system of Ukraine, and advanced cyber security and cyber protection.

In order to ensure stable operation of the NBU's information resources and the banking system of Ukraine, and a timely response to challenges and threats arising during war, and to make prompt management decisions, the NBU established the units below:

- the NBU Cybersecurity Center and the Cybersecurity Incident Response Team in the banking system of Ukraine (CSIRT-NBU)
- the NBU cyber incident and attack response group.

CSIRT-NBU carried out ongoing monitoring of risks and cyber threats to the NBU's information resources and the banking system of Ukraine, and implemented timely and adequate response, and countermeasures.

In 2023, the number of cyberattacks increased significantly, targeting the Ukrainian financial sector entities, the NBU in particular, and other banks, as well as more cyberfraud and cybercrime incidents were observed.

CSIRT-NBU analyzed approximately 15,000 samples of malware (11,000 samples in 2022), and provided timely alerts to Ukrainian banks on detected cybersecurity incidents and reported attempted cyberattacks. The NBU posted around 100 reports on cyber incidents and indicators of cyber threats on the Malware Information Sharing Platform & Threat Sharing (MISP), which is rather popular among banks.

The NBU also actively counteracted a significant increase in cyberfraud and cybercrime, mostly related to programs providing state and international financial assistance to Ukrainian citizens. By using phishing resources to deceive the citizens, the criminals tried to gain access to personal data of the Ukrainian public, data on their payment instruments, and to the money on their accounts.

In 2023, as a result of ongoing monitoring of cyberspace, CSIRT-NBU identified and initiated the blocking of nearly 41,500 phishing resources related to financial fraud disguised as government portals of the Cabinet of Ministers of Ukraine, like Diia, eDopomoha, (ePilha, eVyplata), Portal of Humanitarian Assistance, Ukrposhta, OLX, Nova Poshta), and which used the trademarks and logos of Ukrainian banks and payment services. To spread phishing messages, criminals also actively used social networks and messengers, respective channels, bots, and groups. Based on the analysis

findings of trending fraudulent campaigns, the NBU's Cybersecurity Center published 45 materials on its portal in *Cyberfraud* section describing the relevant schemes.

In 2023, the phishing domain filtering system (Protective DNS) recorded almost 18.5 million clicks on phishing links and ensured the transfer to a secure landing page of about two million requests from Ukrainian citizens to such fraudulent resources. The measures taken in 2023 to improve and automate the phishing domain filtering system (DNS) enabled blocking of phishing domains within 2–5 minutes just after being detected.

In order to combat phishing and remind Ukrainians of the basic security rules for cashless and online payments the NBU once again held the All-Ukrainian awareness campaign on payment security "GoodbyeToFraud" in 2023. This campaign was a joint effort of the Cyber Police Department of the National Police of Ukraine, supported by the USAID Financial Sector Reform Activity.

Also, 2023 was noted for active cooperation with European and US cyber security institutions. So, the NBU was able to:

- receive assistance in organizing cybersecurity and cyberdefense of the Ukrainian banking and financial sectors amid the full-scale war
- improve performance of the Cybersecurity Center and CSIRT-NBU amidst constantly growing number and severity of cyber threats
- modify and improve instruments of response and counteraction to cyberincidents.

In 2023, the NBU entered into the Memorandum of Understanding (on cyber security and cyber defense) with the U.S. Civilian Research and Development Fund (CRDF Global) to expand the range and scope of international cooperation in cyber security and defense.

The NBU continued measures for decentralization, local distribution and redundancy (backup) of technological platforms for information resources and systems of the NBU to ensure their integrity and stability both against cyber aggression (cyber threats), and potential risks and threats from the aggressor state.

For the purpose of the Law of Ukraine *On Payment Services* and in order to set clear and unambiguous rules to combat fraud, the NBU drafted the Regulation *On Authentication and the Application of Enhanced Authentication in the Payment Market*. This document establishes requirements for payment service providers on authentication and application of strong customer authentication. In particular, the Regulation provides for the use of at least two security elements from different categories to confirm that the transaction has been executed by an authorized user and not by a fraudster. There is also a clear list of exceptions when strong authentication need not be applied.

As part of a pilot project in the financial services market, the NBU developed a model of requirements to and reporting information and cyber security streamlined with international security standards for nonbank financial services market participants, and conducted a survey of market participants by filling out an interactive questionnaire. According to the survey findings, the NBU defined the status of information and cyber security in the financial services market in line with the NIST CSF v1.1 and DSTU ISO/IEC 27002 international standards, which will further ensure that information and cyber security issues are resolved in accordance with the best international practices.

In addition, in 2023, the external audit of the NBU's SWIFT infrastructure's compliance with the provisions of SWIFT Customer Security Controls Framework v.2023. Audit findings proved secure protection of data and information in the NBU's local SWIFT environment, which minimizes cyber risks using modern information technologies and enhances control of information security in the NBU.

During 2023, the NBU implemented a number of measures to improve the NBU's information security management system and increase its development level, continued preparations for certification on compliance with the state standard of Ukraine ISO/IEC 27001:2023 – Information security, cyber security and privacy protection – Information security management systems. Requirements (ISO/IEC 27001:2022, IDT).

As of 1 April 2023, the NBU launched the new generation of the System of Electronic Payments of the NBU (SEP) operating 24/7 based on ISO 20022. One of the important prerequisites for successful implementation was the development of a new information security system, including a cryptographic security system, as part of upgraded SEP.

To further develop paperless technologies for providing of financial and payment services, as well as remote contract signing, the NBU introduced a new Regulation on the use of electronic signatures and electronic seals. The Regulation defines the uniform procedure for applying electronic signatures and electronic seals both in the banking system of Ukraine and for providing payment services, but also in the nonbank financial services markets regulated and supervised by the NBU.

In 2023, the NBU continued developing remote customer service systems of banks, in particular, by promoting electronic trust services in the banking system and in the nonbank financial services markets. During 2023, two more banks acquired the status of qualified electronic trust service providers by the certification center.

As of the end of 2023, the NBU and 10 Ukrainian banks were qualified electronic trust service providers and generated 8.22 million certificates of qualified electronic signatures in 2023. This is a 700,000 increase in contrast to 2022. At the same time, the number of electronic signatures generated by

bank customers doubled from last year and accounted for 2.95 billion in 2023 (1.47 billion in 2022).

4.2.5. Social and Reputational Resources

Occupational Health and Safety

In 2023, in order to create and maintain safe working conditions, the NBU implemented the Comprehensive Action Plan to meet the required standards and improve the labor safety level in the NBU Head Office. Pursuant to the requirements of the Law of Ukraine *On Occupational Health and Safety* the expenses on occupational health and safety shall make at least 0.5 per cent of the staff payroll for the previous year. Expenses on labor safety of the NBU in 2023 made UAH 39 million, including:

- providing the Head Office employees with special clothing, special footwear and other personal and collective protection means according to applicable standards
- organizing laboratory tests of working conditions at workplaces and certifying the workplaces
- services of expert evaluation and audit of labor safety
- complex cleaning services for the NBU's premises
- services of site improvement

- services of disinsection and deratization
- ensuring compliance with sanitary microclimate standards at workplaces
- checking (cleaning) ventilation systems (boxes) in premises of the NBU's Head Office units
- conducting external special training on labor and fire safety for NBU Head Office employees
- purchase of registration logs on labor and fire safety briefings
- purchase of safety signs for equipping the premises of the NBU's Head Office units
- conducting mandatory medical examination of the NBU Head Office employees
- purchase of first aid kits for equipping the premises of the NBU's Head Office units
- purchase of medical products for filling the first aid kits
- providing fire monitoring systems to the structural units of the NBU's Head Office
- technical maintenance of fire protection systems in premises of the NBU's Head Office units
- mounting conditioners to ensure compliance with sanitary microclimate standards at workplaces
- purchase of fire extinguishers and fire hoses.

Expenses on labor safety of the NBU are compliant with the requirements of Ukrainian laws.

In 2022–2023, a number of trainings in occupational and fire safety were conducted:

	2023		2022	
	Number of events	Number of participants	Number of events	Number of participants
Fire safety and occupational health and safety	40	310	23	578
Remote training in fire safety and occupational health and safety (in-house)	19	1,676	11	1,051
Total	59	1,986	34	1,629

Activities of the NBU Corporate Nonstate Pension Fund (CNPFF)

As of 31 December 2023, the CNPF has 12,778 participants (12,750 as of 31 December 2022), including 3,405 persons who receive pension benefits for a definite period (3,416 as of 31 December 2022). Book value of CNPF's assets reached UAH 2,089 million as of 31 December 2023 (UAH 1,779 million as of 31 December 2022). In 2023 the founder contributed UAH 77 million to the CNPF (UAH 76 million in 2022).

Voluntary Medical Insurance

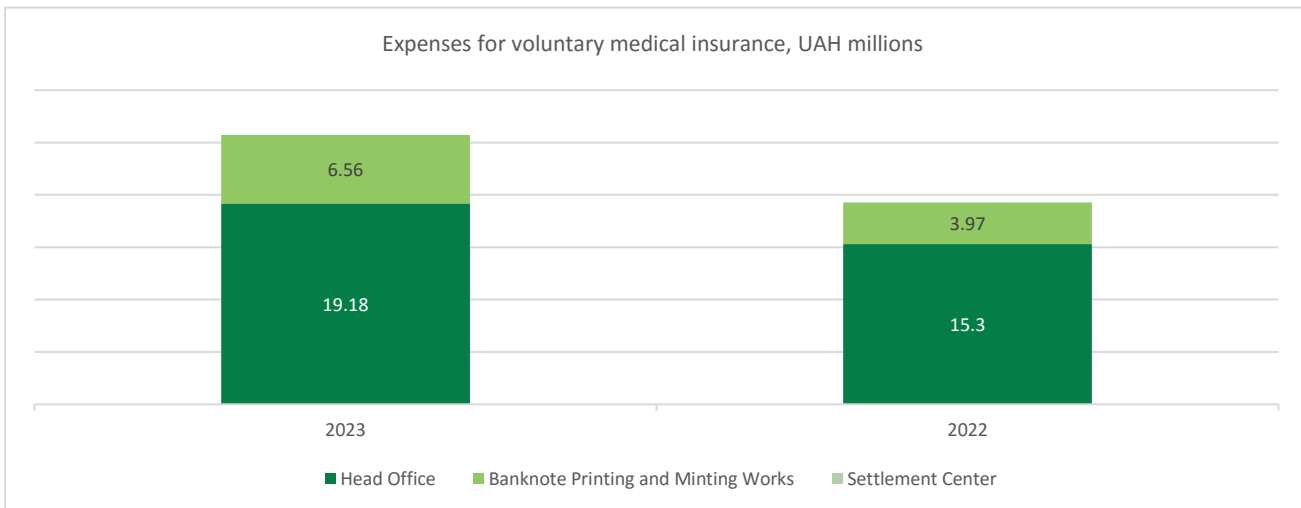
The number of insured persons amounted to 3,767 in 2023, including 2,770 employees of the NBU Head Office and 997 employees of the Banknote Printing and Minting Works. In 2022, the number of insured persons was 3,615, including

2,857 employees of the NBU Head Office and 758 employees of the Banknote Printing and Minting Works.

In 2023, the expenses for voluntary health insurance totaled UAH 25.74 million, including UAH 19.18 million on the NBU Head Office and UAH 6.56 million on the Banknote Printing and Minting Works (in 2022, the respective figures were UAH 19.27 million, UAH 15.3 million and UAH 3.97 million).

The NBU's Settlement Center is not covered by the voluntary health insurance program.

NBU's total expenses for financial assistance and other compensations amounted to UAH 19.34 million in 2023, including UAH 15.17 million to the employees of the NBU Head Office, UAH 4.17 million to the Banknote Printing and Minting Works.



Operation of the Primary Labor Union Organization of the NBU

In 2023 the NBU's Labor Union

- reimbursed part of the cost of subscriptions to sports clubs for the Labor Union members and their children (18 years and under)
- provided
 - assistance to members of the Union for childbirth, funeral of the first-degree relatives, and medical treatment
 - one-time lump sums to the NBU employees raising three or more children and children with disabilities
 - support of the Labor Union members whose principal residence has been damaged by hostilities in the region of residence
 - periodic assistance to NBU employees who joined the ranks of the Armed Forces of Ukraine
- organized training sessions on pre-hospital care
- As part of charitable initiatives, the NBU's Labor Union:
 - provided assistance to the Kherson Military Administration, the Charitable Organization "Hospital Fund of the Metropolitan Police" (to equip the operating room and ophthalmology room)
 - helped the wounded with treatment and rehabilitation
- provided NBU bomb shelters in Kyiv and in the regions with tea and cookies to ensure the comfort of employees during long air raids
- organized summer rest and recreation (including abroad) of 238 children of the Union members (including abroad)
- provided the Union members, within a certain limit, with additional options of the voluntary health insurance program.

The number of employees who joined the Labor Union in 2023 was 240 persons (208 in 2022).

Financial Literacy

In 2023, the NBU did a great deal of work to develop financial literacy projects. In particular, the central bank:

- launched the Harazd financial literacy website. In the four months of its full launch in 2023, the Harazd website was visited by about 45,000 unique users. The Harazd educational website was created by the NBU with support from the International Finance Corporation (IFC) as part of its four-year Financial Inclusion for Economic Growth technical assistance program. The program is being implemented in partnership with the Swiss State Secretariat for Economic Affairs (SECO) and the UK's Good Governance Fund (GGF). Help in implementing the project was provided by an EU technical assistance project called Strengthening the Regulation and Supervision of the Non-bank Financial Market (EU-FINREG).
- together with the Cyber Police Department of the National Police of Ukraine, successfully conducted the #GoodbyeToFraud all-Ukrainian awareness campaign to counteract payment fraud. Together with more than 70 of its partners, the NBU managed to achieve good results over seven months. Thus, according to a nationwide payment security survey, 71% of financial services users have encountered information about payment security over the past year. In particular, 20% have seen advertisements/publications of the #GoodbyeToFraud awareness campaign or heard about this campaign. The campaign was supported by the USAID Financial Sector Reform Project and the EU technical assistance project called Strengthening the Regulation and Supervision of the Non-bank Financial Market (EU-FINREG).
- started to publish the Financial Wisdom – a free social newspaper created to improve the financial awareness of older people. In October, the NBU, in partnership with PrivatBank and the Enjoying Life charitable foundation, published the first issue of a financial literacy newsletter for older people – the Financial Wisdom newspaper. The newspapers were distributed by the Pension Fund's service centers throughout Ukraine (with the exception of the temporarily occupied territories and territories with a difficult security situation). The first issue of the newspaper had a circulation of 500,000 copies.
- was engaged in efforts to train teachers, children and young people. The NBU developed the Financial Competence Framework for Children and Young People,

with the participation of experts from the Deposit Guarantee Fund, the Ministry of Education and Science of Ukraine, and the National Securities and Stock Market Commission. NBU experts drew up a model curriculum for the course, which in November received the “Recommended by the Ministry of Education and Science of Ukraine” approval stamp. In the spring, the NBU held the second selection round for the Talan financial knowledge school, after which about 600 teachers finished from the school. In 2023, the NBU also conducted various events for educators, children and young people. This events included: Hryvnia Day (gathered more than 2,500 participants), Savings Week (more than 10,000 people joined in the events), and the educational marathon “Financial Defense. The Banker’s Profession” (almost 500 financial literacy ambassadors (bank employees and educators) held events for over 15,000 participants).

- the Global Money Week financial awareness campaign. Educational activities on financial literacy for preschoolers, schoolchildren, and university students lasted two weeks. Plan Your Money, Nurture Your Future was the highlight theme of last year’s campaign. A total of 655 organizations and institutions participated in Ukrainian-held events. This is almost 2.5 times the level of 2021 (in 2022, GMW was not held in Ukraine due to russia’s full-scale war). The number of participants tripled, to more than 119,000. Over 3,900 teachers who supported the campaign in their educational institutions also took part in 2023 GMW events.
- created a free course called Financial Literacy for Educators on the Prometheus educational platform, with a view to raising teachers’ skills. The course consists of five modules and 23 video lectures. The topics of the video lectures form the basis of personal finance management. The course was developed with support from the International Finance Corporation (IFC) in partnership with the Swiss State Secretariat for Economic Affairs (SECO), and the UK’s Good Governance Fund (GGF).
- reopened its Money Museum to visitors. In October 2023, the NBU resumed tours of its Money Museum, which were suspended due to the full-scale invasion. In October–December, the central bank conducted 57 tours and received more than 2,000 visitors. Over the year, the Money Museum held 259 events (including 188 virtual tours with a real guide), which were attended by about 23,000 people. Schoolchildren and university students accounted for 50% of the total number of visitors. Another 8,439 visitors watched the 3D tour on their own on the Money Museum website.

Charitable Initiatives of the Employees

In 2023, together with the Kyiv City Blood Center, the NBU held six Donor Day events at the NBU’s premises. The 164 liters of blood donated were given to wounded soldiers, while also being used in maternity houses and in oncological centers.

Together with charitable foundations, the NBU implemented a project to support families who found themselves facing a difficult life situation because of the war. As part of the project, the NBU made the New Year’s dreams of 59 children from different regions of Ukraine come true.

Charitable initiatives remain an important area of work for the NBU. After all, the culture of charity is an integral part of the financial culture that the NBU has been working to develop within its legislative mandate. In 2023, the NBU held two major fundraisers and raised over UAH 16 million to help Ukraine’s Armed Forces.

#liutyidonat fundraiser. The NBU, jointly with the fundraising platform United24 and PrivatBank, initiated the start of the #liutyidonat fundraiser. It was carried out from 24 February through 5 March 2023. The goal of the fundraiser was to collect enough money to buy ten CHAKLUN UAV systems for Ukraine’s Armed Forces. The NBU has 24 exclusive prizes to give to the fundraiser’s donors. Everyone who donated at least UAH 300 got a chance to win one of the following gifts: Ukrainian State Symbols (sets of commemorative coins) bearing the signatures of President Volodymyr Zelensky, Prime Minister Denys Shmyhal and Chairman of the Ukrainian parliament Ruslan Stefanchuk; Archangel Michael silver commemorative coins, bearing the signatures of the commanders of Ukraine’s Armed Forces; or 100-hryvnia banknotes featuring the signature of NBU Governor Andriy Pyshnyy and unique numbers. This event raised UAH 11.8 million – enough to buy 11 CHAKLUN UAV systems.

Brave Hryvnia charitable initiative. In autumn 2023, the NBU held the second round of the Brave Hryvnia fundraiser, a coin collection initiative aimed at uniting the efforts of Ukrainians and raising funds to help the Ukrainian army. The main participants in the fundraiser were children and young people. More than 2,500 educational institutions from all over Ukraine, including the occupied territories, took part in the campaign. Charity fundraisers were also held among community residents and in work teams. Thanks to the campaign, participants collected UAH 4.3 million worth of coins to help Ukraine’s Armed Forces.

4.2.6. Natural Resources

Environment protection, reduction of negative environmental impact are among the NBU's goals even under the martial law in Ukraine.

The NBU has introduced the environmental management. The process management is aimed at implementing laws and mitigating the environmental impact of negative factors.

To mitigate this impact, waste is collected separately.

All the processes within the NBU are conducted in line with the requirements established in environmental laws, including the payment of resource taxes and mandatory payments, such as land tax, fees for the use of the bodies of water, emissions of pollutants into air, etc. In addition, the NBU is engaged into the environmental awareness raising of its employees. The remote training Environmental Awareness was organized to provide the necessary information and knowledge on how to prevent the damage to the environment.

Gathering and sale of waste containing valuable resources for reuse

	2023		2022	
	Weight, kg	Amount, UAH thousand	Weight, kg	Amount, UAH thousand
Waste paper for recycling	52,232	121.92	117,814	278.41
PET containers (plastic bottles)	308	1.90	–	–
Mixed polyethylene waste (unsorted)	3,420	1.95	3,850	1.6
Lead batteries, damaged or exhausted	864	12.96	10,937	164.07
Coin scrap	43,228	4,271.79	70,375	3,270.00
Scrap metal (ferrous scrap)	9,872	74.04	–	–
Waste from household and computer equipment	16,968	127.26	–	–
Total		4,611.82		3,714.08

Water Consumption

The NBU's water resources management is based on efficient and rational use. To ensure the optimal water consumption by the institution both recirculating water systems and water reuse are used.

The NBU arranges quarterly monitoring of waste water quality and takes measures to reduce the concentration of detergents and hazardous substances in waste water. The NBU's industrial sites are equipped with treatment facilities and sanitary laboratories.

The water withdrawal by the NBU in 2023 and 2022 was as follows:

	2023				2022			
	Head Office	Banknote Printing and Minting Works	Settlement Center	Total	Head Office	Banknote Printing and Minting Works	Settlement Center	Total
Surface waters	–	243.5	–	243.5	–	214.7	–	214.7
Others sources	–	49.9	–	49.9	–	45.6	–	45.6
Municipal water supply	39.3	9.8	0.828	49.928	30.2	–	0.672	30.872
Underground waters	–	52.129	–	52.129	–	55.455	–	55.455
Total, thousand cub. m	39.3	355.329	0.828	395.457	30.2	315.755	0.672	346.627
Number of staff, persons (FTE)	3,323.5	1,172	36.69	4,532.19	3,335.25	1,145	35.75	4,516
Use of water per 1 person, cub. m	11.82	303.18	22.57	87.26	9.05	275.77	18.80	76.75

Responsible Consumption

Electric energy and natural gas consumption by the NBU in 2022–2023 was as follows:

	2023			2022		
	Volume, thousand units	Number of staff, persons (FTE)	Consumption per 1 person, thousand units	Volume, thousand units	Number of staff, persons (FTE)	Consumption per 1 person, thousand units
Electric energy consumption by the NBU for year, thousand kWh*						
Head Office of the National Bank of Ukraine	7,487.862	3,323.5	2.253	7,665.643	3,335.25	2.298
Banknote Printing and Minting Works	23,475.683	1,172	20.030	22 285.327	1,145	19.463
Settlement Center	353.936	36.69	9.647	311.460	35.75	8.712
Total	31,317.481	4,532.19	6.910	30,262.430	4,516	6.701
Natural gas consumption by the NBU for year, thousand cub. m						
Head Office of the National Bank of Ukraine	315.256	3,323.5	0.095	348.890	3,335.25	0.105
Banknote Printing and Minting Works	3,220.567	1,172	2.748	3,067.982	1,145	2.679
Settlement Center	18.969	36.69	0.517	17.763	35.75	0.497
Total	3,554.792	4,532.19	0.784	3,434.635	4,516	0.760

Contaminating Agents Emissions

According to the requirements of environmental laws the NBU performs monitoring of environmental impact. A control system was established covering the entire manufacturing cycle:

- emissions and dumping from facilities undergo laboratory surveillance

- disposal sites are assessed for their impact on soil, ground waters, and air
- air and underground waters at borders of the facility sanitary protection zones are sampled for quality control
- technical condition of environmental facilities and abatement equipment is checked.

	2023			2022		
	Carbon dioxide (CO ₂) emissions related to natural gas consumption, tonnes	Natural gas consumption by the NBU for year, thousand cub. m	Emissions per 1 thousand cub. m of gas, tonnes	Carbon dioxide (CO ₂) emissions related to natural gas consumption, tonnes	Natural gas consumption by the NBU for year, thousand cub. m	Emissions per 1 thousand cub. m of gas, tonnes
Head Office of the National Bank of Ukraine	594.608	315.256	1.886	661.636	348.890	1.896
Banknote Printing and Minting Works	6,139.878	3,220.567	1.906	5,513.827	3,067.982	1.797
Settlement Center	40.509	18.969	2.135	31.970	17.763	1.800
Total	6,774.995	3,554.792	1.906	6,207.433	3,434.635	1.807

The data of monitoring allow to define the level of production impact to environment and to take prompt managerial

decisions aimed at prevention and mitigation of environmental impact.

Part 5. Development Prospects

The NBU Strategy 2025 has been replaced with the new NBU Strategy *Ukraine's Financial Stronghold* in the wake of the full-scale military invasion by Russia.

The NBU, other regulators of the Ukrainian financial sector, and the DGF presented the new Strategy of Ukrainian Financial Sector Development on 29 August. The Strategy has been approved by the Financial Stability Council and sets common priorities for regulators that will enable the coordination of actions for ensuring the country's financial resilience and the development of financial inclusion and accessible and barrier-free financial services.

Both strategies are focused on resisting Russian aggression and rebuilding the country, focusing the work of regulators on strategic goals to ensure macroeconomic and financial stability, develop modern financial services, create the necessary conditions for the financial sector to participate in the post-war recovery of the country, and support the institutional capacity of regulators.

In less than a year, the NBU managed to fully implement 8% (8 out of 105 strategic actions) of the NBU's Strategy *Ukraine's Financial Stronghold*, which accounts for 16% of the actions planned under the Resistance Focus, 5% under

the Recovery Focus, and 3% of actions included in both focuses. The highest performance was recorded for goal 4 *Modern Financial Services* – 13% (3 out of 23 actions were fully implemented) and goal 2 *Financial Stability* – 11% (3 out of 27 actions were fully implemented). The plan to implement the institutional strategy was met by 99% in 2023.

With elevated uncertainty and increased risks, the NBU included strategic goal indicators at the end of the Resistance Focus into the NBU Strategy, as the achievement of strategic goals is contingent on relevant macroeconomic and other preconditions, which cannot be reliably forecasted. For these indicators, 46% of target levels were achieved (12 out of 26 indicators). Positive dynamics is being observed for the majority of other indicators.

The implementation of the NBU Strategy and the Strategy of Ukrainian Financial Sector Development will lay the groundwork for the further development of Ukraine's financial sector and its competitiveness amid the progress towards EU accession and integration into the global financial space. It will create conditions for reinforcing Ukraine's potential on its way to victory and will contribute to the start of transformations needed for the reconstruction and growth in the national economy both during and after the full-scale war.

Approved by the Board of the National Bank of Ukraine on 10 April 2024.

Signed on 14 April 2024.

Governor



Andriy PYSHNYY

Chief Accountant,
Director of Accounting Department



Liudmyla SNIHURSKA



National Bank
of Ukraine

Consolidated Financial Statements

for the Year Ended 31 December 2023



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Translation from Ukrainian original

Ernst & Young Audit Services LLC
19A Khreshchatyk Street
Kyiv, 01001, Ukraine
Tel: +380 (44) 490 3000
Fax: +380 (44) 490 3030
www.ey.com/ua

ТОВ «Ернст енд Янг
Аудиторські послуги»
вул. Хрещатик, 19А
Київ, 01001, Україна
Тел.: +380 (44) 490 3000
Факс: +380 (44) 490 3030

Independent auditor's report

To the Council and the Board of the National Bank of Ukraine

Report on the audit of the consolidated financial statements

Qualified Opinion

We have audited the consolidated financial statements of the National Bank of Ukraine and its subsidiary (further - the National Bank of Ukraine), which are presented on pages 1 to 83 and comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the National Bank of Ukraine as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

Basis for qualified opinion

The carrying value of domestic securities (debt securities at amortised cost) was UAH 727,089 million and UAH 756,580 million as at 31 December 2023 and 2022, respectively. As described in Notes 5 and 9 of the consolidated financial statements, no provision for expected credit losses was recognised for the securities. Also, as disclosed in Note 5, the National Bank of Ukraine developed a number of scenarios under which expected credit losses assessment was different from zero and determined a range of such losses as at 31 December 2023 and 2022. In our view, in accordance with IFRS 9, Financial Instruments, the expected credit losses on domestic securities should have been recognized. We were not able to determine, taking into account multiple possible scenarios and uncertainty as to their probability, the negative impact of the above on the consolidated financial position of the National Bank of Ukraine at 31 December 2023 and 2022 as well as profit for the years then ended.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the National Bank of Ukraine in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

We draw attention to Note 3 of the consolidated financial statements, which describes economic conditions in Ukraine under the ongoing military aggression of the Russian Federation and its impact



on the National Bank of Ukraine's operations. The circumstances referred to in Note 3 could affect the National Bank of Ukraine's financial position and performance in a manner not currently determinable. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matter described below to be the key audit matters to be communicated in our report. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
------------------	--

Valuation of debt securities at fair value through profit or loss

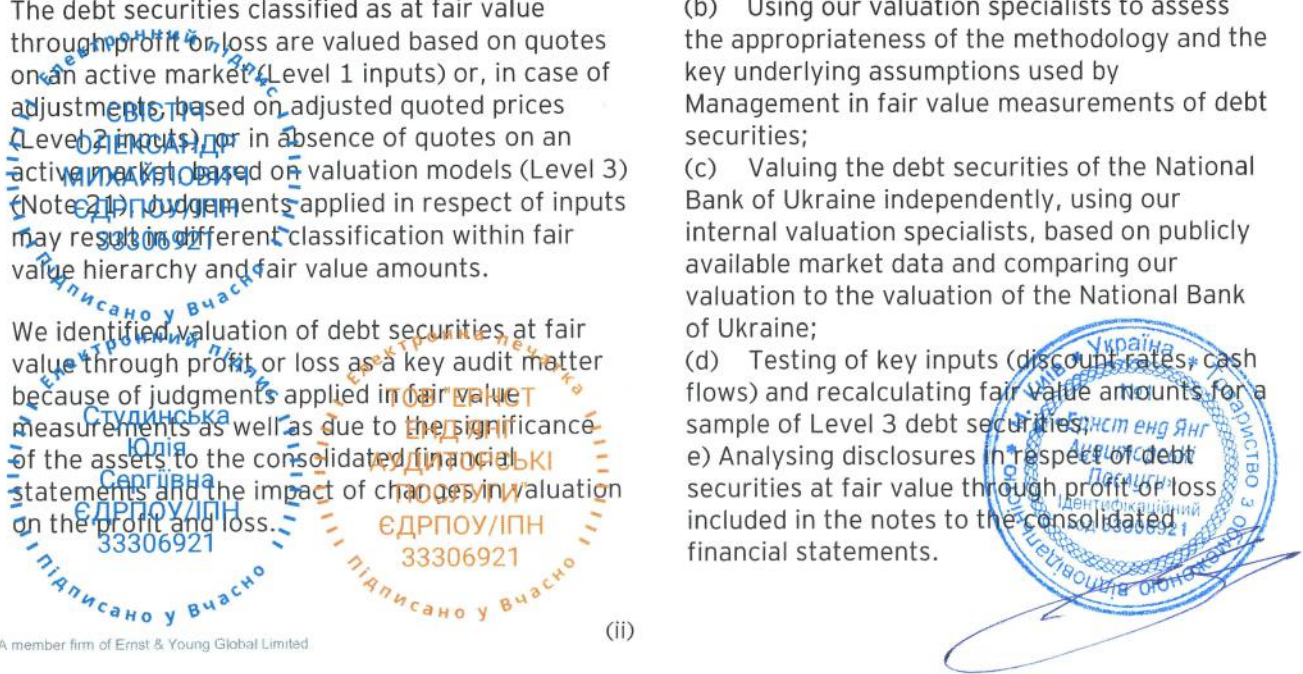
As at 31 December 2023, the foreign securities portfolio of the National Bank of Ukraine included debt securities with total carrying value of UAH 1,072,423 million, which were measured at fair value through profit or loss and represented 45% of consolidated total assets (Note 7). These securities were classified under Level 1, 2 and 3 of the fair value hierarchy.

The debt securities classified as at fair value through profit or loss are valued based on quotes on an active market (Level 1 inputs) or, in case of adjustments based on adjusted quoted prices (Level 2 inputs) or in absence of quotes on an active market based on valuation models (Level 3) (Note 21). Judgments applied in respect of inputs may result in different classification within fair value hierarchy and fair value amounts.

We identified valuation of debt securities at fair value through profit or loss as a key audit matter because of judgments applied in fair value measurements as well as due to the significance of the assets to the consolidated financial statements and the impact of changes in valuation on the profit and loss.

The audit procedures we performed to address valuation of debt securities at fair value through profit or loss as a key audit matter among others included:

- (a) Obtaining understanding of the process of fair value measurement, key sources of inputs and assumptions used by the National Bank of Ukraine to value debt securities;
- (b) Using our valuation specialists to assess the appropriateness of the methodology and the key underlying assumptions used by Management in fair value measurements of debt securities;
- (c) Valuing the debt securities of the National Bank of Ukraine independently, using our internal valuation specialists, based on publicly available market data and comparing our valuation to the valuation of the National Bank of Ukraine;
- (d) Testing of key inputs (discount rates, cash flows) and recalculating fair value amounts for a sample of Level 3 debt securities;
- e) Analysing disclosures in respect of debt securities at fair value through profit or loss included in the notes to the consolidated financial statements.



Other information included in the Consolidated Management Report of the National Bank of Ukraine for 2023

Other information comprises the information included in the Consolidated Management Report of the National Bank of Ukraine for 2023, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, the National Bank of Ukraine should have recorded a provision for expected credit losses in relation to the domestic securities, but taking into account multiple possible scenarios and uncertainty as to their probability, we were not able to determine the negative impact of the above on the consolidated financial position of the National Bank of Ukraine at 31 December 2023 and 2022 as well as profit for the years then ended. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Consolidated Management Report of National Bank of Ukraine for 2023, which are affected by non-recognition of provision for expected credit losses on domestic securities at amortised cost.

Responsibilities of management and the National Bank of Ukraine's Council for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the National Bank of Ukraine's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the National Bank of Ukraine or to cease operations, or has no realistic alternative but to do so.

The National Bank of Ukraine's Council is responsible for overseeing the National Bank of Ukraine's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material



if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

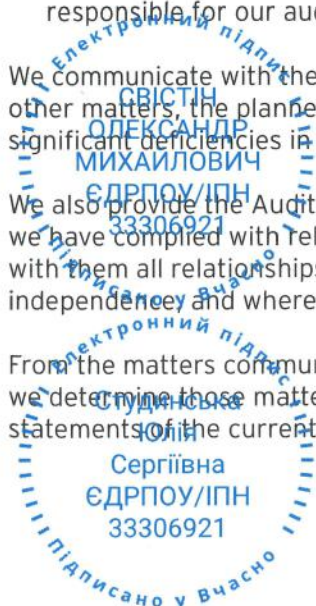
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Bank of Ukraine's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the National Bank of Ukraine to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the National Bank of Ukraine to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the National Bank of Ukraine and its subsidiary to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the National Bank of Ukraine and its subsidiary's audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the National Bank of Ukraine's Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the National Bank of Ukraine's Council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the National Bank of Ukraine's Council, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.





Report on other legal and regulatory requirements

Pursuant to the requirements of Article 14 paragraph 4 of Law of Ukraine "On audit of financial statements and auditing activity" No. 2258-VIII (the "Law No. 2258-VIII") we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the auditor and period of engagement

We were first appointed as independent auditors to perform a statutory audit of the National Bank of Ukraine's consolidated financial statements on 22 October 2019 by the Council of the National Bank of Ukraine for five years term. The period of total uninterrupted engagement for performing the statutory audit of the National Bank of Ukraine is five years.

Consistency of the independent auditor's report with the additional report to the audit committee

We confirm that our independent auditor's report is consistent with the additional report to the Audit Committee of the National Bank of Ukraine Council, which we issued on 10 April 2024 in accordance with Article 35 of Law No. 2258-VIII.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 6 paragraph 4 of Law No. 2258-VIII were provided. In addition, there are no non-audit services which were provided by us to the National Bank of Ukraine and which have not been disclosed in the consolidated financial statements or the consolidated management report.

The partner in charge of the audit resulting in this independent auditor's report is Studynska Y.S.

For and on behalf Ernst & Young Audit Services LLC

Svistch O.M.
General Director
ОЛЕКСАНДР
СВИСТЧ
Майдан Соборний, 10/15
01010, Київ, Україна
33306921

12 April 2024

Ernst & Young Audit Services LLC is included in the Register of auditors and audit firms, which is maintained by the Audit Public Oversight Body, registration number: 3516.

Studynska Y.S.
Partner

Registration number in the Register of auditors and audit firms: 101256



Документ підписано у сервісі Вчасно (продовження)
Independent Auditor Report NBU FS 2023.pdf

Документ відправлено: 11:58 12.04.2024

Власник документу

Електронний підпис

11:58 12.04.2024
ЄДРПОУ/ІПН: 33306921
Юр. назва: ТОВ "ЕРНСТ ЕНД ЯНГ АУДИТОРСЬКІ ПОСЛУГИ"
Власник ключа: Студинська Юлія Сергіївна
Час перевірки КЕП/ЕЦП: 11:58 12.04.2024
Статус перевірки сертифікату: Сертифікат діє
Серійний номер: 3ВВВС90700000000000000000000000000001
Тип підпису: удосконалений

Електронний підпис

13:53 12.04.2024
ЄДРПОУ/ІПН: 33306921
Юр. назва: ТОВ "ЕРНСТ ЕНД ЯНГ АУДИТОРСЬКІ ПОСЛУГИ"
Генеральний директор: СВИСТІЧ ОЛЕКСАНДР МИХАЙЛОВИЧ
Час перевірки КЕП/ЕЦП: 13:53 12.04.2024
Статус перевірки сертифікату: Сертифікат діє
Серійний номер: 13СА93070000000000000000000000000001
Тип підпису: удосконалений

Електронна печатка

13:53 12.04.2024
ЄДРПОУ/ІПН: 33306921
Юр. назва: ТОВ "ЕРНСТ ЕНД ЯНГ АУДИТОРСЬКІ ПОСЛУГИ"
Власник ключа: ТОВ "ЕРНСТ ЕНД ЯНГ АУДИТОРСЬКІ ПОСЛУГИ"
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Статус перевірки сертифікату: Сертифікат діє
Серійний номер: 60В29307000000000000000000000000001
Тип підпису: удосконалений



Consolidated Statement of Financial Position

as of 31 December 2023

	Notes	2023	2022
(UAH millions)			
Assets			
Funds and deposits in foreign currency and investment metals	6	373,440	241,504
Foreign securities	7	1,073,099	695,506
SDR holdings	8.1	35,570	62,174
Monetary gold		62,387	52,272
Domestic securities	9	727,818	757,040
Loans to banks and other borrowers	10	5,691	40,781
Domestic public debt		1,347	1,444
IMF quota contributions	8.2	102,521	97,908
Property and equipment and intangible assets	30	4,044	4,117
Other assets	11, 31	6,670	5,882
Total assets		2,392,587	1,958,628
Liabilities			
Banknotes and coins in circulation		764,598	715,330
Accounts of banks	12	216,261	86,870
Accounts of government and other institutions	13	140,102	54,198
Liabilities to transfer distributable profit to the State Budget of Ukraine	29	38,643	71,868
Certificates of deposit issued by the NBU	14	621,667	457,464
Liabilities to the IMF, apart from IMF quota contributions	8.3	86,027	141,279
Liabilities to the IMF with respect to quota contributions	8.3	102,509	97,897
Other liabilities	15, 32	2,609	5,521
Total liabilities		1,972,416	1,630,427
Equity			
Statutory capital	28	100	100
General reserves and retained earnings	28	137,690	99,712
Revaluation reserves for assets and liabilities	28	282,336	228,346
Total equity		420,126	328,158
Noncontrolling interest		45	43
Total capital		420,171	328,201
Total equity and liabilities		2,392,587	1,958,628

Approved by the Board of the National Bank of Ukraine on 10 April 2024.

Signed on 11 April 2024.

Governor



Andriy PYSHNYI

Chief Accountant,
Director of Accounting Department



Liudmyla SNIHURSKA

Notes on pages 5 through 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2023

	Note	2023	2022
(UAH millions)			
Interest income	17	126,483	109,854
Interest expenses	17	(98,930)	(46,609)
Net interest income before gains/(losses) from reversal of impairment/(impairment)		27,553	63,245
Gains/(losses) from reversal of impairment/(impairment) on interest-bearing financial assets	20	926	(1,204)
Net interest income after gains/(losses) from reversal of impairment/(impairment)		28,479	62,041
Fee and commission income		575	487
Fee and commission expense		(48)	(210)
Net fee and commission income		527	277
Gains or losses on transactions with financial assets and liabilities in foreign currency and monetary gold	18	63,522	175,556
Gains or losses on transactions with financial instruments at fair value through profit or loss	19	43,252	17
Other income	33	1,773	997
Total net income		137,553	238,888
Staff costs	34	(3,284)	(3,256)
Costs related to the production of banknotes, coins, souvenirs, and other products		(1,985)	(1,920)
Administrative and other expenses	35	(1,742)	(1,521)
Release of provisions for probable contingencies	32	95	129
Gains/(losses) on the reversal of impairment/(impairment) of other assets	20	10	(22)
Profit before income tax		130,647	232,298
Income tax expense of subsidiary		(4)	(1)
Profit for the year		130,643	232,297
Other comprehensive income not to be reclassified subsequently to profit or loss:			
Revaluation of investment metals		(13)	851
Other comprehensive income/(expenses) for the year		(13)	851
Total comprehensive income for the year		130,630	233,148
Profit/(loss) for the year attributable to:			
the National Bank of Ukraine		130,641	232,298
Noncontrolling interest		2	(1)
		130,643	232,297
Total comprehensive income attributable to:			
the National Bank of Ukraine		130,628	233,149
Noncontrolling interest		2	(1)
		130,630	233,148

Approved by the Board of the National Bank of Ukraine on 10 April 2024.

Signed on 11 April 2024.

Governor



Andriy PYSHNYY

Chief Accountant,
Director of Accounting Department



Liudmyla SNIHURSKA

Notes on pages 5 through 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for 2023

	Notes	Statutory capital	General reserves and retained earnings	Revaluation reserve for assets and liabilities	Total equity	Noncontrolling interest	Total capital
(UAH millions)							
Balance as of 1 January 2022		100	80,530	86,247	166,877	44	166,921
Total comprehensive income for 2022		–	232,298	851	233,149	(1)	233,148
Realized result on revaluation of disposed investment metals	29	–	56	(56)	–	–	–
Realized result on revaluation of disposed securities and derivatives	29	–	883	(883)	–	–	–
Allocation of unrealized result on revaluation of financial instruments to revaluation reserve	19	–	(2,592)	2,592	–	–	–
Allocation of unrealized result from revaluation of financial assets and liabilities in foreign currency and monetary gold to revaluation reserve	18	–	(139,595)	139,595	–	–	–
Portion of 2022 profit subject to distribution and transfer to the State Budget of Ukraine	29	–	(71,868)	–	(71,868)	–	(71,868)
Balance as of 31 December 2022		100	99,712	228,346	328,158	43	328,201
Total comprehensive income for 2023		–	130,641	(13)	130,628	2	130,630
Gain/(loss) on transfer of assets	30	–	(17)	–	(17)	–	(17)
Realized result on revaluation of disposed investment metals	29	–	65	(65)	–	–	–
Realized result on revaluation of disposed securities and derivatives	29	–	2,982	(2,982)	–	–	–
Allocation of unrealized result on revaluation of financial instruments to revaluation reserve	19	–	(19,321)	19,321	–	–	–
Allocation of unrealized result from revaluation of financial assets and liabilities in foreign currency and monetary gold to revaluation reserve	18	–	(37,729)	37,729	–	–	–
Portion of 2023 profit subject to distribution and transfer to the State Budget of Ukraine	29	–	(38,643)	–	(38,643)	–	(38,643)
Balance as of 31 December 2023		100	137,690	282,336	420,126	45	420,171

Approved by the Board of the National Bank of Ukraine on 10 April 2024.

Signed on 11 April 2024.

Governor



Andriy PYSHNYY

Chief Accountant,
Director of Accounting Department



Liudmyla SNIHURSKA

Notes on pages 5 through 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for 2023

	Note	2023	2022
(UAH millions)			
Operating activities			
Interest received		140,841	66,753
Fees and commissions received		575	487
Other income		1,771	998
Interest paid		(93,564)	(45,536)
Fees and commissions paid		(48)	(47)
Other expenses		(4,582)	(6,064)
Taxes, duties, and charges paid		(1,206)	(1,198)
Transfers to the State Budget of Ukraine	29	(71,868)	(18,786)
Decrease in loans to banks and other borrowers		36,651	55,279
Domestic public debt repaid		132	132
Increase in accounts of banks		129,291	25,307
Increase/(decrease) in accounts of government and other institutions		82,229	(4,496)
(Increase)/decrease in other assets		(760)	1,138
Decrease in other liabilities		(1,681)	(1,452)
Other cash flows		(1,142)	628
Net change in cash flows from operating activities		216,639	73,143
Investing activities			
Increase in term deposits placed in gold		(53)	(173)
Net (increase)/decrease in foreign securities		(294,761)	90,059
Purchase of monetary gold		–	(61)
Net decrease/(increase) in domestic securities		14,563	(388,531)
Dividends from the associated company		2	2
Acquisition of property and equipment, and intangible assets		(364)	(215)
Net cash flows from investing activities		(280,613)	(298,919)
Financing activities			
Banknotes and coins issue in circulation	16	49,268	87,511
Repayment of liabilities to the IMF	16	(59,107)	(53,316)
Certificates of deposit issued by the NBU	16	158,636	244,089
Other loans repaid	16	–	(2,925)
Net cash flows from financing activities		148,797	275,359
Effect of changes in exchange rate		19,646	70,791
Net change in cash and cash equivalents		104,469	120,374
Cash and cash equivalents at the beginning of the reporting year		298,461	178,087
Cash and cash equivalents at the end of the reporting year	16	402,930	298,461

Approved by the Board of the National Bank of Ukraine on 10 April 2024.

Signed on 11 April 2024.

Governor



Andriy PYSHNYY

Chief Accountant,
Director of Accounting Department



Liudmyla SNIHURSKA

Notes on pages 5 through 83 are an integral part of these consolidated financial statements.

Notes to the 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 have the objective of generating profits. The NBU's financial performance and the structure of its assets, liabilities, and capital are determined by the NBU's mandate as a special central authority.

Under the Law of Ukraine *On the National Bank of Ukraine*, the NBU performs the following main functions:

identifies and pursues a monetary policy in accordance with the Monetary Policy Guidelines developed by the NBU Council

solely issues the domestic currency of Ukraine and organizing its circulation

ensures the accumulation and storage of international (gold and FX) reserves of Ukraine and makes transactions with these reserves and investment metals

acts as the lender of last resort for banks and organizes the refinancing system

conducts banking regulation and supervision on individual and consolidated basis

conducts state regulation and supervision on individual and consolidated basis in the nonbank financial services markets over activities of nonbank financial institutions and other entities other than financial institutions but entitled to provide certain financial services within the limits set by the Law of Ukraine *On Financial Services and Financial Companies* and other laws of Ukraine

represents Ukraine's interests in the central banks of other states, international banks and other credit institutions where the cooperation takes place at the level of central banks

carries out currency regulation, establishes the procedure for FX transactions, arranges and performs currency supervision over of authorized institutions

arranging and carrying out transportation of currency and other valuables; issuing licenses to legal entities to perform cash operations, suspending, updating and revoking them, as prescribed by the NBU

determines the procedure for the functioning of the banking system of Ukraine in the event of martial law or a special period, carries out the mobilization training of the NBU system

protecting the rights of consumers of financial services provided by banks and other financial institutions as well as by entities other than financial institutions but entitled to provide certain financial services, which are regulated and supervised by the National Bank of Ukraine

organizing work and taking measures to improve the financial literacy of the public

performs other functions in finance within the mandate defined by the Law of Ukraine *On the National Bank of Ukraine*.

Under the Law of Ukraine *On the National Bank of Ukraine*, the NBU issues loans to banks to maintain liquidity, buys and sells securities, currency assets, and precious metals in the open market, sells commemorative coins made out of precious and nonprecious metals in the domestic and foreign markets, performs public debt servicing transactions related to the placement of, redemption of, and payment of income on government securities, maintains accounts of the State Treasury Service of Ukraine and those of international organizations, and performs other transactions necessary to ensure the pursuit of its mandate.

The NBU also acts as a depository of government securities of Ukraine.

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

As of 31 December 2023 and 2022, the NBU's structure comprised the Head Office and the Banknote Printing and Minting Works, the NBU's standalone unit. These units operate exclusively within the scope of the NBU's tasks and functions, as defined by Ukraine's Law On the National Bank of Ukraine.

The NBU's subsidiary is the SETTLEMENT CENTER FOR SERVICING FINANCIAL MARKET AGREEMENTS PJSC (hereinafter the Settlement Center).

The NBU's shareholding in the authorized capital of the Settlement Center was 83.55% as of 31 December 2023 (83.55% as of 31 December 2022).

As of 31 December 2023 and 2022, the authorized capital of the Settlement Center totaled UAH 206.7 million of ordinary registered shares with a face value of UAH 1,000 each.

Under Ukrainian legislation, the Settlement Center carries out professional activities in capital markets, clearing activities to identify liabilities, and clearing activities of a central counterparty.

The Settlement Center performs the following functions, among other things:

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 the Settlement Center 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.

The NBU's investments in the associated company as of 31 December 2023 and 2022 were represented by investments in the authorized capital of the National Depository of Ukraine Public Joint Stock Company (hereinafter the National Depository).

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

As of 31 December 2023 and 2022, the NBU owned 2,580 ordinary registered shares of the National Depository with a face value of UAH 10,000 each and UAH 25.8 million in total. As of 31 December 2023, the NBU's shareholding in the authorized capital of the National Depository was 25% (31 December 2022 – 25%).

Approval of the consolidated financial statements is within the responsibilities of the NBU Council.

2. Summary of Accounting Policies and Basis of Preparation

This section contains material accounting policy information of the NBU that relates to financial statements as a whole. If an accounting policy can be applied to a particular note in these financial statements, the material accounting policy information and related disclosures are provided in the appropriate note.

The NBU's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board, and the Laws of Ukraine *On the National Bank of Ukraine* and *On Accounting and Financial Statements in Ukraine*.

These consolidated financial statements have been prepared based on the assumption that the NBU will continue as a going concern for the foreseeable future. The NBU's management assessed the events and conditions discussed in Note 3 and has concluded that due to the NBU's unique position as a country central bank, as well as the organization of work that ensures the continuity of operations even during martial law period, there is no material uncertainty for the NBU to continue performing its functions as prescribed by the Law of Ukraine *On the National Bank of Ukraine*, and therefore, the going concern assumption is appropriate.

The consolidated financial statements are presented in the national currency of Ukraine – the hryvnia – which is the functional currency and the presentation currency of the consolidated financial statements. The NBU's consolidated financial statements are prepared in millions of hryvnias.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the NBU and its subsidiary as of 31 December 2023.

A subsidiary is the Settlement Center controlled by the NBU.

In case of disposal of a subsidiary by transferring control to the state as represented by the Cabinet of Ministers of Ukraine or other authorities, the result of this transaction is recognised in equity.

The NBU and its subsidiary apply a unified accounting policy in the preparation of consolidated financial statements. The financial statements of the subsidiary cover the same reporting period as the consolidated financial statements of the NBU itself.

Investments in associated company

The National Depository is an associated company over which the NBU has significant influence.

Investments in associated companies are accounted for using the equity method, taking into account recognized impairment, and are recorded as Other Assets. The NBU's share of the associated company's profit or loss since the date of investment is recognized as other income or expenses and the amount of recognized impairment of the associated company as impairment losses on other assets in the consolidated statement of profit or losses and other comprehensive income.

Information on introducing new and amended standards and interpretations of financial statements is provided in Note 39.

Change in presentation

In preparation of these consolidated financial statements, in order to enhance the information relevance and understandability the NBU changed the presentation of:

overnight deposits placed at the initiative of the correspondent bank by including them in the *Foreign currency demand deposits* item of Note 6: *Funds and deposits in foreign currency and investment metals*. In the consolidated financial statements for the year ended 31 December 2022, such overnight deposits were presented in this note as a separate item. To ensure consistent presentation of information for 2022, the respective overnight deposits in the amount of UAH 113,833 million are included in the *Foreign currency demand deposits* item of this note. The respective change in presentation has been made in Note 16

funds accounted for on a special account opened with the NBU to raise funds to support the Armed Forces of Ukraine (hereinafter referred to as funds to support the AFU), including them in the *Funds of state and other institutions* item. In the consolidated statement of financial position of the consolidated financial statements for the year ended 31 December 2022, funds to support the AFU were included in the *Other liabilities* item. To ensure consistent presentation of information for 2022, the funds to support the AFU in the amount of UAH 1,174 million are transferred from the *Other liabilities* item to the *Funds of state and other institutions* item of the consolidated statement of financial position. The respective change in presentation has been made in the consolidated statement of cash flows and in Notes 13, 15, 23, 25, 26, 27, 36, and 37.

The effect of the change in presentation on the comparative information in the consolidated statement of financial position and the consolidated statement of cash flows is presented in the tables below.

Consolidated Statement of Financial Position:

	As presented in the financial report as of 31 December 2022	Change in Classification	As presented the amended comparative data as of 31 December 2022
(UAH millions)			
Liabilities			
Accounts of government and other institutions	53,024	1,174	54,198
Other liabilities	6,695	(1,174)	5,521

Consolidated Statement of Cash Flow:

	As presented in the financial report as of 31 December 2022	Change in Classification	As presented the amended comparative data as of 31 December 2022
(UAH millions)			
Operating activities			
Decrease in accounts of government and other institutions	(5,192)	696	(4,496)
Decrease in other liabilities	(756)	(696)	(1,452)

Basic Estimates and Judgments in Applying Accounting Principles

The NBU uses estimates, assumptions, and professional judgment that affect the amounts of assets and liabilities reported in its consolidated financial statements. Estimates

and judgements are regularly revised and are based on NBU management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key estimates and judgements are disclosed in Notes 5, 30, 32, and 36.

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

In 2023, the Russian Federation continued its full-scale invasion of Ukraine. Despite the persistence of high security risks and further destruction and losses from Russian aggression, the Ukrainian economy returned to growth: real GDP rose by 5.3% after the deepest recession in Ukraine's history (specifically, real GDP plunged by 28.8% in 2022 due to the impact of the full-scale war, according to data from <http://ukrstat.gov.ua>). Economic growth was driven by the high adaptability of businesses and households to wartime conditions. Growth resumed in the vast majority of sectors. It was fueled by improvements in the business outlook and consumer sentiment, higher-than-last-year harvests of major crops amid extremely favorable weather conditions, a stable situation in the energy sector, and the development of export routes. A loose fiscal policy, which fueled domestic consumer and investment demand, made a significant contribution to economic growth.

The recovery of the labor market accompanied the revival of economic activity. Higher demand for labor drove an increase in employment and a gradual decrease in the unemployment rate. However, the situation at the labor market remained difficult: recovery was uneven across sectors and regions due to changes in the structure of the economy and significant internal and external migration. As of the end of 2023, 6.3 million Ukrainians stayed outside Ukraine (according to UN estimates), and the number of internally displaced persons was 3.7 million (according to the International Organization for Migration).

Household income gradually grew thanks to the economic revival and budget spending, in particular on wages, military allowances, and social protection. At the same time, the growth in labor income also resumed in the private sector.

The deficit of the consolidated budget in 2023 reached a record level of more than UAH 1,327 billion, or UAH 1,761 billion after grants are excluded from revenues. This deficit was primarily the result of high spending on security and defense (60% of all expenditures), despite the strengthening of the domestic funding base thanks to the revival of economic activity, better revenue administration, and the return of pre-February 2022 taxation.

International aid remained the main source of financing of budgetary needs. Outright budget support reached USD 42.5 billion in 2023, including almost USD 10 billion in Q4 alone. At the same time, market demand for domestic government debt securities remained high: placement volumes peaked in Q4, mainly due to the issuance of hryvnia securities. Overall in 2023, investments in domestic government debt securities rose to twice the 2022 level. This was facilitated by the introduction of benchmark domestic government debt securities, as banks' holdings of these instruments counted towards meeting the reserve requirements. Attractive yields also played a leading role in driving up domestic investment at the end of the year. Because of large volumes of debt financing of the budget deficit, public and publicly guaranteed

debt amounted to about 85% of GDP as of end-December 2023.

In 2023, the current account ran a deficit of USD 9.8 billion (compared to the USD 8 billion surplus in 2022), primarily due to a significant widening of the goods trade deficit (to USD 28.8 billion, up from USD 14.7 billion in 2022). The decline in exports of metals-and-mining products, caused by logistical problems, the destruction of production facilities, and weak demand in the European market, was the key factor behind the further drop in exports of commodities (by 15.7%). What is more, termination of the Black Sea Grain Initiative in Q3 and imposition of EU restrictions on deliveries of certain food products led to a drop in food exports. On the other hand, imports of goods increased (by 13.9%) as domestic demand recovered rapidly. First and foremost, the demand for engineering products increased, driven by the significant needs of the defense sector, among other things. The services trade deficit remained significant (USD 8.9 billion), although it narrowed compared to 2022 (USD 11.1 billion). Meanwhile, a further widening of the current account deficit was restrained by large volumes of international grants and sustained remittances. The latter, though slightly reduced, remained an important source of foreign currency inflows.

Financial support from international partners in the form of loans ensured significant capital inflows into the public sector (USD 25.9 billion). Capital outflows from the private sector also declined significantly (to USD 6.8 billion, down from USD 24.2 billion in 2022). For the most part, this was facilitated by a decrease in capital outflows to repay trade loans amid improved logistics and exchange rate expectations, as well as by increased volumes of reinvestment of earnings by companies with foreign capital as economic activity recovered. The resulting net capital inflow (USD 19.1 billion) surpassed the current account deficit, moving the balance of payments into significant surplus (USD 9.5 billion). Combined with funds from the IMF, this brought international reserves to USD 40.5 billion as of the end of the year.

In 2023, consumer price growth decelerated sharply to 5.1% in December (down from 26.6% yoy in December 2022). Inflation eased mainly because of high crop yields, including grains, oilseeds, vegetables, and fruits. Price growth was also restrained by the effects of fixing certain utility tariffs. An important role was played by the NBU's measures to maintain exchange rate sustainability and the attractiveness of hryvnia assets. These measures curbed inflation, primarily thanks to improved exchange-rate and inflation expectations of households and businesses. An additional factor in relieving price pressure was the decrease in global energy prices. On the other hand, the pickup in consumer demand, as well as higher business expenses on employee compensation, put upward pressure on prices.

The pullback in inflation was also driven by the NBU's consistent monetary policy, including measures to ensure

exchange rate sustainability and the appeal of hryvnia assets. As a result, demand for hryvnia instruments grew, while that for foreign currency declined. Rapid disinflation and sustained FX market conditions enabled the NBU to start the cycle of key policy rate cuts and lower the rate by 3 pp to 22% in July and by 2 pp to 20% in September. In October, the NBU set its key policy rate at 16%, making it equal to the rate on overnight certificates of deposit. In December, the NBU continued the cycle of rate cuts, lowering its key policy rate to 15%.

In 2023, the banking system's liquidity continued to expand: average daily balances of funds in correspondent accounts and certificates of deposit amounted to almost UAH 635 billion, up from UAH 279 billion in 2022. In order to absorb liquidity, the NBU started a cycle of gradual increases in the required reserve ratios since the start of the year, while improving the approaches to their calculation. In Q3, the NBU equalized the required reserve ratios for corporate deposits by maturity. These measures contributed to the strengthening of monetary transmission and the absorption of the banking system's liquidity excess. In addition, to strengthen market incentives for the banks to attract retail term deposits in the domestic currency, the NBU in April updated the operational design of its monetary policy and adjusted its parameters in September (taking a modified approach to calculating the limit on banks' investments in three-month certificates of deposit).

On 3 October 2023, the NBU moved to the regime of managed flexibility of the exchange rate, in line with the Strategy for Easing FX Restrictions, Transitioning to Greater Flexibility of the Exchange Rate, and Returning to Inflation Targeting. Under the new regime, the NBU continued to focus on maintaining exchange rate sustainability. The NBU

remained the key player in the market, compensating for the structural deficit of foreign currency and limiting exchange rate fluctuations through foreign currency interventions. Thanks to these actions, the situation in the foreign currency market remained under control even after the change in the exchange rate regime. At the same time, after the transition to the regime of managed exchange rate flexibility, volumes of the banks' transactions without the NBU's participation rose significantly. This points to an increase in the depth of the interbank foreign currency market and a strengthening of its resilience to situational factors.

International rating agency *Fitch Ratings* kept Ukraine's sovereign credit rating unchanged throughout the year. On 20 January, 23 June, and 8 December 2023, *Fitch Ratings* affirmed Ukraine's long-term foreign-currency issuer default rating at CC. Meanwhile, on 10 February 2023, *Moody's* agency downgraded Ukraine's long-term ratings in foreign and domestic currencies and foreign currency senior unsecured debt ratings to Ca, from Caa3, changing the outlook from negative to stable. International rating agency *Standard and Poor's* confirmed Ukraine's long-term foreign-currency issuer default rating at CCC+ on 10 March 2023, and then lowered this rating to CCC on 6 April 2023, changing the outlook to negative from stable. On 8 September 2023, *Standard and Poor's* confirmed the rating at CCC.

Going forward, Russian Federation's full-scale military aggression, and related risks may have an effect on the NBU's performance and financial position, in a manner not currently determinable. The NBU's management is closely monitoring current developments and is taking necessary actions to mitigate the influence of adverse factors.

Section II.I Financial Instruments

4. Accounting policy. Presentation of Financial Instruments by Measurement Categories

This section contains material accounting policy information of the NBU

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 does not classify any assets into the category at fair value through profit or loss in order to remove or reduce significantly accounting discrepancies. The NBU does not classify any assets in to the category at fair value through other comprehensive income.

Financial assets of the NBU are classified as follows:

Funds and Deposits in Foreign Currency at Amortized Cost

Funds and deposits in foreign currency are recorded when the NBU advances foreign currency funds to counterparty banks within a model for management of financial assets with the objective to collect contractual cash flows. Those funds are not related to derivative financial instruments, not quoted in the market, and repayable on fixed or determinable dates.

Debt Securities at Amortized Cost

This category includes domestic government debt securities with fixed coupons and domestic government debt securities with coupon calculated as inflation index for the last 12 month plus a set margin (hereinafter referred to as "inflation indexed government bonds"), and domestic government debt securities with a floating interest rate, which is calculated based on an average NBU's key policy rate for the year that ends the first date of the month preceding the month of regular coupon payments and starts the first date of the same month of preceding year (hereinafter referred collectively as "domestic government debt securities with a floating "interest rate").

Debt Securities Measured at Fair Value through Profit or Loss

This category includes the securities of nonresidents. The NBU manages a group of such financial instruments in accordance with a documented model for management of financial assets and relates to other types of models than a model for management of financial assets with the objective to collect cash flows according to contractual (issue) terms and a model of management of financial assets with the objective both to collect cash flows according to contractual (issue) terms and to sell those assets.

Also, this category includes the securities that do not meet the criteria of measurement at amortized cost or at fair value through other comprehensive income based on the analysis

of contractual cash flows in respect of the financial assets which are not solely payments of principal and interest.

The fair value of these securities is determined by reference to market quotations in the principal or most beneficial market, if no quotations are available, based on the valuation model (Note 21).

Loans to Banks and Other Borrowers at Amortized Cost

Loans to banks and other borrowers are recorded when the NBU lends money to counterparty banks or other borrowers within the model for financial assets management, the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Domestic Public Debt at Amortized Cost

Domestic public debt means loans granted to the Government of Ukraine (hereinafter referred to as "the Government") until 2035. Domestic public debt is unsecured.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash in foreign currencies, SDR holdings, funds on demand, and deposits in foreign currencies maturing within three months from the origination date and which are available for use at short notice and are subject to insignificant risk of value fluctuations.

Financial Liabilities of the NBU are Classified as Follows:

- banknotes and coins in circulation. The amount of banknotes and coins in circulation is the nominal value of banknotes and coins (small change, circulating, commemorative, and bullion coins) that are means of payment issued to circulation by the NBU after introducing hryvnia in September 1996. Cash in domestic currency stored in the NBU's vaults and cash desks or transferred by the NBU to custody at authorized banks, is excluded from the amount of banknotes and coins in circulation
- accounts of banks. These liabilities are not derivative instruments
- accounts of government and other institutions are nonderivative liabilities to the government agencies and other customers
- certificates of deposit issued by the NBU
- loans received.

The NBU's financial liabilities other than financial derivative instruments are estimated at amortized cost.

Derivative Financial Instruments

Derivative financial instruments are represented by derivative securities, swaps, forwards, and futures contracts. Derivative

financial instruments are measured at fair value through profit or loss. All derivatives are recorded as assets if their fair value is positive and as liabilities if the fair value is negative.

Recognition and Measurement of Financial Instruments

Financial instruments are initially recognized as follows:

- transactions with financial instruments are recorded in the consolidated statement of financial position as of the settlement date, which is the date when the title to these assets is transferred to (from) the NBU, other than derivative financial instruments
- debt securities, equity instruments, and other financial instruments measured at fair value through profit or loss are initially recognized at fair value as of the settlement date
- foreign currency funds and deposits, debt securities at amortized cost, loans to banks and other borrowers, and all financial liabilities (safe for derivative financial instruments) are initially recorded at fair value as of transaction date plus transaction related costs

- banknotes and coins in circulation are recognized as liabilities at nominal value after their disbursement to banks and NBU clients.

Subsequent measurement of the NBU's financial instruments is as follows:

- debt securities, equity instruments, other financial instruments measured at fair value through profit or loss, and derivative financial instruments are revalued after each change in their fair value, but at least as of the reporting date. Gains or losses from changes in fair value are recognized in financial results of the consolidated statement of profit or loss and other comprehensive income in the period in which they arise
- foreign currency cash and deposits, debt securities at amortized cost, loans to banks and other borrowers, as well as the domestic public debt and other financial liabilities other than derivatives, are measured at amortized cost using the effective interest rate method
- banknotes and coins in circulation are accounted at nominal value and are not revalued subsequently.

As of 31 December 2023 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)
Financial assets			
Funds and deposits in foreign currency	–	367,508	367,508
Foreign securities	1,073,099	–	1,073,099
SDR holdings	–	35,570	35,570
Domestic securities	729	727,089	727,818
Loans to banks and other borrowers	–	5,691	5,691
Domestic public debt	–	1,347	1,347
IMF quota contributions	–	102,521	102,521
Other financial assets	5	155	160
Total financial assets	1,073,833	1,239,881	2,313,714

As of 31 December 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)
Financial assets			
Funds and deposits in foreign currency	–	236,534	236,534
Foreign securities	695,506	–	695,506
SDR holdings	–	62,174	62,174
Domestic securities	460	756,580	757,040
Loans to banks and other borrowers	–	40,781	40,781
Domestic public debt	–	1,444	1,444
IMF quota contributions	–	97,908	97,908
Other financial assets	5	81	86
Total financial assets	695,971	1,195,502	1,891,473

Financial Assets Impairment Policy and Allowances for Expected Credit Losses Recognition

During estimation of impairment and assessment of expected credit losses for financial assets (except for investments into the statutory capital of associated and subsidiary companies), the NBU is guided by requirements of *IFRS 9: Financial Instruments*. Impairment of the investments into the statutory capital of associated and subsidiary companies is assessed and recognized pursuant to the requirements of *IAS 36 Impairment of Assets and IAS 28 Investments in Associates and Joint Ventures*.

The NBU defines credit loss as the difference between total cash flows payable by a counterparty/issuer/borrower under the agreement and total cash flows expected to be received by the NBU discounted by the effective interest rate. Cash flows that are taken into account include cash flows from selling collateral or other credit enhancements of a financial instrument which are the integral part of the agreement. Professional judgement/assumption is used to assess feasibility of making a reliable assessment of the expected life of a financial instrument.

The NBU recognizes allowances for expected credit losses on financial assets (deposits granted, loans at amortized cost, debt securities at amortized cost, accounts receivable, and contractual assets), credit-related commitments, and impairment of investments into the statutory capital of associated and subsidiary companies. Allowances for expected credit losses are made and released pursuant to decisions of the NBU Board at least once a month (at least once a quarter for accounts receivable and contractual assets), at least once a year for impairment of investments into the statutory capital of associated and subsidiary companies (as of the end of the last day of the month/quarter/year).

Allowance for expected credit losses are made by allocation of the respective amount of changes in the allowance to expenses (as part of the *Gain/(loss) on reversal of impairment/(impairment) of interest-bearing financial assets and Gain/(loss) on reversal of impairment/(impairment) of other assets* items).

Depending on the impairment stage for financial assets, allowances for expected credit losses are recognized at an amount equal to expected credit losses:

- 12-month ECLs – for the financial assets at Impairment Stage One
- full lifetime ECLs – for the financial assets at Impairment Stages Two or Three.

Expected credit losses for the full lifetime reflect expected amounts of expected cash shortfalls over the full lifetime, which may arise in case of a default over the full lifetime after the reporting date weighted by the probability of a range of possible scenarios of default (or the financial asset redemption) measured based on the borrower's cumulative probability of default over the full lifetime of a financial instrument that remains after the reporting date.

To determine the impairment stage at each reporting date for financial assets by individual instruments, credit risk is assessed on an individual basis in order to establish:

- a significant increase in credit risk since initial recognition
- objective evidence of impairment.

Significant increases in credit risk are assessed based on quantitative and qualitative factors, taking into account, among other things, categories of internal borrower credit rating that takes account of the change in the level of credit risk as of the reporting date.

For reserve assets and nonreserve debt securities (demand deposits and term deposits in foreign currency, securities at amortized cost) the attributes of significant increase in credit risk include at least one payment delayed over 30 calendar days, revocation of all external credit ratings for a counterparty/issuer, decrease of a category of long-term credit rating for a counterparty/issuer since the date of initial recognition for more than three rating points.

For liabilities of the state denominated in its domestic currency and liabilities of a foreign central bank denominated in a currency of this central bank's home country, the attribute of significant increase in credit risk since the date of initial

recognition is at least one payment delayed over 30 calendar days as of the reporting date.

For loans to banks and other borrowers the attributes of significant increase in credit risk since the date of initial recognition include contractual payments delayed from two to seven calendar days, actual decrease of the borrower's internal credit rating since the date of initial recognition according to the rating migration matrix, actual decrease of the borrower's external credit rating under liabilities in domestic currency by 4 levels, violation by a borrower of the established regulatory requirements, classification of a borrower as problem.

Objective evidence of impairment for financial assets includes information about the following loss events:

- significant financial difficulties experienced by the borrower or the issuer
- breach of contract by the borrower or breach of the issuance conditions by the securities issuer
- possibility of bankruptcy or other financial reorganization of the borrower or the issuer
- granting to the borrower or issuer concessions associated with financial difficulties of the borrower or the issuer that the lender would not otherwise consider (such as a change in the interest rate or extension. etc.)
- observable data indicating that there is a measurable decrease in the estimated future returns from a group of financial assets since the initial recognition of those assets.

Objective evidence of impairment are recognized at the level of the financial instrument. The financial-instrument-level approach envisages that if there is at least one attribute of an objective evidence of impairment at the level of the financial instrument, the financial instrument and all financial instruments of this borrower are deemed to have objective evidence of impairment. An event of default is one of the attributes of the objective evidence of impairment.

For all asset groups the NBU defines a default as incapability or unwillingness of a counterparty/issuer/borrower to fulfill their financial obligations towards the NBU which leads to direct financial losses from materialization of credit risk.

An event of default on obligations towards the NBU is recognized, in particular, for the financial assets with at least one payment past due for more than 90 calendar days as of the reporting date.

If no own historical data are available or historical data on losses are insufficient, other institutions' historical data on similar asset groups may be used. Professional judgement of the NBU's employees may also be used.

Own loss experience is adjusted on the basis of current information and forecast of the future economic situation in order to reflect the impact of current and forecast economic conditions that did not apply in the period of the available

historical loss data and to exclude the impact of conditions of this historical period which were absent as of the reporting date.

Information on the actual and forecast values of future economic conditions (macroeconomic indicators) is used to determine the probability of default taking into account the impact of future economic conditions, and when choosing discounts to be applied to the value of collateral depending on the stage of the economic cycle.

Therefore, the applied methods allow to use historical data on losses for a group of assets with similar credit risk characteristics and current data that reflect current conditions and forecasts of the future economic situation.

The NBU estimates its impairment losses on individual and collective basis.

Assessment on individual basis is conducted for the financial assets that were found to show objective evidence of impairment, and assets that make up public and publicly guaranteed debt, or liabilities of state-owned enterprises and organizations (including state-owned banks and the Deposit Guarantee Fund).

Assessment on a collective basis is conducted for financial instruments with common credit risk features (for example, deposits in foreign banks are grouped by credit ratings set by international rating companies like *Fitch Ratings*, *Moody's*, and *Standard & Poor's*; and loans issued to Ukrainian banks to support liquidity – according to ratings defined by the NBU's internal methodology).

The NBU uses the following three approaches to calculate expected credit losses:

1) assessment on a collective basis (credit risk parameters), according to which the expected credit loss is the product of exposure at risk of default, the probability of default, and the level of losses in case of default, taking into account the forecast scenarios weighted by the probability

2) assessment on a collective basis (repayment scenarios) taking into account the unconditional probability of their occurrence, according to which the expected credit loss is the present value of the difference between the envisaged contractual cash flows payable to the NBU under loan agreements, discounted at the effective interest rate, and total cash flows that the NBU expects to receive under probable loan repayment scenarios, discounted at the effective interest rate

3) assessment on an individual basis (customized repayment scenario), according to which the expected credit loss is the present value of the difference between the envisaged contractual cash flows payable to the NBU under a loan agreement, discounted at the effective interest rate, and total cash flows that the NBU expects to receive under the

customized loan repayment scenario, discounted at the effective interest rate.

Credit losses on insignificant accounts receivable and contract assets are assessed by a simplified method.

In the event the amount of expected credit losses decreases as a result of the events that evidence on the decrease in credit risk on the financial instrument, the amount of such allowance for financial instrument is reversed. The amount of decrease in expected credit losses is reported within profit or loss in the consolidated statement of profit or loss and other comprehensive income.

For banknotes and coins in cash stocks, cash handling offices, and ATMs, the presence of which is unconfirmed and over which control is lost, are provisioned against cash losses. Such provisioning is recognized in profit or loss in the consolidated statement of profit or loss and other comprehensive income.

Written off Financial Assets

Irrecoverable financial assets are written off partially or completely against the created allowance for expected credit losses upon completion of all required procedures on the asset recoverable amount, when there are no reasonable expectations of recovering contractual cash flows.

Change in Classification

Securities may be reclassified – as an exception - between categories (at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income) – if the model of financial assets management changes. Classification and measurement requirements related to a new category are applied prospectively from the first day of the reporting year following the year when the changes to the model for financial asset management that led to reclassification were recognized.

Changes in Terms and Conditions (Modification) of Financial Assets

If terms and conditions under a financial asset change significantly, the NBU derecognizes such an asset and recognizes a new financial asset at fair value in profit or loss in the consolidated statement of profit or loss and other comprehensive income.

If the change in terms and conditions is not significant, then the gross carrying amount of those assets is adjusted. The amount of the adjustment is recognized as gains/losses from changes in terms (modification) of financial assets in the consolidated statement of profit or loss and other comprehensive income.

A change in the terms (modification) of a financial asset, in particular a loan granted, is significant if at least one of the following occurs:

- a significant change in the qualitative parameters of the financial asset, i.e. the amount and mix (profile) of risks

and rewards (e.g. change of repayment currency, replacement of the borrower, reissuance of several disbursements into one, division of one disbursement into several new ones)

- a significant change (in terms of economic sense) in one or more quantitative parameters of a financial asset (e.g., amount, term, nominal interest rate, schedule of repayment of principal and/or interest)
- a significant change in the amount of future cash flows on the financial asset (i.e. a change of at least 10 per cent in the current gross carrying amount of the financial asset at the date when the terms change).

Repo Transactions

Funds paid under the agreements for purchase and sale of securities with counterparty banks with a subsequent repurchase obligation (reverse repo) are recorded as loans to banks. The difference between the purchase and resale prices is treated as interest income recognized over the life of the repo agreements using the effective interest rate method.

The funds received under repo agreements are included in the Accounts of Banks item in the consolidated statement of financial position. The securities sold under repo agreements are retained as the assets of the NBU. The difference between the sale and repurchase prices is treated as interest expense and accrued over the life of the repo agreement using the effective interest rate method.

Transactions in Foreign Currency and Monetary Gold

Monetary assets and liabilities in foreign currency and monetary gold are estimated initially according to the official hryvnia exchange rate to foreign currencies/accounting prices of investment metals on whichever date comes earlier: settlement date or accrual date of monetary assets and liabilities, and later on reassessed each time the official exchange rate/accounting price changes.

From 31 December 2022 through 2 October 2023, the official exchange rate of the hryvnia against the US dollar had been fixed at UAH 36.5686 per 1 U.S. dollar. In 2023, the official hryvnia exchange rate to other currencies and the reference price of investment metals were set based on the information on the official hryvnia exchange rate to the U.S. dollar and on BFIX quotes (value of weighted average exchange rate/price quotes of Bloomberg Generic Price for foreign currencies on the SPOT market against the U.S. dollar/ the U.S. dollar to foreign currencies according to TIC BLOOMBERG) for currencies for which TIS BLOOMBERG published the BFIX quotation on the day the official hryvnia exchange rate was calculated.

Since 3 October 2023, as part of implementation of the Strategy for Easing FX Restrictions, Transitioning to Greater Flexibility of the Exchange Rate, and Returning to Inflation Targeting, the NBU moved to the regime of managed flexibility of the exchange rate on the basis of the principles used before Russia's full-scale invasion of Ukraine.

So, starting on 3 October 2023, the National Bank of Ukraine sets the official exchange rate of the hryvnia against the US dollar based on all USD purchase/sale deals quoted on tod, tom, and spot terms in amounts from USD 100,000 to USD 5 million between banks and between banks and the NBU, entered into as of the moment of official exchange rate calculation in the Ukrainian FX market, and the information on which was provided to the NBU by the trading and information systems using a two-step procedure for cutting off the transactions with extreme parameters.

In 2023, the official hryvnia-to-U.S. dollar exchange rate was set each business day.

Monetary gold stands for gold reserves in bullions of global standard and coins not less than 995 fineness that belong to the NBU and make up international reserves. Monetary gold transactions can only be transacted between monetary regulators of different states or between those regulators and international lending institutions.

The gold owned by the NBU but not included in reserve assets is not recognized as monetary gold.

Monetary gold is reported by weight in Troy ounces and its value in hryvnia according to accounting price of investment metals. Accounting price of investment metals is estimated based on BFIX price quotations in U.S. dollars against investment metals released by TIS BLOOMBERG (or information on the last available price of investment metals received from the website of the London Bullion Market Association or TIS) and the official hryvnia exchange rate against the U.S. dollar.

Gold in foreign banks generating interest is reported as funds and deposits in foreign currency and investment metals (nonfinancial assets) and recognized in the consolidated financial statements at the accounting price of investment metals as of the date of the consolidated statement of financial position.

The main official exchange rates of hryvnia against foreign currencies/accounting price of investment metals used for reporting the monetary items of the consolidated statement of financial position and monetary gold, were as follows:

	31 December 2023 (in UAH)	31 December 2022 (in UAH)
1 U.S. dollar	37.9824	36.5686
1 SDR	50.95983	48.667093
1 euro	42.2079	38.951
1 GBP	48.4883	44.0048
1 Troy ounce of gold	78,861.34	66,075.8

Revaluation of monetary assets and liabilities in foreign currency and monetary gold, as well as gold held in foreign banks, due to changes in the official hryvnia exchange rate against foreign currencies/accounting price of investment metals are reported as financial results in the consolidated statement of profit or loss and other comprehensive income in the period in which they occurred.

Offsetting

Financial assets and liabilities are offset (and the net amount reported in the consolidated statement of financial position) for transactions in which the obligations of the parties are terminated by offsetting counter homogeneous monetary claims in accordance with the law of Ukraine and/or the terms of the contract.

Approach to Disclosure of Information on Changes in Carrying Amount of Financial Instruments for the Reporting Year

In these consolidated financial statements the net-basis approach to disclosure of information is used:

- to financial assets measured at amortized cost: changes in the gross carrying amount and allowances for expected loan losses are reflected only for those financial assets, on which there were outstanding debts as of the beginning and/or end of the reporting period (Note 10)
- to financial assets measured at fair value through profit or loss: changes in fair value are reflected only for those financial assets included into Level 3 of fair value measurement, on which there were outstanding debts as of the beginning and/or end of the reporting period (Note 21).

5. Key Estimates and Judgments in Applying Principles of Financial Instruments Accounting

A professional judgment/assumption is a documented reasoned decision of the NBU's employees, which is based on:

compliance of factual actions to determine each component of the expected credit loss assessment with the NBU's methodology on assessing expected credit losses on financial instruments

comprehensive and unbiased analysis of all information that influences the determination of the size of components and factors (events, attributes) of assessing credit risk and expected credit losses

the NBU's own experience which is based on reliable, uninterrupted, complete, and integral statistical data accumulated over at least previous three consecutive years

ensuring a comprehensive, timely, and objective assessment of credit risk and expected credit losses in compliance with the principles set out in the NBU's methodology on assessing expected credit losses on financial instruments

Measurement of Allowances for Expected Credit Losses on Demand Deposits and Time Deposits in Foreign Currency and Monetary Gold

The NBU regularly assesses demand deposits and term deposits in foreign currency and monetary gold measured at amortized cost for their possible impairment.

The NBU's management uses combined statistics from international rating agencies Fitch Ratings, Moody's and Standard & Poor's for a period allowing to consider the impact of the economic cycle (at least 10 years) to estimate the probability of default (PD) and loss given default (LGD) in order to determine a need for recognizing the cost of provisions allowances for expected credit losses.

Demand deposits and term deposits in foreign currency are considered to have low credit risk, if the long-term credit rating of the counterparty under the relevant financial instrument on the reporting date is not lower than BBB-, that is, belongs to an investment class confirming the counterparty's high ability to fulfill all its contractual obligations in near future (its high current creditworthiness), even if adverse changes in the economic environment and long-term business activity may, but not necessarily, reduce creditworthiness of such counterparty.

Demand and term deposits in foreign currency and monetary gold are considered to be conditionally devoid of credit risk, if they are direct obligations of:

- The International Monetary Fund (IMF) or the Bank of International Settlements, denominated in any currency
- the country, denominated in the currency of this country, except for liabilities in euro
- a foreign central bank, denominated in the currency of the central bank's home country, except for liabilities in euro
- the European Central Bank, government of the Federal Republic of Germany and Deutsche Bundesbank denominated in euro.

As at 31 December 2023 and 2022 all demand funds and term deposits in foreign currency and monetary gold had a low level of credit risk or were conditionally devoid of credit risk.

Measurement of Allowances for Expected Credit Losses on Securities at Amortized Cost

The NBU regularly assesses its securities portfolio measured at amortized cost for impairment.

The NBU's management applies its professional judgment about indicators of significant increase in credit risk (Note 4) and cash shortfalls under the securities portfolio in order to determine a need for recognizing the expenses on allowances for expected credit losses. Such indicators may include data that indicate a negative change in the issuer's solvency.

Government debt securities denominated in the domestic currency of the issuing country, except for euro obligations, are considered to be conditionally devoid of credit risk. For debt securities that are considered to be conditionally devoid of credit risk, the probability of default for a period of 12 months and for the maturity of the financial instrument is deemed insignificant, i.e. close to zero.

To estimate expected credit losses on hryvnia-denominated Ukrainian government debt securities in the NBU's portfolio, the NBU management uses all available internal and external information relevant to this financial instrument.

The NBU has a special status. Its functions, characteristics, and activities differ from those of Ukraine's other financial entities. Specifically, the NBU maintains the accounts of the State Treasury Service of Ukraine, performs transactions to service the public debt, the functions of a depository of government securities of Ukraine, the functions of a depository bank in Ukraine's relations with the IMF, represents the interests of Ukraine to the central banks of other countries, international banks and other credit institutions, regularly collects data, analyzes it and forecasts the dynamics of macroeconomic, monetary, FX, and financial indicators, including the preparation of the balance of payments, and is the sole issuer of the hryvnia, Ukraine's domestic currency. Through Ukraine's membership of international financial institutions, the NBU, jointly with Ukraine's Ministry of Finance, actively cooperates with institutions such as the IMF, the World Bank Group, the EBRD, the Black Sea Trade and Development Bank, and the European Investment Bank.

Taking into account the special role the NBU plays as a central bank both at the level of the country and in relation to the Government as a party that provides banking and depository services to its own state, the NBU receives and has a practical opportunity to evaluate more relevant and timely data about an issuer of securities in real time.

When analyzing the risk of the issuer defaulting on obligations, the NBU takes into account both data from international rating agencies and the information available to the NBU, given its special role. In particular, the NBU takes into account the absence of information on payment delays and failures to make payments by the state both in the reporting period and in historical periods when, according to rating agencies, Ukraine was assessed as close to declaring default (1998, 2015, and 2022). However, the government of Ukraine has never delayed repayments on hryvnia debt securities. The NBU takes into account historical information and forecasts regarding the formation and servicing of the national debt of Ukraine. The NBU pays attention to differences in the economic and the political situations of the countries that compile the default data presented in the official reports of external rating agencies, etc.

Based on the results of analysis of the information available to the NBU, including statistics and forecasts on public debt and the State Budget of Ukraine (hereinafter referred to as the State Budget), research of dynamics for Ukraine's credit ratings in the national currency set by international rating agencies as compared with Ukraine's macroeconomic indicators during the period debt securities were outstanding in the NBU's portfolio, taking into account the NBU's view of the current and future performance of the Ukrainian economy; the positive dynamics of certain macroeconomic indicators compared to 2022; international support and cooperation with international financial organizations; as well as the opportunities and plans of the Government of Ukraine to raise funds in the domestic market, no indicators of significant increase in the credit risk on domestic government debt securities in the NBU's portfolio were identified.

The NBU's management believes that the issuer of government securities has the potential to meet its contractual obligations in domestic currency to the NBU in the short term. Therefore, as of the reporting date, the risk of default on hryvnia obligations has been identified as low. Adverse changes in economic and political conditions may or may not, in the long run, reduce the issuer's ability to meet its commitments. Based on the above, the NBU's management has come to a conclusion that the hryvnia government debt securities of Ukraine in the NBU portfolio have a low credit risk.

During the analysis of expected credit losses (the present value of the cash shortfalls), the NBU developed a number of scenarios of the probability of credit losses. Those included scenarios in which losses did not occur and those in which the result of the assessment of probable losses was different from zero. Expected credit losses on those scenarios ranged from UAH 16,617 million to UAH 30,780 million. The probabilities of those scenarios were estimated. Based on the scenario analysis performed and the conclusion about low credit risk and considering absence of indicators of significant increase in credit risk, the NBU management believes that as of 31 December 2023, domestic government debt securities are conditionally free of credit risk. Accordingly, the NBU management has determined that the amount of credit losses expected by the NBU on the hryvnia government debt securities of Ukraine in the NBU's portfolio is close to zero (Note 9). The NBU makes its own macroeconomic forecasts

on a quarterly basis and publishes them in its Inflation Report, which allows the central bank to make prompt revisions of its risk management strategy. On a regular basis, at least once a quarter, and during macroeconomic forecasting, the NBU carries out a thorough operational analysis of the issuer and the economic and political situation in the country in order to maintain up-to-date estimates of expected credit losses for the specified financial instruments.

Measurement of Allowances for Expected Credit Losses on Loans Granted to Banks and Other Borrowers

The NBU regularly assesses its loan portfolio for impairment.

A majority of loans to banks and other borrowers are assessed on a group basis based on repayment scenarios. Repayment scenarios and their probability are estimated based on NBU statistics on repayment of loans issued by Ukrainian banks, taking into account the possible impact of the future economic conditions, and are subject to regular revision of the NBU Board.

Loans to the banks under liquidation, declared insolvent or having significant financial difficulties (stage 3) are evaluated on individual basis. While estimating expected credit losses under said loans, the NBU's management applies judgment and estimates future cash flows primarily from sale of collateral.

The NBU measures the cost of real estate pledged as collateral for loans at fair value. Estimated value of collateral impacts the allowances for expected credit losses, which requires professional judgment. Accounting estimates related to the valuation of real estate, when there are no market prices formed in an active market, are a main source for uncertainty in valuation, as (i) it is characterized by high variability from period to period and (ii) the recognition of changes in estimates could potentially have a significant impact. The methodology and assumptions used to estimate the amounts and timing of future cash flows are constantly reviewed to avoid any discrepancies between the estimated and actual costs.

The consideration of the outstanding debt write-off matter is conducted periodically, taking into account a conservative approach and the fact that the NBU has a special status and is a special central body of state administration. Loan debt is written off from the balance sheet accounts in accordance with the decision of the NBU Board upon the recommendation of the specialized collegial body of the NBU.

A 10% decrease or increase in future discounted cash flows under the loans that are at stage 3 and assessed on an individual basis, which is possible due to differences in the amounts and maturities of cash flows, would lead to an increase in the expected credit losses by UAH 326 million or a decrease by UAH 326 million, respectively, as of 31 December 2023 (as of 31 December 2022 this would have led to an increase in the allowances for expected credit losses by UAH 365 million or decrease by UAH 365 million, respectively).

Section II.II. Financial Assets and Liabilities

6. Funds and Deposits in Foreign Currency and Investment Metals

	2023	2022
		(UAH millions)
Financial assets at amortized cost		
Foreign currency cash	41,278	39,474
Demand deposits in foreign currency	293,879	197,060
Short-term deposits in foreign currency	32,356	–
Allowances for expected credit losses on term deposits in foreign currency	(5)	–
Total financial assets at amortized cost	367,508	236,534
Nonfinancial assets		
Short-term deposits in gold	5,932	4,970
Total nonfinancial assets	5,932	4,970
Total funds and deposits in foreign currency and investment metals	373,440	241,504

As of 31 December 2023 and 2022, all funds and deposits in foreign currency are not secured.

As of 31 December 2023, the gross carrying value of demand deposits in foreign currency was UAH 293,879 million. In 2023, it changed mostly due to increase in balances on correspondent accounts with nonresident banks and overnight deposits initiated by the correspondent bank (as of 31 December 2022 it was UAH 197,060 million).

During 2023 and 2022, all demand deposits in foreign currency were at stage 1 for assessing expected credit losses. In 2023 and 2022, the NBU did not make any allowances for expected credit losses on the demand accounts in foreign currency (Note 5).

As of 31 December 2023, the gross carrying value of short-term deposits in foreign currency was UAH 32,356 million, allowances for expected credit losses were UAH 5 million (as

of 31 December 2022, the NBU had no term deposits in foreign currency).

In 2023 and 2022, term deposits in foreign currencies were at stage 1 for assessing expected credit losses.

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

Funds and deposits in foreign currency are analyzed by geographical concentration risk in Note 23, by credit risk – in Note 24, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27.

Information on funds and deposits in foreign currency and investment metals broken down into current and noncurrent funds is available in Note 37.

7. Foreign Securities

As of 31 December 2023, foreign securities were comprised of the following:

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(UAH millions)			
Foreign securities at fair value through profit or loss:			
Debt securities by issuers:			
securities issued by U.S. issuers:			
denominated in USD	889,466	362	889,828
securities issued by EU issuers:			
denominated in USD	263	109,723	109,986
denominated in GBP	–	1,927	1,927
denominated in AUD	–	860	860
securities issued by other issuers:			
denominated in USD	2,140	55,326	57,466
denominated in GBP	–	2,405	2,405
denominated in AUD	437	–	437
denominated in Chinese renminbi	–	7,766	7,766
denominated in JPY	404	1,344	1,748
Total debt securities	892,710	179,713	1,072,423
Equity instruments:			
shares of the Black Sea Trade and Development Bank	–	676	676
Total equity instruments	–	676	676
Total foreign securities at fair value through profit or loss	892,710	180,389	1,073,099

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

Foreign securities are analyzed by geographical concentration risk in Note 23, by credit risk – in Note 24, by

foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27.

Information on securities broken down into current and noncurrent ones is available in Note 37.

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

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(UAH millions)			
Foreign securities at fair value through profit or loss:			
Debt securities by issuers:			
securities issued by U.S. issuers:			
denominated in USD	583,952	–	583,952
securities issued by EU issuers:			
denominated in USD	946	22,302	23,248
denominated in EUR	–	975	975
securities issued by other issuers:			
denominated in USD	–	55,652	55,652
denominated in EUR	–	9,701	9,701
denominated in AUD	797	408	1,205
denominated in GBP	3,664	1,532	5,196
denominated in Chinese renminbi	–	10,456	10,456
denominated in JPY	409	4,088	4,497
Total debt securities	589,768	105,114	694,882
Equity instruments:			
shares of the Black Sea Trade and Development Bank	–	624	624
Total equity instruments	–	624	624
Total foreign securities at fair value through profit or loss	589,768	105,738	695,506

Information about the nominal value, coupon rate and maturities of foreign debt securities as of 31 December 2023 is presented in the table below:

	Total nominal value in foreign currency, in millions	Total nominal value in hryvnia equivalent, UAH millions	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
Debt securities at fair value through profit or loss by issuers:					
Government bonds:					
securities issued by U.S. issuers:					
denominated in USD	23,642	897,997	0–5.471199	Quarterly, every 6 months, without coupon payments	From two days to 1.6 years
securities issued by EU issuers:					
denominated in USD	7	266	0	Without coupon payment	2.7 months
securities issued by other issuers:					
denominated in USD	56	2,138	1.75–7.125	Every 6 months	From 23 days to 9.7 months
denominated in AUD	17	436	2.75	Every 6 months	3.7 months
denominated in JPY	1,500	404	0.02	Every 6 months	1.5 years
Securities issued by international agencies, banks and other issuers:					
securities issued by U.S. issuers:					
denominated in USD	9	356	5.51–5.64	Every 6 months	From 3.1 months to 8.7 months
securities issued by EU issuers:					
denominated in USD	2,972	112,898	0–6.318882	Quarterly, every 6 months, without coupon payments	From 1 month to 1.7 years
denominated in GBP	40	1,940	0	Without coupon payment	1.3 months
denominated in AUD	34	870	0	Without coupon payment	From 1.2 months to 5.7 months
securities issued by other issuers:					
denominated in USD	1,500	56,981	0–6.601415	Quarterly, every 6 months, once a year, without coupon payments	From 16 days to 1.4 years
denominated in GBP	50	2,424	0	Without coupon payment	From 16 days to 3.6 months
denominated in Chinese renminbi	1,450	7,756	0–3.4	Every 6 months, once a year, without coupon payments	From 22 days to 1.6 years
denominated in JPY	5,000	1,347	0.295	Every 6 months	9.7 months

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

	Total nominal value in foreign currency, millions	Total nominal value in the hryvnia equivalent, UAH millions	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
Debt securities at fair value through profit or loss by issuers:					
Government bonds:					
securities issued by U.S. issuers:					
denominated in USD	16,183	591,782	0–2.75	Every 6 months, without coupon payments	From 15 days to 11.6 months
securities issued by EU issuers:					
denominated in USD	26	954	0–0.625	Once a year, without coupon payment	From 2.5 months to 3.9 months
securities issued by other issuers:					
denominated in AUD	32	784	5.5	Every 6 months	3.7 months
denominated in GBP	84	3,674	0.125	Every 6 months	1 month
denominated in JPY	1,500	410	0.02	Every 6 months	2.5 years
Bonds issued by international agencies, banks and other issuers:					
securities issued by EU issuers:					
denominated in USD	614	22,457	0–4.89514	Quarterly, every 6 months, once a year, without coupon payments	From 17 days to 1.2 years
denominated in EUR	25	974	2.593	Quarterly	2.2 months
securities issued by other issuers:					
denominated in USD	1,521	55,623	0–5.72271	Quarterly, every 6 months, once a year, without coupon payments	From 3 days to 2.3 years
denominated in EUR	250	9,738	0	Without coupon payment	From 1.3 months to 2.6 months
denominated in AUD	17	410	0	Without coupon payment	2 months
denominated in GBP	35	1,540	0	Without coupon payment	1.6 months
denominated in Chinese renminbi	2,000	10,503	0–3.4	Every 6 months, once a year, without coupon payments	From 1 month to 2.6 years
denominated in JPY	15,000	4,104	0–0.295	Every 6 months, without coupon payments	From 5.2 months to 1.8 years

8. Transactions with the IMF

Accounting Policy

The NBU acts as a custodian bank in relations between Ukraine and the IMF.

The NBU's consolidated financial statements include all fund claims of Ukraine to the IMF and liabilities to the IMF for the funds received by the NBU.

The respective assets include:

- special drawing rights (SDR) holdings
- IMF quota contributions (including the reserve position of the IMF).

The respective liabilities include:

- the value of securities issued to the IMF by the NBU for its quota and borrowings
- funds on IMF accounts No. 1 and No. 2. IMF's account No. 1 is used for IMF transactions, including quota subscription payments, purchase and repurchase of funds. Account No. 2 is used for settlements with the IMF in the Ukrainian currency.

Assets and liabilities denominated in SDR, including the IMF quota contributions, are translated into UAH at the NBU's official exchange rate of hryvnia against SDR as of the date of the consolidated statement of financial position. The official exchange rate of UAH against SDR is calculated based on the information about the exchange rate of SDR against USD set by the IMF and the NBU's official hryvnia against the U.S. dollar exchange rate. The NBU classifies SDR holdings and IMF quota contributions according to amortized cost.

The income on SDR holdings is recognized as interest income, and charges paid in respect of the use of the IMF's funds are recognized as interest expenses and fees and commissions in the consolidated statement of profit or loss and other comprehensive income. The fees under the arrangement on SDR purchase, which are paid at the beginning of each 12-months period of the respective arrangement and are subject to reimbursement upon receipt of individual tranches, are recognized within other assets. Nonreimbursable fees under arrangements on SDR purchases are recorded as fees and commissions. Expenses related to operations with the IMF are amortized using the effective interest rate method and recorded as interest expense.

8.1. SDR Holdings

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

Cash flows in the SDR holding accounts in 2023 and 2022 were as follows:

	2023	2022
		(UAH millions)
Balance of SDR holdings as of 1 January	62,174	510
Proceeds from the IMF:		
in favor of the government	164,012	88,181
Proceeds from international donor financial aid to Ukraine:		
in favor of the government	64,235	87,648
Purchase of SDRs	23,300	25,326
Other proceeds and payments	321	26
Loan repayment:		
on behalf of the NBU (Note 8.3)	(59,107)	(53,316)
on behalf of the government	(33,671)	(14,161)
Payment of fees and commissions related to transactions with the IMF	(1,240)	(441)
Conversion of SDRs to other foreign currencies:		
in favor of the NBU	(155,394)	(71,884)
Payment of interest for the use of IMF loans:		
on behalf of the NBU	(7,190)	(4,912)
on behalf of the government	(18,742)	(5,351)
Payment of interest for the use of funds received under SDR allocation:		
on behalf of the NBU	(142)	(31)
on behalf of the government	(5,501)	(1,112)
Other payments	(2)	(1)
Income on SDR holdings	1,820	688
Exchange rate differences	697	11,004
Balance of SDR holdings as of 31 December	35,570	62,174

In 2023 and 2022, there were no proceeds from the IMF under credit programs in favor of the NBU.

In April 2022, the IMF's Executive Board approved the opening of the IMF administered account for Ukraine providing a safe way for donors to direct financial aid for Ukraine in a form of grants and loans. In 2023, SDR 1,305 million or UAH 64,235 million was transferred from this account to the SDR holding account at the official UAH/SDR exchange rate on the transaction date in favor of the Government (in 2022, SDR 2,081 million or UAH 87,648

million at the official UAH/SDR exchange rate on the transaction date) and credited to the account of the State Treasury Service of Ukraine.

SDR holdings are analyzed by geographical concentration risk in Note 23, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27.

Information on SDR holdings classification by current and noncurrent is presented in Note 37.

8.2. 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 8.3).

As of 31 December 2023, Ukraine's total quota in the IMF amounted to SDR 2,012 million (UAH 102,521 million at the year-end official UAH/SDR exchange rate) (31 December 2022: SDR 2,012 million, or UAH 97,908 million at the year-end official UAH/SDR 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 a part of the country's currency reserves.

As of 31 December 2023, the reserve position of Ukraine in the IMF amounted to SDR 241,031 (UAH 12.3 million at the official UAH/SDR exchange rate as of the end of the reporting period) (as of 31 December 2022, it was SDR 241,031, or UAH 11.7 million at the year-end official UAH/SDR exchange rate). The amount of the reserve position is included into the item *IMF Quota contributions* of the Consolidated Statement of Financial Position.

IMF quota contributions are analyzed by geographical concentration risk in Note 23, by foreign currency risk – in Note 25, and by liquidity risk – in Note 27.

Information on IMF quota contributions classification by current and noncurrent is presented in Note 37.

8.3. Liabilities to the IMF

	2023	2022
	(UAH millions)	
Liabilities to the IMF for SDR purchases	81,844	137,293
Liabilities to the IMF for SDR allocations	4,179	3,982
IMF account No. 2	4	4
Liabilities to the IMF apart from quota contributions	86,027	141,279
Liabilities to the IMF on quota contributions	102,252	97,651
IMF account No. 1	257	246
Liabilities to the IMF on quota contributions	102,509	97,897
Total liabilities to the IMF	188,536	239,176

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 2023 and 2022, there were no proceeds from the IMF to the NBU (Note 8.1).

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 expenses in UAH in Ukraine. During 2023, the IMF administrative expenses in the amount of UAH 0.2 million were paid from account No. 2 (in 2022, there were no IMF administrative expenses).

Liabilities to the IMF on quota contributions represent liabilities for quota settlement.

In 2023 and 2022, no changes occurred in the size of the quota (Note 8.2).

In 2023, liabilities worth SDR 1,211 million (UAH 59,107 million at the official exchange rate as of the transaction date, or UAH 54,861 million at the annual exchange rate of the IMF) were repaid to the IMF [in 2022, repayments of liabilities to the IMF worth SDR 1211 million (UAH 53,316 million at the official exchange rate as of the transaction date, or UAH 47,859 million at the annual exchange rate of the IMF) were made] (Note 8.1).

Liabilities to the IMF are analyzed by geographical concentration risk in Note 23, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27.

Information on liabilities to the IMF classification by current and noncurrent presented in Note 37.

9. Domestic Securities

	2023	2022
		(UAH millions)
Securities at fair value through profit or loss		
in foreign currencies:		
government derivatives denominated in US dollars	729	460
Total securities at fair value through profit or loss	729	460
Debt securities at amortized cost:		
in domestic currency:		
domestic government debt securities (at a fixed interest rate)	277,351	292,165
domestic government debt securities (at a floating interest rate)	449,738	464,415
Total debt securities at amortized cost	727,089	756,580
Total domestic securities	727,818	757,040

According to Article 54 of the Law of Ukraine *On the National Bank of Ukraine*, the NBU has no right to acquire securities in the primary market, which are issued by the Cabinet of Ministers of Ukraine, a state institution, or other legal entity whose property is state-owned.

However, according to Law of Ukraine No. 2118-IX *On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Regarding the Specific Taxation and Reporting Under Martial Law* dated 3 March 2022, this article was temporarily suspended from 7 March 2022 for the duration of martial law in Ukraine.

In 2023 the NBU did not purchase domestic government debt securities. In March-December 2022, the NBU acquired on a primary market from the issuer, the Ministry of Finance of Ukraine, domestic government debt securities at a fixed interest rate and domestic government debt securities at a floating interest rate with the total nominal value of

UAH 400,000 million. Those domestic government debt securities have nominal value UAH 1,000 each, with UAH 120,000 million falling on securities at a fixed interest rate and UAH 280,000 on securities at a floating interest rate.

Each government derivative has a notional value of USD 1,000 or such aggregate value that is an integer multiple equal to USD 1,000 (hereinafter referred to as the "notional value"). Payments on government derivatives depend on reaching certain GDP indicators and the indicator of real GDP growth for 2019–2039.

Domestic securities are analyzed by credit risk in Note 24, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27. Estimated fair value of domestic securities is given in Note 21.

Information on domestic securities classification by current and noncurrent is presented in Note 37.

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as of 31 December 2023 is presented in the table below:

	Total nominal value and notional value in the UAH equivalent, UAH millions	Total nominal value and notional value in foreign currency, millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
Securities at fair value through profit or loss:						
in foreign currencies:						
government derivatives	1,665	44	–	–	–	Up to 17.4 years
Debt securities at amortized cost:						
in domestic currency:						
domestic government debt securities (at a fixed interest rate)	265,018	–	11.30–19.35	8.12–19.75	Once a year, every 6 months	From 0.6 months to 13.3 years
domestic government debt securities (at a floating interest rate)	425,173	–	6.74–13.59	4.10–21.86	Once a year	From 9.4 years to 28.4 years

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

	Total nominal value and notional value in the UAH equivalent, UAH millions	Total nominal value and notional value in foreign currency, millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
Securities at fair value through profit or loss:						
in foreign currencies:						
government derivatives	1,603	44	–	–	–	Up to 17.4 years
Debt securities at amortized cost:						
in domestic currency:						
domestic government debt securities (at a fixed interest rate)	279,572	–	12.27–22.28	8.12–21.33	Once a year, every 6 months	From 0.6 months to 14.3 years
domestic government debt securities (at a floating interest rate)	425,173	–	5.95–15.92	21.50–27.50	Once a year	From 10.4 years to 29.4 years

As at 31 December 2023, the gross carrying value of domestic government securities was UAH 727,089 million (as of 31 December 2022, it was UAH 756,580 million). During 2023 and 2022, all government securities were at stage 1. Changes in gross carrying value in 2023 primarily due to the

domestic government debt securities repayments (in 2022 - mainly due to securities purchases). In 2022 and 2023, the NBU did not book provisions for expected credit losses on government securities (Note 5).

10. Loans to Banks and Other Borrowers

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

	2023	2022
	(UAH millions)	
Loans granted to banks to support their liquidity:		
for stabilizing banking activities	36,915	37,853
through tenders conducted by the NBU:		
long-term	2,480	36,899
short-term	282	1,542
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)	21	21
Provisions for expected credit losses on loans to banks and other borrowers	(34,017)	(35,544)
Total loans to banks and other borrowers	5,691	40,781

During 2023, the NBU supported the liquidity of banks via a standing refinancing line (overnight loans), banks' refinancing with maturities up to one year by holding tenders [during 2022: via a standing refinancing line (overnight loans), banks' refinancing with maturities from 14 to 90 days and up to one year by holding tenders].

The NBU performs banks' refinancing by providing the banks overnight loans and refinancing loans and has the outstanding debts under refinancing loans as of 31 December 2023 and 2022. The NBU grants to banks the overnight and refinancing loans secured by a pool that may consist of the following asset (property) types: securities [Ukrainian government bonds, bonds of international financial institutions (issued in accordance with the Ukrainian laws), corporate bonds placed against the CMU's guarantees, domestic municipal bonds], including property rights to future cash flows in national and/or foreign currency as payment of income and/or repayment of pledged securities to separate bank accounts at the NBU; the NBU's certificates of deposit,

including property rights to future cash receipts as payment of income and/or repayment of pledged certificates of deposit to separate bank accounts at the NBU; foreign currency (U.S. dollars, euros, GB pounds, Swiss francs, Japanese yens); cash in national and/or foreign currency transferred as payment of income and/or repayment of pledged securities and/or certificates of deposit, property rights to future receipts pledged as collateral.

The securities (Ukraine's government bonds, corporate bonds, including those placed under the CMU's guarantees), foreign currency, shares of the owners of a bank's qualifying holding, 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 December 2023 and 2022. Since 2017, the NBU has not granted the stabilization loans. Instead of stabilization loans, the NBU may issue to banks loans for emergency liquidity assistance, but no such loans have been issued yet.

In 2023, the movements in gross carrying value of loans for stabilizing banking activities were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH millions)
Gross carrying value of loans for stabilizing banking activities, as of 1 January 2023	–	–	37,853	–	37,853
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	–	–	(3)	–	(3)
Writing off assets against provisions (including in part)	–	–	–	–	–
Other changes (including partial repayment)	–	–	(935)	–	(935)
Gross carrying value of loans for stabilizing banking activities, as of 31 December 2023	–	–	36,915	–	36,915

Changes in allowance for expected credit losses on loans for stabilizing banking activities in 2023 were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH million)
Allowance for expected credit losses on loans for stabilizing banking activities, as of 1 January 2023	–	–	34,201	–	34,201
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	–	–	(3)	–	(3)
Writing off assets against provisions (including in part)	–	–	–	–	–
Adjustment of interest income under loans	–	–	(597)	–	(597)
Change in parameters/models used for calculating allowances and their partial repayment	–	–	58	–	58
Allowance for expected credit losses on loans for stabilizing banking activities, as of 31 December 2023	–	–	33,659	–	33,659

In 2022, the movements in gross carrying value of loans for stabilizing banking activities were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH millions)
Gross carrying value of loans for stabilizing banking activities, as of 1 January 2022	–	–	38,955	–	38,955
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	–	–	–	–	–
Writing off assets against provisions (including in part)	–	–	(31)	–	(31)
Other changes (including partial repayment)	–	–	(1,071)	–	(1,071)
Gross carrying value of loans for stabilizing banking activities, as of 31 December 2022	–	–	37,853	–	37,853

Changes in allowance for expected credit losses on loans for stabilizing banking activities in 2022 were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH million)
Allowance for expected credit losses on loans for stabilizing banking activities, as of 1 January 2022	–	–	34,688	–	34,688
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	–	–	–	–	–
Writing off assets against provisions (including in part)	–	–	(31)	–	(31)
Adjustment of interest income under loans	–	–	(689)	–	(689)
Change in parameters/models used for calculating allowances and their partial repayment	–	–	233	–	233
Allowance for expected credit losses on loans for stabilizing banking activities, as of 31 December 2022	–	–	34,201	–	34,201

In 2023, the movements in gross carrying value of long-term loans issued to banks by holding tenders were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH million)
Gross carrying value of long-term loans issued to banks by holding tenders, as of 1 January 2023	32,437	4,462	–	–	36,899
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	(913)	913	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	(29,906)	(4,312)	–	–	(34,218)
Writing off assets against provisions (including in part)	–	–	–	–	–
Other changes (including partial repayment)	(5)	(196)	–	–	(201)
Gross carrying value of long-term loans issued to banks by holding tenders, as of 31 December 2023	1,613	867	–	–	2,480

Changes in allowance for expected credit losses on long-term loans issued to banks by holding tenders in 2023 were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH millions)
Allowance for expected credit losses on long-term loans issued to banks by holding tenders, as of 1 January 2023	256	752	–	–	1,008
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	(38)	38	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	(202)	(732)	–	–	(934)
Writing off assets against provisions (including in part)	–	–	–	–	–
Adjustment of interest income under loans	–	–	–	–	–
Change in parameters/models used for calculating allowances and their partial repayment	(12)	(17)	–	–	(29)
Allowance for expected credit losses on long-term loans issued to banks by holding tenders, as of 31 December 2023	4	41	–	–	45

In 2022, the movements in gross carrying value of long-term loans issued to banks by holding tenders were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
(UAH million)					
Gross carrying value of long-term loans issued to banks by holding tenders, as of 1 January 2022	88,852	–	–	–	88,852
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	(5,647)	5,647	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	(48,172)	–	–	–	(48,172)
Writing off assets against provisions (including in part)	–	–	–	–	–
Other changes (including partial repayment)	(2,596)	(1,185)	–	–	(3,781)
Gross carrying value of long-term loans issued to banks by holding tenders, as of 31 December 2022	32,437	4,462	–	–	36,899

Changes in allowance for expected credit losses on long-term loans issued to banks by holding tenders in 2022 were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
(UAH million)					
Allowance for expected credit losses on long-term loans issued to banks by holding tenders, as of 1 January 2022	24	–	–	–	24
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	(2)	2	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	(18)	–	–	–	(18)
Writing off assets against provisions (including in part)	–	–	–	–	–
Adjustment of interest income under loans	–	–	–	–	–
Change in parameters/models used for calculating allowances and their partial repayment	252	750	–	–	1,002
Allowance for expected credit losses on long-term loans issued to banks by holding tenders, as of 31 December 2022	256	752	–	–	1,008

In 2023, the movements in gross carrying value of short-term loans issued to banks by holding tenders were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH million)
Gross carrying value of short-term loans issued to banks by holding tenders, as of 1 January 2023	1,260	–	282	–	1,542
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	(1,260)	–	–	–	(1,260)
Writing off assets against provisions (including in part)	–	–	–	–	–
Other changes (including partial repayment)	–	–	–	–	–
Gross carrying value of short-term loans issued to banks by holding tenders, as of 31 December 2023	–	–	282	–	282

Changes in allowance for expected credit losses on short-term loans issued to banks by holding tenders in 2023 were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH million)
Allowance for expected credit losses on short-term loans issued to banks by holding tenders, as of 1 January 2023	22	–	282	–	304
Purchased/originated loans	–	–	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	(22)	–	–	–	(22)
Writing off assets against provisions (including in part)	–	–	–	–	–
Adjustment of interest income under loans	–	–	–	–	–
Change in parameters/models used for calculating allowances and their partial repayment	–	–	–	–	–
Allowance for expected credit losses on short-term loans issued to banks by holding tenders, as of 31 December 2023	–	–	282	–	282

In 2022, the movements in gross carrying value of short-term loans issued to banks by holding tenders were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH millions)
Gross carrying value of short-term loans issued to banks by holding tenders, as of 1 January 2022	6,296	–	282	–	6,578
Purchased/originated loans	1,259	–	–	–	1,259
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	(6,295)	–	–	–	(6,295)
Writing off assets against provisions (including in part)	–	–	–	–	–
Other changes (including partial repayment)	–	–	–	–	–
Gross carrying value of short-term loans issued to banks by holding tenders, as of 31 December 2022	1,260	–	282	–	1,542

Changes in allowance for expected credit losses on short-term loans issued to banks by holding tenders in 2022 were as follows:

	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
					(UAH millions)
Allowance for expected credit losses on short-term loans issued to banks by holding tenders, as of 1 January 2022	–	–	282	–	282
Purchased/originated loans	22	–	–	–	22
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Derecognized or repaid loans (except for written-off and partly repaid)	–	–	–	–	–
Writing off assets against provisions (including in part)	–	–	–	–	–
Adjustment of interest income under loans	–	–	–	–	–
Change in parameters/models used for calculating allowances and their partial repayment	–	–	–	–	–
Allowance for expected credit losses on short-term loans issued to banks by holding tenders, as of 31 December 2022	22	–	282	–	304

As of 31 December 2023 and 2022, other loans were at stage 3, gross carrying value was UAH 10 million, allowance for expected credit losses was UAH 10 million.

As of 31 December 2023 and 2022, loans granted under credit lines to support small and medium entities from funds received from the EBRD and other loans remained at stage 3, gross carrying value was UAH 21 million, allowance for expected credit losses was UAH 21 million.

The information on gross carrying value of loans to banks and other borrowers by collateral types as of 31 December 2023 is given below:

	Loans granted to banks to support their liquidity	Loans granted to support small and medium enterprises based on funds received from the European Bank for Reconstruction and Development (EBRD)	Domestic public debt	Total
(UAH millions)				
Loans secured by:				
immovable property	4,367	–	–	4,367
securities	2,125	–	–	2,125
property rights under credit agreements	634	–	–	634
other collateral types	813	–	–	813
Unsecured loans	31,748	21	1,347	33,116
Total loans to banks and other borrowers	39,687	21	1,347	41,055

The information on gross carrying value of loans to banks and other borrowers by collateral types as of 31 December 2022 is given below:

	Loans granted to banks to support their liquidity	Loans granted under credit lines to support small and medium businesses using funds received from the European Bank for Reconstruction and Development (the EBRD)	Domestic public debt	Total
(UAH million)				
Loans secured by:				
immovable property	4,819	–	–	4,819
securities	36,790	–	–	36,790
property rights under credit agreements	666	–	–	666
other collateral types	1,845	–	–	1,845
Unsecured loans	32,184	21	1,444	33,649
Total loans to banks and other borrowers	76,304	21	1,444	77,769

Loans to banks and other borrowers are analyzed by geographical concentration risk in Note 23, by credit risk – in Note 24, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27. Estimated fair value of loans to banks and other borrowers is presented in Note 21. Information on loans to banks and other borrowers by current and noncurrent is presented in Note 37.

Loan Commitments

As of 31 December 2023 and 2022, the NBU had commitments for granting loans to the Deposit Guarantee Fund under an open revocable revolving credit line totaling UAH 3,000 million.

11. Other Financial Assets

	2023	2022
		(UAH millions)
Other financial assets at amortized cost:		
receivables	130	51
allowance for expected credit losses on receivables	(11)	(17)
NBU loans due from employees	29	37
allowance for expected credit losses on loans to employees	(11)	(12)
other	18	22
Total financial assets at amortized cost	155	81
Other financial assets at fair value through profit or loss:		
rights of claim under credit agreements transferred to the NBU	5	5
Total other financial assets	160	86

Other financial assets are unsecured.

In 2023 and 2022, loans to employees were at stages 1, 2, and 3 (Note 24); there was neither transition between stages nor any other significant changes.

As of 31 December 2023, FX swap and interest rate swap transactions generated no derivative financial assets at fair value. Derivative financial liabilities on FX swaps and interest rate swaps together with the description of transactions are presented in other financial liabilities (Note 15).

As of 31 December 2023, the NBU had no swap agreements (during 2022, the NBU performed foreign currency swaps with foreign banks with a maturity of up to one month for the purpose of managing international reserves).

As of 31 December 2022, the NBU had 2 foreign currency swap deals with UAH 1,834 million in receivables, and with USD 47.5 million (UAH 1,737 million at the official exchange rate as of the end of the year) in payables.

Other financial assets are analyzed by geographical concentration risk in Note 23, by credit risk – in Note 24, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27.

Information on other financial assets classification by current and noncurrent is presented in Note 37.

12. Accounts of Banks

	2023	2022
		(UAH millions)
Correspondent accounts:		
in domestic currency	212,227	77,245
in foreign currency	–	66
Other accounts of banks on demand:		
in foreign currency	1,269	4,562
Accounts of banks on special use terms:		
in domestic currency	1,676	2,518
in foreign currency	425	671
Funds placed to ensure the repayment of bank debts to the NBU:		
in foreign currency	662	1,615
Bank funds to ensure the execution of liabilities to the NBU:		
in domestic currency	2	–
in foreign currency	–	193
Total accounts of banks	216,261	86,870

As of 31 December 2023 and 2022, setting the interest rates on the balances in the domestic currency in the correspondent accounts was not prescribed by NBU regulations, therefore, there is no interest accrued.

Other demand accounts of banks included the funds placed by resident banks with the NBU in line with NBU regulations and signed agreements. As of 31 December 2023, balances of other foreign-currency demand deposits of banks bore an interest rate of 5.25% (4.25% as of 31 December 2022).

Accounts of banks on special-use terms include funds placed for the purposes of liquidation committees of banks to make settlements in the process of a bank's liquidation, as well as in other cases specified by the laws of Ukraine and the NBU's regulations.

Funds placed to ensure the repayment of bank debts to the NBU include the funds of resident banks placed in accounts

with the NBU as collateral for liabilities under loans granted under loan agreements and as security for interest rate swap transactions.

Funds of banks placed to ensure the repayment of bank debts to the NBU include funds of the pool of assets (property) that ensure the fulfillment of obligations under refinancing loans, transferred as payment of income and/or repayment of pledged securities, property rights for future proceeds of which had been pledged. There is no interest accrued on these funds.

Accounts of banks are analyzed by geographical concentration risk in Note 23, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27.

Information on accounts of banks classification by current and noncurrent is presented in Note 37.

13. Accounts of Government and Other Institutions

	2023	2022
		(UAH millions)
Funds of budgets and budget entities:		
in domestic currency	52,885	15,618
in foreign currency	85,060	36,632
Deposit Guarantee Fund:		
in domestic currency	539	947
Other:		
in domestic currency	867	714
in foreign currency	751	287
Total accounts of government and other institutions	140,102	54,198

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 accounts of budget-financed institutions are non-interest-bearing, except for the accounts of the Deposit Guarantee Fund, which bore interest of 4.60% as of 31 December 2023 (31 December 2022: 4.49%).

Accounts of government and other institutions are analyzed by geographical concentration risk in Note 23, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27.

Information on accounts of government and other institutions classification by current and noncurrent is presented in Note 37.

14. Certificates of Deposit Issued by the NBU

The certificates of deposit issued by the NBU are one of its monetary policy instruments. They are debt securities issued by the NBU in non-documentary form evidencing the placement of banks' funds with the NBU and the right of banks to receive on their maturity the funds placed, together with the interest accrued. The expenses (yield for the banks) on the certificates of deposit is set based on the NBU's Interest Rate Policy Framework, taking into account its current objectives.

The NBU updated the operational design of monetary policy, starting 7 April 2023, in order to strengthen the banks' market-based incentives for raising hryvnia retail term deposits and to reduce risks to the FX market and international reserves.

Changes to the operational design in 2023 also affected the NBU's certificates of deposit. The changes included gradual cutting the rate on overnight certificates of deposit from 23% to 20% per annum as of 7 April 2023, 18% as of 28 July 2023, 16% as of 15 September 2023, and 15% as of 15 December 2023. In April 2023, the NBU introduced the placement of limited deposit certificates for a term of up to 100 days at a fixed interest rate set at the level of the NBU's key policy rate of 25% per annum from 7 April 2023, 22% from 28 July 2023, and 20% from 15 September 2023. Subsequently, the calculation of the interest rate was changed and it was calculated as "the NBU's key policy rate + 4 pp" and set at the level of 20% per annum from 27 October 2023 and 19% from 15 December 2023.

	2023	2022
		(UAH millions)
Certificates of deposit at amortized cost:		
overnight certificates of deposit	441,457	457,464
certificates of deposit with maturities up to 100 days	180,210	–
Total amount of certificates of deposit at amortized cost	621,667	457,464

As of 31 December 2023 and 2022, the nominal value of the certificates of deposit issued by the NBU was UAH 1 million each.

Information on the nominal value, weighted average loss, interest rate, and period of placement as of 31 December 2023 is presented in the table below:

	Total nominal value of certificates of deposit, in UAH millions	Weighted average loss, % p.a.	Interest rate, % p.a.	Frequency of interest payments	Period of placement, calendar days
Certificates of deposit at amortized cost					
overnight certificates of deposit	440,913	15.00	15.00	One time during repayment	3
certificates of deposit with maturities up to 100 days	174,611	19.82	19.00–20.00	One time during repayment	91

Information on the nominal value, weighted average loss, interest rate, and period of placement as of 31 December 2022 is presented in the table below:

	Total nominal value of certificates of deposit, UAH millions	Weighted average loss, % p.a.	Interest rate, % p.a.	Frequency of payment interest payments	Period of placement, calendar days
Certificate of deposit at amortized cost					
overnight certificates of deposit	456,888	23,00	23,00	One time during repayment	3
certificates of deposit with maturities up to 100 days	–	–	–	–	–

Certificates of deposit are analyzed by geographical concentration risk in Note 23, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27.

Information on certificates of deposit classification by current and noncurrent is presented in Note 37.

15. Other Financial Liabilities

	2023	2022
		(UAH millions)
Other financial liabilities at amortized cost:		
Accounts payable	623	183
Provisions for employee benefits liabilities	650	648
other	33	28
Total other financial liabilities at amortized cost	1,306	859
Other financial liabilities at fair value through profit or loss:		
derivative financial liabilities (currency swap and interest rate swap transactions)	1,223	4,453
other	–	7
Total other financial liabilities	2,529	5,319

As of 31 December 2023, other financial liabilities included derivative financial liabilities for interest rate swap transactions in the amount of UAH 1,223 million (as of 31 December 2022 – UAH 4,390 million for interest rate swap transactions and UAH 63 million for FX swaps). Derivative financial assets under interest rate swap transactions, FX swap transactions as well as their terms are presented in Note 11.

As of 31 December 2023, the NBU had 40 interest rate swap agreements in the total amount of UAH 8,970 million with maturity terms from three to five years (including: notional value of transactions with a term of up to three years – UAH 1,500 million, up to four years – UAH 4,470 million, up to five years – UAH 3,000 million).

As of 31 December 2022, the NBU had 60 interest rate swap agreements in the total amount of UAH 16,981 million with maturity terms from 2 to 5 years (including: notional value of transactions maturing in 2 years was UAH 550 million, maturing in 3 years – UAH 8,961 million, maturing in 4 years – UAH 4,470 million, maturing in 5 years – UAH 3,000 million). From 1 October 2021, performance of these transactions was suspended due to rolling back of emergency monetary measures.

Other financial liabilities are analyzed by geographical concentration risk in Note 23, by foreign currency risk – in Note 25, by interest rate risk – in Note 26, and by liquidity risk – in Note 27.

Information on other financial liabilities classification by current and noncurrent is presented in Note 37.

16. Cash and Cash Equivalents

	Note	2023	2022
			(UAH millions)
Foreign currency cash	6	41,278	39,474
Demand deposits	6	293,884	197,068
Short-term FX deposits placed with maturities of up to three months (other than deposits in gold)	6	32,285	–
SDR holdings	8.1	35,483	61,919
Total cash and cash equivalents		402,930	298,461

Changes in liabilities that resulted from financial activities in 2023:

	Note	As of 1 January 2023	Issue/ attraction/ (repayment) of liabilities	Interest expenses paid	Changes in exchange rates	Interest expenses accrued	other	As of 31 December 2023
								(UAH millions)
Banknotes and coins in circulation		715,330	49,268	–	–	–	–	764,598
Liabilities to the IMF	8.3	239,176	(59,107)	(7,332)	8,667	7,047	85	188,536
Borrowings received		–	–	–	–	–	–	–
Certificates of deposit issued by the NBU	14	457,464	158,636	(85,993)	–	91,560	–	621,667

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 2022:

	Note	As of 1 January 2022	Issue/ attraction/ (repayment) of liabilities	Interest expenses paid	Changes in exchange rates	Interest expenses accrued	Other	As of 31 December 2022
								(UAH millions)
Banknotes and coins in circulation		627,819	87,511	–	–	–	–	715,330
Liabilities to the IMF	8.3	233,368	(53,316)	(4,943)	58,510	5,433	124	239,176
Borrowings received		2,728	(2,925)	(15)	197	15	–	–
Certificates of deposit issued by the NBU	14	212,926	244,089	(40,317)	–	40,766	–	457,464

Section II.III. Financial Results on Financial Instruments

Accounting Policy

Recognition of Income and Expenses

Interest Income and Expenses

Interest income and expense are recognized in the consolidated statement of profit or loss and other comprehensive income for all debt instruments (other than financial assets measured at fair value through profit or loss) on accrual basis using the effective interest rate method.

The NBU accounts for inflation indexed government bonds as floating-rate debt instruments and recognizes interest income using an effective interest rate that is revised monthly on the basis of actual inflation rates for the reporting period and not on the basis of inflation expectations or projections.

The NBU accounts for government bonds with a floating rate, that is calculated on the basis of the average annual value of the NBU key policy rate, as floating-rate debt instruments and recognizes interest income using an effective interest rate that is revised monthly on the basis of the actual key policy rate of the NBU effective during the reporting period and not on the basis of the NBU key policy rate expectations or projections.

Interest income on debt securities measured at fair value through profit or loss is determined based on the nominal interest rate and is recognized in the consolidated statement of profit or loss and other comprehensive income within results on transactions with debt securities at fair value.

Fee and Commission Income

Other commission income and expenses are recognized on an accrual basis in the reporting period in which the respective services are provided or received.

Gains/losses from Revaluation of Assets and Liabilities

Unrealized gains/losses from revaluation of assets and liabilities denominated in foreign currencies (investment metals) and monetary gold are recognized in connection with changes in the exchange rate of the hryvnia against foreign currencies, accounting price of investment metals during the reporting year.

Exchange rate differences recognized on the date of revaluation of the fair value of nonmonetary assets in a foreign currency at fair value through profit or loss (equity instruments) are recognized in the consolidated statement of profit or loss and other comprehensive income as gains less losses from financial instruments at fair value through profit or loss.

Gains/losses from revaluation of assets and liabilities are recognized as realized on disposal or redemption of the relevant revalued assets and liabilities. The amount so recognized equals the cumulative unrealized revaluations as of the date of such disposal or redemption.

Gains/losses from revaluation of foreign currency, monetary gold, and investment metals are recognized as realized at the end of the reporting month in the event of decrease of the total open position in foreign currency, monetary gold, and investment metals. The amount so recognized is proportional to the amount of said decrease.

Revaluation of monetary assets and liabilities in foreign currency and monetary gold, as well as gold held in foreign banks, due to changes in the official hryvnia exchange rate against foreign currencies/accounting price of investment metals, as well as revaluation results of assets and liabilities at fair value through profit and loss, are reported as financial results in the consolidated statement of profit or loss and other comprehensive income in the period in which they occurred.

17. Interest Income and Expenses

	2023	2022
		(UAH millions)
Interest income		
Income on domestic securities at amortized cost	105,860	90,626
Income on accounts and deposits in foreign currencies	14,897	2,842
Income on loans to banks	3,784	15,569
Income on SDR holdings	1,820	688
Income on domestic public debt	119	126
Other	3	3
Total interest income at the effective interest rate	126,483	109,854
Interest expenses		
Expenses on certificates of deposit issued by the NBU	(91,560)	(40,766)
Expenses on operations with the IMF	(7,132)	(5,557)
Expenses on banks' funds	(142)	(14)
Expenses on Deposit Guarantee Fund accounts	(96)	(210)
Expenses on borrowings received	–	(15)
Total interest expenses at the effective interest rate	(98,930)	(46,562)
Interest expenses on demand deposits and term deposits with a negative interest rate	–	(47)
Net interest income	27,553	63,245

Other interest income includes interest income on loans to employees.

In 2023, income on domestic securities at amortized cost included income on domestic government debt securities with a floating interest rate in amount of UAH 77,082 million (in 2022 – UAH 64,308 million).

18. Gains or Losses on Transactions with Financial Assets and Liabilities in Foreign Currency and Monetary Gold

	2023	2022
		(UAH millions)
Unrealized gains or losses on transactions with financial assets and liabilities in foreign currency and monetary gold	37,729	139,595
Realized gains or losses on transactions with financial assets and liabilities in foreign currency and monetary gold	25,793	35,961
Total gains or losses on transactions with financial assets and liabilities in foreign currency and monetary gold	63,522	175,556

19. Gains or Losses on Transactions with Financial Instruments at Fair Value through Profit or Loss

	2023	2022
	(UAH millions)	
Foreign securities at fair value through profit or loss		
Interest income	9,006	5,585
Unrealized gains allocated to revaluation reserve for financial instruments to their fair value	16,948	2,909
Unrealized losses covered by revaluation reserve for financial instruments to their fair value	(1)	(144)
Unrealized losses not compensated by revaluation reserves of financial instruments to their fair value	(19)	(479)
Total unrealized results on foreign securities at fair value through profit or loss	16,928	2,286
Realized results on foreign securities measured at fair value through profit or loss (previously unrealized results of the current year that were realized)	15,807	(3,013)
Total gains or losses from foreign securities at fair value through profit or loss	41,741	4,858
Derivative financial instruments		
Unrealized gains allocated to revaluation reserve for financial instruments to their fair value	2,323	–
Unrealized losses covered by revaluation reserve for financial instruments to their fair value	–	(676)
Unrealized losses not compensated by revaluation reserves of financial instruments to their fair value	–	(3,485)
Total amount of unrealized gains or losses on derivative financial instruments	2,323	(4,161)
Realized gains or losses on derivative financial instruments (previously unrealized gains or losses of the current year that were realized)	(864)	(1,182)
Total amount of gains or losses from derivative financial instruments	1,459	(5,343)
Equity instruments at fair value through profit or loss		
Unrealized gains allocated to revaluation reserve for equity instruments to their fair value	52	503
Unrealized losses not covered by revaluation reserve for equity instruments at their fair value	–	(1)
Total amount of unrealized gains or losses on equity instruments	52	502
Total gains or losses on transactions with financial instruments at fair value through profit or loss	43,252	17

In 2023, interests received on foreign securities included in the net increase of foreign securities in the Consolidated Cash Flow Statement amounted to UAH 5,785 million (in 2022 – UAH 7,076 million). Unrealized gains directed to

revaluation reserve and unrealized expenses covered by revaluation reserve are presented on a net basis in the Consolidated Statement of Changes in Equity.

20. Gains /(Losses) on the Reversal of Impairment/(Impairment) of Financial and Nonfinancial Assets

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

	2023	2022
		(UAH millions)
Gains /(losses) on the (impairment)/reversal of impairment on deposits in foreign currency at amortized cost	(4)	4
Gains on the reversal of impairment on claims under debt securities of other government institutions at amortized cost	–	37
Gains /(losses) from the reversal of impairment/(impairment) on loans to banks	929	(1,238)
Gains /(losses) from the reversal of impairment/(impairment) on loans to employees	1	(7)
Gains/(losses) from reversal of impairment/(impairment) on interest-bearing financial assets	926	(1,204)
Gains /(losses) on the reversal of impairment/(impairment) of receivables	3	(5)
Gains /(losses) on the reversal of impairment/(impairment) of other nonfinancial assets	7	(12)
Impairment losses on investments to authorized capital of associated company	–	(5)
Gains /(losses) on the reversal of impairment/(impairment) of other assets	10	(22)

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

21. 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 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.

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 at Fair Value

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

The fair value of foreign debt securities (except for capital instruments) 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 equity instruments is determined by an external appraiser using the income method based on Level 3 inputs.

The fair value of derivative financial instruments (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 observed on the market (Level 2). Fair value is determined with valuation models based on the current market-based and contractual value of the underlying instruments and other drivers. The models include various data, namely forward and spot exchange rates, exchange rate volatility, interest rate indices on interbank markets, yield curves, 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, 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 (spot rates calculated on the basis of the zero-coupon yield curve built using data from actually concluded and

performed agreements on domestic government debt securities, using the Svensson parametric model, and the actual consumer price index calculated month-on-month over the period from April to November 2023) (2022: from April to November 2022) and Level 3 inputs (the December 2023 FOCUSECONOMICS consensus forecast of consumer price indices for 2023–2028 and target consumer price indices established by the NBU for the period from 2029 to 2047) (2022: the December 2022 FOCUSECONOMICS consensus forecast of consumer price indices for 2022–2027 and target consumer price indices established by the NBU for the period from 2028 to 2047)

for other Ukrainian government bonds – Level 2 inputs (spot rates calculated on the basis of the zero-coupon yield curve built using data from actually concluded and executed

agreements on domestic government debt securities, using the Svensson parametric model, key policy rates from the NBU's forecasts).

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

As of 31 December 2023 and 2022, the NBU applied the market rate (the NBU's key policy rate established by the NBU's rate policy as a margin interest rate (the lower point of the range) for loans to banks) 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:

	2023	2022
	Discount rate, in % per annum	Rate discount rate, in % per annum
Domestic securities in domestic currency:		
domestic government debt securities (at a fixed interest rate)	11.30–19.35	12.27–22.28
domestic government debt securities (at a floating interest rate)	6.74–13.59	5.95–15.92
Domestic public debt in domestic currency (1994–1996)	22.00	27.00
Loans to banks and other borrowers in domestic currency	15.00	25.00

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:

	2023		2022	
	Carrying amount	Fair value	Carrying value	Fair value
(UAH millions)				
Domestic securities in domestic currency:				
domestic government debt securities (at a fixed interest rate)	277,351	248,153	292,165	242,168
domestic government debt securities (at a floating interest rate)	449,738	396,526	464,415	474,623
Domestic public debt	1,347	833	1,444	757
Loans to banks and other borrowers	5,691	5,735	40,781	42,754

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:

	2023			2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(UAH millions)					
Assets measured at fair value						
Foreign securities carried at fair value	901,668	27,915	143,516	607,882	59,957	27,667
Domestic securities carried at fair value:						
government derivatives	729	–	–	460	–	–
Assets for which fair value is disclosed						
Domestic securities in domestic currency:						
domestic government debt securities (at a fixed interest rate)	–	248,153	–	–	242,168	–
domestic government debt securities (at a floating interest rate)	–	268,588	127,938	–	311,705	162,918
Domestic public debt	–	–	833	–	–	757
Loans to banks and other borrowers	–	–	5,735	–	–	42,754
Liabilities measured at fair value						
Other financial liabilities at fair value:						
interest rate swap	–	1,223	–	–	4,390	–
currency swap	–	–	–	–	63	–

In 2023, there were neither significant transfers of financial instruments between Levels 1 and 2 of the fair value hierarchy, nor 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:

Fair value of foreign securities that are measured at fair value through profit or loss and are attributed to Level 3 of the fair value hierarchy	
(UAH millions)	
Foreign securities as of 1 January 2022	16,949
Income/(expense) recognized during the reporting period as part of profit or loss, including:	2,323
unrealized gains/(losses) from revaluation of financial instruments to their fair value	622
unrealized gain/(loss) from revaluation due to change in the official exchange rate of the hryvnia against foreign currencies	982
Purchases of foreign securities	26,190
Redemptions of foreign securities	(17,795)
Foreign securities as of 31 December 2022	27,667
Income/(expense) recognized during the reporting period as part of profit or loss, including:	7,331
unrealized gains/(losses) from revaluation of financial instruments to their fair value	1,713
unrealized gain/(loss) from revaluation due to change in the official exchange rate of the hryvnia against foreign currencies	5,556
Purchases of foreign securities	135,623
Redemptions of foreign securities	(27,105)
Foreign securities as of 31 December 2023	143,516

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 gains or losses on transactions with financial assets and liabilities in foreign currencies and monetary gold, and gains or losses on transactions with financial instruments at fair value through profit or loss of the consolidated statement of profit or loss and other comprehensive income (Note 18 and 19, 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 0.53 as of 31 December 2023 (0.19 as of 31 December 2022). An increase in the yield rates used to determine the fair value of these financial assets as of 31 December 2023 (Level 3 inputs) by 100 basis points would decrease the fair value of the relevant assets by UAH 763 million (by UAH 52 million as of 31 December 2022), while a decrease in these yield rates by 100 basis point would increase the fair value of these assets by UAH 763 million (UAH 52 million as of 31 December 2022).

Section III. Risk Management

22. Financial Risk Management

The NBU manages its financial risks in order to limit potential losses of the NBU's financial assets, fulfill its financial obligations in due time, and protect its capital to achieve its strategic goals and effectively perform its functions, as set forth in the Ukrainian Law *On the National Bank of Ukraine*, as well as supporting its institutional capacity and independence.

Financial risk management processes are broken down into the following stages:

- 1) setting up a system of financial risk management
- 2) identifying adverse events/financial risks in the NBU's processes/products
- 3) measuring financial risks
- 4) deciding on and taking measures in response to financial risks (addressing financial risks)
- 5) controlling risks
- 6) communicating and reporting risks
- 7) monitoring the system of financial risk management.

The NBU detailed the stages of financial risk management processes in its process procedures and other executive orders related to financial risk management.

The NBU Board is responsible for implementing the risk management system and ensuring that NBU risks are managed.

In accordance with the Ukrainian Law *On the National Bank of Ukraine*, the NBU Board established an asset and liability management committee, and charged it with managing the central bank's assets and liabilities, including Ukraine's foreign exchange reserves, as well as with monitoring risks arising from, and profits or losses incurred from, transactions with NBU assets and liabilities.

The NBU Board or the Asset and Liability Management Committee, within the powers delegated to it by the NBU Board, choose and approve measures in response to financial risks (address financial risks) based on proposals submitted by the NBU units that carry out transactions with financial instruments and by the Risk Management Department. These measures are chosen and approved through taking decisions on financial risk management and/or through outlining such measures in the central bank's regulations and/or executive orders.

The NBU units that are responsible for carrying out and/or carry out transactions with financial instruments are the first

line of defense in financial risk management processes. These units have been charged with identifying and measuring financial risks, deciding on and taking measures in response to financial risks, and reporting financial risks that arise from the operations that fall under their mandate.

The Risk Management Department is the second line of defense in financial risk management processes and is responsible for the following:

- 1) providing methodological, coordinative and logistical support for the central bank's financial risk management processes, among other things, through updating financial risk management policies
- 2) developing and supporting procedures and methodologies for measuring financial risks
- 3) overseeing, monitoring, and conducting an independent analysis of financial risks at the level of the central bank's second line of defense
- 4) analyzing, on request, new operations with financial instruments, new financial instruments, and changes to operations involving financial instruments so as to see how they could affect the NBU's financial risks, and making recommendations on responses to identified financial risks (addressing risks)
- 5) assessing the NBU's financial risk profile
- 6) reporting the NBU's financial risks to the central bank's Asset and Liability Management Committee.

The NBU's financial risks are grouped as follows:

- financial risks related to the policies determined and conducted by the NBU. These risks arise from financial instruments and are related to the central bank's performance of its main function and other functions, as set forth in Articles 6 and 7 of the Law of Ukraine *On the National Bank of Ukraine*, with the exception of Article 7 paragraph 15 of the Law of Ukraine *On the National Bank of Ukraine*
- financial risks arising from Ukraine's international reserves
- other financial risks of the NBU.

The measures the NBU takes in response to financial risks depend on the central bank's tolerance to certain risk groups.

The main measures the NBU relies on to address financial risks are as follows:

- 1) avoiding or preventing a financial risk by taking a conscious decision not to carry out operations or use financial

instruments that pose risks to the central bank, where such risks exceed the level of the NBU's tolerance towards the group of risks in question

2) mitigating or decreasing financial risks through:

- diversification
- setting limits on the quantitative indicators of risks
- establishing the conditions and rules for the qualitative indicators of risks
- using various types of collateral to make sure that borrowers or counterparties discharge their obligations, and adjusting the fair value of such collateral, taking into account risk discounts or adjusting factors

3) using hedges to transfer financial risks

4) accepting financial risks through making provisions and covering financial risks with the NBU's own funds.

The NBU distinguishes between credit, market and liquidity risks based on the factors that generate the respective financial risks.

Credit Risk

Credit risk is the possibility of incurring losses, additional expenses or receiving less income due to the failure of a borrowing bank, or the failure of any other borrower or counterparty to discharge their obligations to the NBU in accordance with the terms and conditions agreed. Credit risk can manifest itself through:

default risk, arising from the failure of a counterparty/issuer/borrower to discharge their obligations to the NBU. This includes pre-settlement risk (the possibility that a counterparty will fail to meet their obligations to the NBU, resulting in default before the settlement date), and settlement risk (the possibility that, once the NBU has discharged its obligations to a counterparty, the counterparty will fail to meet their obligations to the NBU, resulting in default on the settlement date)

the risk of a counterparty/issuer credit rating downgrading below the minimum acceptable credit rating that allows to include the assets in its international reserves.

Market Risks

Market risk is defined as the possibility of incurring losses, additional expenses or receiving less income due to unfavorable movements in market prices, such as exchange rates, interest rates, and prices for financial instruments and goods. Market risks can manifest themselves through:

currency risk, which is defined as a market risk arising from unfavorable fluctuations in exchange rates

interest rate risk is a market risk arising from unfavorable changes in market interest rates that adversely affect the value of debt securities or other fixed-income instruments, as well as the value of derivative financial instruments (derivatives)

credit spread risk is a market risk arising from a widening (increase) in credit spreads between the yield to maturity of a fixed-income security or another financial instrument and risk free yields to maturity with a similar duration, which has an adverse impact on the market value of such instruments. A widening in a credit spread can result from a downgrading in the credit rating or a decrease in the credit quality of the issuer of a financial instrument, or from overall changes in market conditions

equity risk, a market risk arising from unfavorable changes in the market value of non-fixed-income shares and other securities

commodity risk, a market risk arising from unfavorable changes in the market value of commodities, including precious metals (such as gold)

volatility risk, a market risk arising from unfavorable changes in the volatility of market prices, interest rates, market indices, and exchange rates, which decrease the value of options, including those that have been embedded in other financial instruments.

Among market risks, foreign exchange risk and interest rate risk have the strongest impact on the NBU.

The table below shows an analysis of the sensitivity of the NBU's positions to currency risk, based on the assumption of a 20% increase/decrease in the exchange rates of the U.S. dollar, Euro, SDR and other currencies against the hryvnia in 2023 and 2022, respectively. The analysis factors in only the

foreign currency amounts (apart from nonmonetary assets) that were available at the end of the period. Exchange rates adjusted by 20% in relation to those that were in effect in late 2023 and 2022 were used to translate those amounts into hryvnias.

The effect of exchange rate changes on profit or loss and the profit for year is presented as follows:

	31 December 2023		31 December 2022	
	(UAH millions)			
	+20%	-20%	+20%	-20%
USD	262,043	(262,043)	165,116	(165,116)
EUR	4,359	(4,359)	6,766	(6,766)
SDRs	(10,108)	10,108	(16,781)	16,781
GBP	1,221	(1,221)	1,652	(1,652)
Other currencies	2,897	(2,897)	4,641	(4,641)

The following table summarizes sensitivity analysis of the NBU positions to interest rate risk. Impact on profit or loss and the profit for the year is presented as follows:

	31 December 2023		31 December 2022	
	(UAH millions)			
	+100 bp	-100 bp	+100 bp	-100 bp
Sensitivity of interest-bearing financial assets	11,068	(11,068)	9,687	(9,687)
Sensitivity of interest-bearing financial liabilities	(6,751)	6,751	(5,926)	5,926
Net impact on profit or loss and the distributable profit	4,318	(4,318)	3,761	(3,761)

Sources of interest rate risk are identified through analyzing the existing composition of interest-bearing assets and liabilities. The NBU assesses interest rate risk using an analysis of its sensitivity to interest rate movements, i.e. changes in the market value of instruments and portfolios as a result of movements in the yield curve by a certain number of basis points. In accordance with the relevant methodology, the scenarios used included a parallel shift in the entire curve by 1 percentage point (+/-100 basis points). Sensitivity to interest rate risk is estimated on the basis of a scenario according to which all interest rate curves are believed to change in the same manner for all financial instruments and currencies. The assessments take into account interest rate risk arising from all of the NBU's positions in instruments with fixed and floating interest rates, as defined by the respective model.

Liquidity Risk

The NBU breaks liquidity risk down into:

the liquidity risk of international reserves. This risk can arise when the NBU has difficulties in quickly selling or recalling a large amount of assets in which international reserves are held. Sometimes unfavorable market conditions can also decrease the prices of such assets

FX liquidity risk, which can arise when the NBU is unable to meet its foreign currency obligations as they fall due.

Due to the fact that according to paragraph 2, Article 7 of the Law of Ukraine *On the National Bank of Ukraine*, the NBU has a monopoly on issuing Ukraine's national currency and is responsible for arranging cash circulation, the NBU is not exposed to national currency liquidity risk. This risk is defined as the central bank's possible failure to meet its national currency obligations as they fall due.

The NBU manages its liquidity risk through:

- maintaining certain amounts of cash, as required by the relevant regulations, on its correspondent accounts
- holding sufficient amounts of highly liquid financial instruments that can be easily monetized
- setting requirements on the liquidity of the assets in which international reserves are held.

For a detailed assessment of financial risks, see Notes 23 to 27.

23. Analysis of Financial Assets and Liabilities by Geographical Concentration Risk

As of 31 December 2023, the geographical concentration risk of the NBU's financial assets and liabilities was presented as follows:

	Ukraine	OECD	IMF	Other	Total
	(UAH millions)				
Financial assets					
Funds and deposits in foreign currency	41,317	326,191	–	–	367,508
Foreign securities	–	1,048,635	–	24,464	1,073,099
SDR holdings	–	–	35,570	–	35,570
Domestic securities	727,818	–	–	–	727,818
Loans to banks and other borrowers	5,691	–	–	–	5,691
Domestic public debt	1,347	–	–	–	1,347
IMF quota contributions	–	–	102,521	–	102,521
Other financial assets	57	1	102	–	160
Total financial assets	776,230	1,374,827	138,193	24,464	2,313,714
Financial liabilities					
Banknotes and coins in circulation	764,598	–	–	–	764,598
Accounts of banks	216,261	–	–	–	216,261
Accounts of government and other institutions	140,102	–	–	–	140,102
Certificates of deposit issued by the NBU	621,667	–	–	–	621,667
Liabilities to the IMF, apart from IMF quota contributions	–	–	86,027	–	86,027
Liabilities to the IMF with respect to quota contributions	–	–	102,509	–	102,509
Other financial liabilities	2,521	8	–	–	2,529
Total of financial liabilities	1,745,149	8	188,536	–	1,933,693
Net balance sheet position	(968,919)	1,374,819	(50,343)	24,464	380,021
Off-balance sheet assets and liabilities					
Assets receivable under swap agreements	–	–	–	–	–
Loan commitments to banks and other borrowers	3,000	–	–	–	3,000
Assets payable under swap agreements	–	–	–	–	–
Net off-balance sheet position	(3,000)	–	–	–	(3,000)
Net position	(971,919)	1,374,819	(50,343)	24,464	377,021

As of 31 December 2022, the geographical concentration risk of the NBU's financial assets and liabilities was presented as follows:

	Ukraine	OECD	IMF	Other	Total
					(UAH millions)
Financial assets					
Funds and deposits in foreign currency	39,543	196,991	–	–	236,534
Foreign securities	–	653,181	–	42,325	695,506
SDR holdings	–	–	62,174	–	62,174
Domestic securities	757,040	–	–	–	757,040
Loans to banks and other borrowers	40,781	–	–	–	40,781
Domestic public debt	1,444	–	–	–	1,444
IMF quota contributions	–	–	97,908	–	97,908
Other financial assets	63	23	–	–	86
Total financial assets	838,871	850,195	160,082	42,325	1,891,473
Financial liabilities					
Banknotes and coins in circulation	715,330	–	–	–	715,330
Accounts of banks	86,870	–	–	–	86,870
Accounts of government and other institutions	54,198	–	–	–	54,198
Certificates of deposit issued by the NBU	457,464	–	–	–	457,464
Liabilities to the IMF, apart from IMF quota contributions	–	–	141,279	–	141,279
Liabilities to the IMF with respect to quota contributions	–	–	97,897	–	97,897
Other financial liabilities	5,198	118	–	3	5,319
Total of financial liabilities	1,319,060	118	239,176	3	1,558,357
Net balance sheet position	(480,189)	850,077	(79,094)	42,322	333,116
Off-balance sheet assets and liabilities					
Assets receivable under swap agreements	–	1,834	–	–	1,834
Loan commitments to banks and other borrowers	3,000	–	–	–	3,000
Assets payable under swap agreements	–	1,737	–	–	1,737
Net off-balance sheet position	(3,000)	97	–	–	(2,903)
Net position	(483,189)	850,174	(79,094)	42,322	330,213

24. Credit Risk

The following information provides gross carrying amounts of the NBU's financial assets assessed by impairment stages and credit ratings of counterparties assigned by the following international rating agencies: Fitch Ratings, Moody's, and Standard & Poor's. The following disclosures as of

31 December 2023 and 2022 consider a lower of the two best ratings assigned to an entity by the above rating agencies. The ratings are listed below as per coding of the rating agency of Fitch Ratings using the rating correspondence table of Bloomberg.

The information below is provided as of 31 December 2023:

	Credit rating	Total	% in the financial assets' item	Stage 1	Stage 2	Stage 3
(UAH millions)						
Funds and deposits in foreign currency						
demand deposits in foreign currency	AAA	90,657	24.7	90,657	–	–
	AA+	153,187	41.7	153,187	–	–
	AA	4,374	1.2	4,374	–	–
	AA-	1,698	0.4	1,698	–	–
	A+	34,032	9.3	34,032	–	–
	A	9,822	2.7	9,822	–	–
	A-	70	–	70	–	–
	CCC-	39	–	39	–	–
short-term deposits in foreign currency	AAA	15,227	4.1	15,227	–	–
	AA-	1	–	1	–	–
	A	17,128	4.7	17,128	–	–
foreign currency cash	Risk-free	41,278	11.2	41,278	–	–
Total funds and deposits in foreign currency		367,513	100.0	367,513	–	–
Foreign securities:						
government securities	AAA	437	–	437	–	–
	AA+	890,027	83.0	890,027	–	–
	AA-	1,540	0.1	1,540	–	–
	A+	706	0.1	706	–	–
Securities issued by international agencies, banks, and other issuers:	AAA	101,996	9.5	101,996	–	–
	AA+	27,311	2.5	27,311	–	–
	AA	27,529	2.6	27,529	–	–
	AA-	12,214	1.1	12,214	–	–
	A+	9,061	0.9	9,061	–	–
	A	1,602	0.2	1,602	–	–
Total foreign debt securities		1,072,423	100.0	1,072,423	–	–
Domestic securities:						
government securities	CCC-	727,818	100.0	727,818	–	–
Total domestic securities		727,818	100.0	727,818	–	–
Loans to banks and other borrowers:						
loans to banks	No rating available	39,687	99.9	1,613	867	37,207
loans to other borrowers	No rating available	21	0.1	–	–	21
Total loans to banks and other borrowers		39,708	100.0	1,613	867	37,228
Domestic public debt	CCC-	1,347	100.0	1,347	–	–
Other financial assets						
	AAA	102	56.0	102	–	–
	AA	1	0.6	1	–	–
	CCC-	4	2.2	4	–	–
	No rating available	75	41.2	67	–	8
Total other financial assets		182	100.0	174	–	8

The information below is provided as of 31 December 2022:

	Credit rating	Total	% in the financial assets' item	Stage 1	Stage 2	Stage 3
(UAH millions)						
Funds and deposits in foreign currency						
demand deposits in foreign currency	AAA	65,676	27.8	65,676	–	–
	AA+	93,709	39.6	93,709	–	–
	AA	13,126	5.6	13,126	–	–
	AA-	1,526	0.6	1,526	–	–
	A+	13,235	5.6	13,235	–	–
	A	9,656	4.1	9,656	–	–
	A-	63	–	63	–	–
	CCC-	69	–	69	–	–
foreign currency cash	Risk-free	39,474	16.7	39,474	–	–
Total funds and deposits in foreign currency		236,534	100.0	236,534	–	–
Foreign securities:						
government bonds	AAA	584,750	84.2	584,750	–	–
	AA+	945	0.1	945	–	–
	AA-	3,664	0.5	3,664	–	–
	A+	409	0.1	409	–	–
Securities issued by international agencies, banks, and other issuers:	AAA	7,868	1.1	7,868	–	–
	AA+	942	0.1	942	–	–
	AA	6,189	0.9	6,189	–	–
	AA-	6,714	1.0	6,714	–	–
	A+	27,817	4.0	27,817	–	–
	A	52,267	7.5	52,267	–	–
	A-	3,317	0.5	3,317	–	–
Total foreign debt securities		694,882	100.0	694,882	–	–
Domestic securities:						
government securities	CCC-	757,040	100.0	757,040	–	–
Total domestic securities		757,040	100.0	757,040	–	–
Loans to banks and other borrowers:						
loans to banks	CCC	5,899	7.7	2,617	3,282	–
	CCC-	18,451	24.2	18,451	–	–
	No rating available	51,954	68.1	12,628	1,180	38,146
loans to other borrowers	No rating available	21	–	–	–	21
Total loans to banks and other borrowers		76,325	100.0	33,696	4,462	38,167
Domestic public debt	CCC-	1,444	100.0	1,444	–	–
Other financial assets						
	AAA	13	11.3	13	–	–
	AA	2	1.7	2	–	–
	A+	8	7.0	8	–	–
	No rating available	92	80.0	83	1	8
Total other financial assets		115	100.0	106	1	8

Loans granted to banks that do not have international ratings assigned include the loans to domestic banks to support their liquidity the ratings of which are determined in accordance with the internal methodology of the NBU.

As of 31 December 2023, the gross carrying value of loans to which in the amount of UAH 2,480 million had the internal ratings as follows: BBB in the amount of UAH 1,293 million, BB – in the amount of UAH 167 million, B – UAH 320 million, C – UAH 700 million (as of 31 December 2022, UAH 13,808 million had the internal ratings as follows: A – in the amount of UAH 854 million, BBB – in the amount of UAH 3,271 million, BB – in the amount of UAH 6,106 million, B – UAH 2,944 million, CCC – UAH 489 million, CC – UAH 144 million).

The NBU determines internal ratings as follows:

AAA rating is the highest grade of a counterparty's creditworthiness. The counterparty's financial position is assessed as strong and stable in a long-term perspective, and the ability to repay on a timely basis and in full the interest and principal on debt obligations is very high

AA rating is the very high grade of a counterparty's creditworthiness. The counterparty's financial position is assessed as strong and stable in a long-term perspective, and the ability to repay on a timely basis and in full the interest and principal on debt obligations is high

A rating is the high grade of a counterparty's creditworthiness. The counterparty's financial position is assessed as strong and stable in a long-term perspective, and the ability to repay on a timely basis and in full the interest and principal on debt obligations is beyond any doubts

BBB rating is a medium grade of a counterparty's creditworthiness. The counterparty's financial position is assessed as strong and stable in a mid-term perspective, the counterparty's debt obligations have a higher risk of nonpayment compared to counterparties with higher ratings. However, difficulties may arise with timely and full repayment of the interest and principal on debt obligations in the event of occurrence of unfavorable changes in commercial, financial, and economic conditions, although, in the nearest future, a probability of the counterparty's failure to meet its debt obligations is treated as insignificant

BB rating is a medium grade of a counterparty's creditworthiness. The counterparty's financial position is

assessed as satisfactory and stable in a short-term perspective, the counterparty is able, at the date of assessment, to repay the interest and principal on debt obligations, but has a higher probability of default on obligations than the counterparty with BBB rating

B rating is a grade of a counterparty's creditworthiness that is somewhat lower than medium. Key indicators of the counterparty's financial position are assessed as satisfactory and stable in a short-term perspective, it has a sufficient level of financial reliability. Timely and complete payments on debt obligations mostly depend on commercial, financial, and economic conditions

CCC rating is a lower than medium grade of a counterparty's creditworthiness. Key indicators of the counterparty's financial position are assessed as satisfactory, but their stability in a short-term perspective is doubtful, it has a low level of financial reliability. The counterparty bank's ability to pay is fully dependent on domestic economic situation

CC rating is a low grade of a counterparty's creditworthiness. Key indicators of the counterparty's financial position are assessed as satisfactory, but their deterioration in a short-term perspective is considered as highly probable, it has a very low level of financial reliability. The counterparty bank's ability to pay is fully dependent on domestic economic situation

C rating is a very low grade of a counterparty's creditworthiness. The counterparty's financial position is unstable and is assessed as unsatisfactory. Repayments of interest and principal on debt obligations may be suspended by the counterparty without obtaining a consent of lenders on the debt restructuring before maturities. The counterparty bank's ability to pay is fully dependent on domestic economic situation.

The gross carrying value of loans to five banks with the highest level of credit exposures as of 31 December 2023 amounted to UAH 29,413 million (as of 31 December 2022: UAH 45,352 million), or 74% (as of 31 December 2022 – 59%) of total gross carrying value of loans to banks and other borrowers, before allowance. Loan loss allowances for expected credit losses recognized on the loans granted to these five banks amounted to UAH 29,088 million as of 31 December 2023 (UAH 22,364 million as of 31 December 2022).

The information below on net credit risk by types of pledged collateral to secure loans to banks and other borrowers as of 31 December 2023:

	Maximum permissible credit risk	Collateral accepted as security	Net credit risk (loans to banks)	Net credit risk (domestic public debt)
(UAH millions)				
Loans secured by:				
immovable property	2,432	4,444	2,432	–
securities	2,081	2,373	–	–
other collateral types	1,178	1,508	824	–
Unsecured loans	1,347	–	–	1,347
Total loans to banks and other borrowers	7,038	8,325	3,256	1,347

The information below on net credit risk by types of pledged collateral to secure loans to banks and other borrowers as of 31 December 2022:

	Maximum permissible credit risk	Collateral value	Net credit risk (loans to banks)	Net credit risk (domestic government debt)
(UAH millions)				
Loans secured by:				
immovable property	2,782	4,874	2,782	–
securities	35,771	66,766	–	–
other collateral types	2,228	2,831	871	–
Unsecured loans	1,444	–	–	1,444
Total loans to banks and other borrowers	42,225	74,471	3,653	1,444

Maximum credit risk exposure is represented by the carrying amounts of loans outstanding at the reporting date. Collateral accepted as security is the fair value of collateral used by the NBU in the calculation of allowance at the reporting date.

For banks and other borrowers being in Stage 1 and 2 of impairment, net credit exposure is calculated as the difference between the maximum credit exposure and value of the pledge accepted as collateral.

For banks and other borrowers being in Stage 3 of impairment, the cash flows for which are expected from sale of collateral property only, net credit exposure is equal to the maximum credit exposure.

For other NBU's financial instruments, their book value corresponds to the best estimate of the maximum credit risk exposure as of the reporting date.

25. Currency Risk

As of 31 December 2023, the NBU had the following positions in currencies:

	UAH	USD	EUR	SDR	GBP	Other	Nonmonetary	Total
	(UAH millions)							
Financial assets								
Funds and deposits in foreign currency	–	317,160	44,806	–	1,808	3,734	–	367,508
Foreign securities	–	1,057,280	–	–	4,332	10,811	676	1,073,099
SDR holdings	–	–	–	35,570	–	–	–	35,570
Domestic securities	727,089	729	–	–	–	–	–	727,818
Loans to banks and other borrowers	5,691	–	–	–	–	–	–	5,691
Domestic public debt	1,347	–	–	–	–	–	–	1,347
IMF quota contributions	–	–	–	102,521	–	–	–	102,521
Other financial assets	56	1	1	102	–	–	–	160
Total financial assets	734,183	1,375,170	44,807	138,193	6,140	14,545	676	2,313,714
Financial liabilities								
Banknotes and coins in circulation	764,598	–	–	–	–	–	–	764,598
Accounts of banks	213,906	2,002	347	–	2	4	–	216,261
Accounts of government and other institutions	54,291	62,867	22,659	196	31	58	–	140,102
Certificates of deposit issued by the NBU	621,667	–	–	–	–	–	–	621,667
Liabilities to the IMF, apart from IMF quota contributions	–	–	–	86,027	–	–	–	86,027
Liabilities to the IMF with respect to quota contributions	–	–	–	102,509	–	–	–	102,509
Other financial liabilities	2,436	84	8	–	1	–	–	2,529
Total of financial liabilities	1,656,898	64,953	23,014	188,732	34	62	–	1,933,693
Net balance sheet position	(922,715)	1,310,217	21,793	(50,539)	6,106	14,483	676	380,021
Off-balance sheet assets and liabilities								
Assets receivable under swap agreements	–	–	–	–	–	–	–	–
Loan commitments to banks and other borrowers	3,000	–	–	–	–	–	–	3,000
Assets payable under swap agreements	–	–	–	–	–	–	–	–
Net off-balance sheet position	(3,000)	–	–	–	–	–	–	(3,000)
Net position	(925,715)	1,310,217	21,793	(50,539)	6,106	14,483	676	377,021

As of 31 December 2022, the NBU had the following positions in currencies:

	UAH	USD	EUR	SDR	GBP	Other	Nonmonetary	Total
	(UAH millions)							
Financial assets								
Funds and deposits in foreign currency	–	187,267	39,119	–	3,077	7,071	–	236,534
Foreign securities	–	662,852	10,676	–	5,196	16,158	624	695,506
SDR holdings	–	–	–	62,174	–	–	–	62,174
Domestic securities	756,580	460	–	–	–	–	–	757,040
Loans to banks and other borrowers	40,781	–	–	–	–	–	–	40,781
Domestic public debt	1,444	–	–	–	–	–	–	1,444
IMF quota contributions	–	–	–	97,908	–	–	–	97,908
Other financial assets	61	10	15	–	–	–	–	86
Total financial assets	798,866	850,589	49,810	160,082	8,273	23,229	624	1,891,473
Financial liabilities								
Banknotes and coins in circulation	715,330	–	–	–	–	–	–	715,330
Accounts of banks	79,763	5,580	1,522	–	2	3	–	86,870
Accounts of government and other institutions	17,279	17,655	14,442	4,809	7	6	–	54,198
Certificates of deposit issued by the NBU	457,464	–	–	–	–	–	–	457,464
Liabilities to the IMF, apart from IMF quota contributions	–	–	–	141,279	–	–	–	141,279
Liabilities to the IMF with respect to quota contributions	–	–	–	97,897	–	–	–	97,897
Other financial liabilities	5,250	37	18	–	1	13	–	5,319
Total of financial liabilities	1,275,086	23,272	15,982	243,985	10	22	–	1,558,357
Net balance sheet position	(476,220)	827,317	33,828	(83,903)	8,263	23,207	624	333,116
Off-balance sheet assets and liabilities								
Assets receivable under swap agreements	1,834	–	–	–	–	–	–	1,834
Loan commitments to banks and other borrowers	3,000	–	–	–	–	–	–	3,000
Assets payable under swap agreements	–	1,737	–	–	–	–	–	1,737
Net off-balance sheet position	(1,166)	(1,737)	–	–	–	–	–	(2,903)
Net position	(477,386)	825,580	33,828	(83,903)	8,263	23,207	624	330,213

Assets and liabilities in other currencies mainly included positions in CHF, AUD, JPY, and CNY.

26. Interest Rate Risk

As of 31 December 2023, the NBU had the following structure of the weighted average interest rates by major currencies for monetary financial interest-bearing instruments. Interest rates on each financial instrument has been calculated as weighted-average contractual rates at the reporting date.

	UAH	USD	EUR	SDR	GBP	Other	Total weighted average interest rate
							(%)
Financial assets							
Short-term deposits in foreign currency	–	5.53	–	–	–	–	5.53
Overnight deposits placed at the initiative of correspondent bank	–	5.28	–	–	–	–	5.28
Foreign securities	–	5.14	–	–	5.47	2.87	4.44
SDR holdings	–	–	–	4.10	–	–	4.10
Domestic securities	14.66	–	–	–	–	–	14.66
Loans to banks and other borrowers	16.07	–	–	–	–	–	16.07
Domestic public debt	8.67	–	–	–	–	–	8.67
Financial liabilities							
Other accounts of banks on demand	–	5.25	–	–	–	–	5.25
Deposit Guarantee Fund	4.60	–	–	–	–	–	4.60
Certificates of deposit issued by the NBU	16.40	–	–	–	–	–	16.40
Liabilities to the IMF, apart from IMF quota contributions	–	–	–	6.73	–	–	6.73

The sign “–” in the table above means that the NBU has no respective interest-bearing assets or liabilities in corresponding currency.

Domestic securities include domestic government debt securities with a fixed interest rate and domestic government debt securities with a floating interest rate.

Interest is accrued at floating rates on SDR holdings and liabilities to the IMF (interest rates are reviewed on a weekly basis).

Interest rates used for accruing expenses on accounts of the Deposit Guarantee Fund are not fixed, and their amounts correspond to weighted average interest rates on demand deposits of individuals in the domestic currency.

Interest on foreign securities is accrued at both variable and fixed rates.

As of 31 December 2022, the NBU had the following structure of the weighted average interest rates by major currencies for monetary financial interest-bearing instruments. Interest rates on each financial instrument has been calculated as weighted-average contractual rates at the reporting date.

	UAH	USD	EUR	SDR	GBP	Other	Total weighted average interest rate
							(%)
Financial assets							
Overnight deposits placed at the initiative of correspondent bank	–	4.30	–	–	–	–	4.30
Foreign securities	–	2.81	2.05	–	1.65	1.82	2.77
SDR holdings	–	–	–	2.92	–	–	2.92
Domestic securities	18.90	–	–	–	–	–	18.90
Loans to banks and other borrowers	28.14	–	–	–	–	–	28.14
Domestic public debt	8.67	–	–	–	–	–	8.67
Financial liabilities							
Other accounts of banks on demand	–	4.25	–	–	–	–	4.25
Deposit Guarantee Fund	4.49	–	–	–	–	–	4.49
Certificates of deposit issued by the NBU	23,00	–	–	–	–	–	23.00
Liabilities to the IMF, apart from IMF quota contributions	–	–	–	5.36	–	–	5.36

Analysis of Financial Assets and Liabilities by Periods of Interest Rate Repricing

The table below discloses analysis of assets and liabilities by periods of interest rate repricing.

For financial assets and liabilities with fixed interest rates, classification was determined based on the contractual maturity date from the consolidated statement of financial position date. For assets and liabilities with variable interest rates, classification was determined taking into account the earlier of repricing period or maturity date.

As of 31 December 2023, financial assets and liabilities by periods of interest rate repricing were as follows:

	On demand and up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
(UAH millions)							
Financial assets							
Funds and deposits in foreign currency	326,191	–	–	–	–	41,317	367,508
Foreign securities	153,070	183,594	733,467	2,292	–	676	1,073,099
SDR holdings	35,570	–	–	–	–	–	35,570
Domestic securities	2,642	7,325	452,665	49,218	215,239	729	727,818
Loans to banks and other borrowers	3,256	–	35	2,400	–	–	5,691
Domestic public debt	–	52	147	599	549	–	1,347
IMF quota contributions	–	–	–	–	–	102,521	102,521
Other financial assets	4	–	–	6	12	138	160
Total financial assets	520,733	190,971	1,186,314	54,515	215,800	145,381	2,313,714
Financial liabilities							
Banknotes and coins in circulation	–	–	–	–	–	764,598	764,598
Accounts of banks	1,263	–	–	–	–	214,998	216,261
Accounts of government and other institutions	539	–	–	–	–	139,563	140,102
Certificates of deposit issued by the NBU	528,530	93,137	–	–	–	–	621,667
Liabilities to the IMF, apart from IMF quota contributions	85,007	–	–	–	–	1,020	86,027
Liabilities to the IMF with respect to quota contributions	–	–	–	–	–	102,509	102,509
Other financial liabilities	–	–	–	–	–	2,529	2,529
Total of financial liabilities	615,339	93,137	–	–	–	1,225,217	1,933,693
Net gap	(94,606)	97,834	1,186,314	54,515	215,800	(1,079,836)	380,021
Cumulative gap	(94,606)	3,228	1,189,542	1,244,057	1,459,857	380,021	
Off-balance sheet assets and liabilities							
Contingent claims with fixed rate under interest rate swaps	2,165	–	4,500	3,970	–	–	10,635
Contingent liabilities with floating rate under interest rate swaps	1,523	7,535	–	–	–	–	9,058
Net gap	642	(7,535)	4,500	3,970	–	–	1,577
Cumulative gap	642	(6,893)	(2,393)	1,577	1,577	1,577	
Total net gap	(93,964)	90,299	1,190,814	58,485	215,800	(1,079,836)	381,598
Total cumulative gap	(93,964)	(3,665)	1,187,149	1,245,634	1,461,434	381,598	

As of 31 December 2022, financial assets and liabilities by periods of interest rate repricing were as follows:

	On demand and up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non- interest bearing	Total
(UAH millions)							
Financial assets							
Funds and deposits in foreign currency	113,833	–	–	–	–	122,701	236,534
Foreign securities	127,855	211,453	349,953	5,621	–	624	695,506
SDR holdings	62,174	–	–	–	–	–	62,174
Domestic securities	306,861	5,294	167,321	50,536	226,568	460	757,040
Loans to banks and other borrowers	3,653	282	956	35,890	–	–	40,781
Domestic public debt	–	53	152	620	619	–	1,444
IMF quota contributions	–	–	–	–	–	97,908	97,908
Other financial assets	16	–	1	5	19	45	86
Total financial assets	614,392	217,082	518,383	92,672	227,206	221,738	1,891,473
Financial liabilities							
Banknotes and coins in circulation	–	–	–	–	–	715,330	715,330
Accounts of banks	4,551	–	–	–	–	82,319	86,870
Accounts of government and other institutions	947	–	–	–	–	53,251	54,198
Certificates of deposit issued by the NBU	457,464	–	–	–	–	–	457,464
Liabilities to the IMF, apart from IMF quota contributions	140,012	–	–	–	–	1,267	141,279
Liabilities to the IMF with respect to quota contributions	–	–	–	–	–	97,897	97,897
Other financial liabilities	–	–	–	–	–	5,319	5,319
Total of financial liabilities	602,974	–	–	–	–	955,383	1,558,357
Net gap	11,418	217,082	518,383	92,672	227,206	(733,645)	333,116
Cumulative gap	11,418	228,500	746,883	839,555	1,066,761	333,116	
Off-balance sheet assets and liabilities							
Contingent claims with fixed rate under interest rate swaps	1,603	190	7,821	8,970	–	–	18,584
Contingent liabilities with floating rate under interest rate swaps	2,795	14,517	–	–	–	–	17,312
Net gap	(1,192)	(14,327)	7,821	8,970	–	–	1,272
Cumulative gap	(1,192)	(15,519)	(7,698)	1,272	1,272	1,272	
Total net gap	10,226	202,755	526,204	101,642	227,206	(733,645)	334,388
Total cumulative gap	10,226	212,981	739,185	840,827	1,068,033	334,388	

As of 31 December 2023, the share of foreign securities bearing variable interest rates amounted to 0.9% of the total portfolio (31 December 2022 – 4.7%).

27. Liquidity Risk

For the purposes of measuring liquidity risk, financial assets are grouped by their contractual term set as of the reporting date for receiving the cash flows to be repaid taking into account the period remaining as of the reporting date to the contractual date of the cash flows repayment. IMF quota contributions are presented as assets on demand, based on Article XXVI of the IMF Agreement, but such presentation does not mean that there are expectations that Ukraine will take advantage of this article. Financial liabilities are grouped by maturity taking into account the remaining contractual maturity as of the reporting date.

The amounts of financial assets and liabilities disclosed in the liquidity risk table below are the contractual discounted cash flows from financial instruments carried at fair value. Derivatives settled on a net basis are included at the net

amounts expected to be paid. Impaired loans are included at their carrying value based on the expected timing of cash inflows.

Foreign securities are included in the table taking into account the remaining contractual maturity as of the reporting date. Judging from historical data, this timing is not significantly different to the expected timing of disposal of such securities.

When the amounts payable are not fixed, such amounts are presented in the liquidity analysis taking into account the conditions at the reporting date. Foreign currency items are translated using the spot exchange rates at the reporting date.

The NBU's liquidity risk position as of 31 December 2023 was as follows:

	On demand and up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity date not determined	Total
(UAH millions)							
Financial assets							
Funds and deposits in foreign currency	367,508	–	–	–	–	–	367,508
Foreign securities	150,399	178,446	739,590	3,988	–	676	1,073,099
SDR holdings	35,570	–	–	–	–	–	35,570
Domestic securities	2,642	7,325	2,927	49,217	665,707	–	727,818
Loans to banks and other borrowers	3,256	–	35	2,400	–	–	5,691
Domestic public debt	–	52	147	599	549	–	1,347
IMF quota contributions	102,521	–	–	–	–	–	102,521
Other financial assets	133	–	–	6	12	9	160
Total financial assets	662,029	185,823	742,699	56,210	666,268	685	2,313,714
Financial liabilities							
Banknotes and coins in circulation	764,598	–	–	–	–	–	764,598
Accounts of banks	216,261	–	–	–	–	–	216,261
Accounts of government and other institutions	140,102	–	–	–	–	–	140,102
Certificates of deposit issued by the NBU	528,530	93,137	–	–	–	–	621,667
Liabilities to the IMF, apart from IMF quota contributions	–	15,934	21,222	44,717	–	4,154	86,027
Liabilities to the IMF with respect to quota contributions	102,509	–	–	–	–	–	102,509
Other financial liabilities	17	–	432	780	–	1,300	2,529
Loan commitments	3,000	–	–	–	–	–	3,000
Total financial liabilities	1,755,017	109,071	21,654	45,497	–	5,454	1,936,693
Liquidity gap arising from financial instruments	(1,092,988)	76,752	721,045	10,713	666,268	(4,769)	377,021
Cumulative liquidity gap	(1,092,988)	(1,016,236)	(295,191)	(284,478)	381,790	377,021	

The NBU's liquidity risk position as of 31 December 2022 was as follows:

	On demand and up to 1 month	1–3months	3–12 months	1–5years	Over 5 years	Maturity date not determined	Total
(UAH millions)							
Financial assets							
Funds and deposits in foreign currency	236,534	–	–	–	–	–	236,534
Foreign securities	117,454	197,309	366,352	13,767	–	624	695,506
SDR holdings	62,174	–	–	–	–	–	62,174
Domestic securities	2,749	5,294	7,018	50,536	691,443	–	757,040
Loans to banks and other borrowers	3,653	282	956	35,890	–	–	40,781
Domestic public debt	–	53	152	620	619	–	1,444
IMF quota contributions	97,908	–	–	–	–	–	97,908
Other financial assets	30	–	16	5	19	16	86
Total financial assets	520,502	202,938	374,494	100,818	692,081	640	1,891,473
Financial liabilities							
Banknotes and coins in circulation	715,330	–	–	–	–	–	715,330
Accounts of banks	86,870	–	–	–	–	–	86,870
Accounts of government and other institutions	54,198	–	–	–	–	–	54,198
Certificates of deposit issued by the NBU	457,464	–	–	–	–	–	457,464
Liabilities to the IMF, apart from IMF quota contributions	–	21,507	38,518	77,287	–	3,967	141,279
Liabilities to the IMF with respect to quota contributions	97,897	–	–	–	–	–	97,897
Other financial liabilities	68	8	1,078	3,304	–	861	5,319
Loan commitments	3,000	–	–	–	–	–	3,000
Total financial liabilities	1,414,827	21,515	39,596	80,591	–	4,828	1,561,357
Liquidity gap arising from financial instruments	(894,325)	181,423	334,898	20,227	692,081	(4,188)	330,116
Cumulative liquidity gap	(894,325)	(712,902)	(378,004)	(357,777)	334,304	330,116	

The amounts stated in the tables below do not correspond to the amounts recorded in the Consolidated Statement of Financial Position, since the below information includes maturity analysis of financial liabilities which reflects the total

amount of future undiscounted contractual payments (including interest payable) not defined in the Consolidated Statement of Financial Position.

Repayment periods under contractual undiscounted cash flows from financial liabilities in line with agreements as of 31 December 2023 were as follows:

	On demand and up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity date not determined	Total
(UAH millions)							
Financial liabilities other than derivative financial instruments							
Banknotes and coins in circulation	764,598	–	–	–	–	–	764,598
Accounts of banks	216,261	–	–	–	–	–	216,261
Accounts of government and other institutions	140,102	–	–	–	–	–	140,102
Certificates of deposit issued by the NBU	528,996	95,702	–	–	–	–	624,698
Liabilities to the IMF, apart from IMF quota contributions	–	15,972	21,322	45,252	2,006	4,154	88,706
Liabilities to the IMF with respect to quota contributions	102,509	–	–	–	–	–	102,509
Other financial liabilities	6	–	–	–	–	1,300	1,306
Loan commitments	3,000	–	–	–	–	–	3,000
Total financial liabilities other than derivative financial instruments	1,755,472	111,674	21,322	45,252	2,006	5,454	1,941,180
Derivative financial instruments							
Liabilities under swaps settled on a net basis							
amounts due to	(23)	(65)	–	–	–	–	(88)
Liabilities under swaps settled on a gross basis							
amounts due from	–	–	–	–	–	–	–
amounts due to	–	–	–	–	–	–	–
Total amounts due from/(due to) under derivative financial instruments	(23)	(65)	–	–	–	–	(88)
Total future payments on financial liabilities	1,755,495	111,739	21,322	45,252	2,006	5,454	1,941,268

Repayment periods under contractual undiscounted cash flows from financial liabilities in line with agreements as of 31 December 2022 were as follows:

	On demand and up to 1 month	1–3months	3–12 months	1–5years	Over 5 years	Maturity date not determined	Total
(UAH millions)							
Financial liabilities other than derivative financial instruments							
Banknotes and coins in circulation	715,330	–	–	–	–	–	715,330
Accounts of banks	86,870	–	–	–	–	–	86,870
Accounts of government and other institutions	54,198	–	–	–	–	–	54,198
Certificates of deposit issued by the NBU	457,752	–	–	–	–	–	457,752
Liabilities to the IMF, apart from IMF quota contributions	–	23,345	42,568	81,949	1,156	3,967	152,985
Liabilities to the IMF with respect to quota contributions	97,897	–	–	–	–	–	97,897
Other financial liabilities	5	–	–	–	–	861	866
Loan commitments	3,000	–	–	–	–	–	3,000
Total financial liabilities other than derivative financial instruments	1,415,052	23,345	42,568	81,949	1,156	4,828	1,568,898
Derivative financial instruments							
Liabilities under swaps settled on a net basis							
amounts due to	(89)	(242)	–	–	–	–	(331)
Liabilities under swaps settled on a gross basis							
amounts due from	1,834	–	–	–	–	–	1,834
amounts due to	(1,737)	–	–	–	–	–	(1,737)
Total amounts due from/(due to) under derivative financial instruments	8	(242)	–	–	–	–	(234)
Total future payments on financial liabilities	1,415,044	23,587	42,568	81,949	1,156	4,828	1,569,132

Section IV. Capital Management

28. 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 December 2023, the total amount of capital managed by the NBU was UAH 420,126 million (UAH 328,158 million as of 31 December 2022). No requirements are set for the NBU's equity, except for the amount of statutory 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 2007 performance.

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, which in 2023 amounted to UAH 1,376,417 million (in 2022 – UAH 996,750 million).

Reserve Capital

Reserve capital includes a reserve fund raised by the NBU's subsidiary – in accordance with the Law of Ukraine *On Joint Stock Companies* – by paying in annual contributions from

the subsidiary's net profit. 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.

Revaluation Reserves for Assets and Liabilities

According to 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, capital instruments, 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 expenses from revaluation of foreign currency, monetary gold, securities, capital instruments, 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, capital instruments, derivative financial instruments, and investment metals that are disposed of or narrow the open FX position is included into the distributable profit in the corresponding reporting periods.

As of 31 December 2023 and 2022, the equity of the NBU consisted of the following components:

	2023	2022
		(UAH millions)
Statutory capital	100	100
General reserves	99,675	80,489
Retained earnings	37,984	19,192
Reserve capital	31	31
Revaluation reserves of foreign currency and monetary gold	261,180	223,450
Revaluation reserves of investment metals	1,330	1,409
Revaluation reserves of financial instruments to their fair value	19,826	3,487
Total equity	420,126	328,158

29. 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 5¹ 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. Unrealised gains 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.

Upon validation by an external auditor and approval by the NBU Council of the NBU's annual consolidated financial statements, a part of the distributable profit that is left after allocating general reserves is subject to transferring to the State Budget of Ukraine.

As of 31 December 2023, the NBU's liabilities to the state budget for transferring a share of distributable profit for 2023 amounts to UAH 38,643 million (UAH 71,868 million, as of 31 December 2022).

In April 2023, the NBU transferred UAH 71,868 million to the State Budget of Ukraine (UAH 18,786 million in 2022).

Reconciliation of the operating profit with the profit of the NBU for 2023:

	NBU's income and expenses	Consolidation adjustments	Income and expenses according to the Consolidated Statement of Profit or Loss and Other Comprehensive Income
			(UAH millions)
Net interest income	27,520	33	27,553
Interest income on financial assets at fair value through profit or loss	9,006	–	9,006
Net fee and commission income	527	–	527
Net decrease in reserves for assets and liabilities	1,031	–	1,031
Other income and expenses	(5,222)	(22)	(5,244)
Operating profit	32,862	11	32,873
Gains or losses on transactions with financial assets and liabilities in foreign currency and monetary gold	63,522	–	63,522
Result on transactions with financial instruments at fair value through profit or loss (net of interest income)	34,246	–	34,246
Results on financial instruments	97,768	–	97,768
Profit for the year	130,630	11	130,641

Net decrease in reserves for assets and liabilities includes the following items of the Consolidated Statement of Profit or Loss and Other Comprehensive Income: *Gains/(Losses) from reversal of impairment/(impairment) on interest-bearing financial assets, Release of provisions for probable contingencies, and Gains/(losses) on the reversal of impairment/(impairment) of other assets.* Other income and

expenses include the following items of the Consolidated Statement of Profit or Loss and Other Comprehensive Income: Staff Costs, Costs Related to Production of Banknotes, Coins, Souvenirs and Other Products, Administrative and Other Expenses, Expenses on Income Tax of the Subsidiary, and Other Income.

Reconciliation of the operating profit with the profit of the NBU for 2022:

	NBU's income and expenses	Consolidation adjustments	Income and expenses according to the Consolidated Statement of Profit or Loss and Other Comprehensive Income
(UAH millions)			
Net interest income	63,225	20	63,245
Interest income on financial assets at fair value through profit or loss	5,585	–	5,585
Net fee and commission income	277	–	277
Net increase in reserves for assets and liabilities	(1,097)	–	(1,097)
Other income and expenses	(5,676)	(24)	(5,700)
Operating profit	62,314	(4)	62,310
Gains or losses on transactions with financial assets and liabilities in foreign currency and monetary gold	175,556	–	175,556
Result on transactions with financial instruments at fair value through profit or loss (net of interest income)	(5,568)	–	(5,568)
Results on financial instruments	169,988	–	169,988
Profit for the year	232,302	(4)	232,298

Liabilities for transferring a part of distributable profit to the State Budget, which are determined in accordance with the Law of Ukraine *On the National Bank of Ukraine*, are calculated as follows:

	Note	2023	2022
(UAH million)			
Operating profit of the NBU		32,862	62,314
Realized gains or losses on transactions with financial assets and liabilities in foreign currency and monetary gold	18	25,793	35,961
Realized result on transactions with financial instruments at fair value through profit or loss	19	14,943	(4,195)
Unrealized losses not compensated by revaluation reserves of financial instruments to their fair value	19	(19)	(3,965)
Unrealized result on revaluation of previous years that was realized in the current year on disposed securities and derivatives (financial instruments)		2,982	883
Realized result on disposed investment metals		65	56
Result of free transfer of assets		(17)	–
Distributable profit for the year		76,609	91,054
General reserves created		(37,966)	(19,186)
Portion of distributable profit subject to transfer to the State Budget		38,643	71,868

Section V.I. Nonfinancial Assets and Liabilities

30. Property and Equipment and Intangible Assets

Accounting Policy

Property and equipment (PE) items are carried at initial cost, less accumulated depreciation and impairment loss.

Costs on enhancement of any PE item which increases the expected economic benefits are included in the cost of such PE items. Costs on minor repairs and maintenance and obtaining initially estimated future economic benefits from using PE are expensed when incurred. Costs of replacing major parts or components of PE items are capitalized and the residual value of the replaced part is charged to expenses in the consolidated income statement of the reporting period.

In case of impairment of PE the cost is reduced to the expected recoverable amount. The decrease of carrying amount is reported as profit or loss in the consolidated statement of profit or loss and other comprehensive income. Impairment cost of assets recognized in previous periods is reversed if estimates were changed used to determine the expected recoverable amount.

Result of disposal of fixed assets determined as the difference between the proceeds and the asset's carrying amount are recognized in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

Capital investments in progress are carried at initial cost. Upon completion of construction, assets are included in the buildings and constructions entry and are measured at initial cost. Capital investments in progress are not depreciated until the asset is ready for use.

Depreciation of PE and Investment Property

Depreciation of property and equipment commences in the month following the commissioning of assets and ceases upon disposal of assets or at completely depreciated PE (in case of the latter, useful life is reviewed and adjusted as

necessary). Depreciation is calculated using the straight-line method for an even decrease in initial cost to residual value over the estimated useful lives as follows:

buildings and facilities	20–50 years
Vehicles	7–28 years
machinery and equipment	4–20 years
tools, fixtures, and fittings	4–10 years
Other	2–25 years

Land and capital investments in progress are not depreciated.

The residual value of an asset is equal to nil if the NBU expects to use the asset until the end of its useful life.

Intangible Assets

All of the NBU's intangible assets have definite useful lives and primarily include computer software and licenses for its use.

Acquired intangible assets are amortized on a straight-line basis over the expected useful lives from two to twenty years and shall not exceed the period of contractual or other legal rights to the asset, and subsequently are measured at initial cost less accumulated amortization and impairment loss.

Accounting Valuations and Judgements Include

Impairment of Property and Equipment and Intangible Assets

As of each reporting day, the NBU's management reviews tangible and intangible assets for impairment taking into account the analysis of certain events or circumstances that evidence on impairment.

	Buildings and structures	Vehicles	Machinery and equipment	Tools, fixtures, and fittings	Other fixed assets	Uncompleted capital investments	Intangible assets	Total
	(UAH millions)							
Initial cost as of 1 January 2022	4,304	160	5,284	99	247	168	539	10,801
Depreciation and amortization as of 1 January 2022	(2,188)	(143)	(3,375)	(93)	(213)	(9)	(437)	(6,458)
Carrying amount as of 1 January 2022	2,116	17	1,909	6	34	159	102	4,343
Additions	–	5	116	1	22	41	14	199
Transfers to other categories, including:	1	–	27	(1)	(12)	(14)	(1)	–
initial cost	1	–	27	(1)	(12)	(14)	(1)	–
Disposals, including:	–	(1)	–	–	(1)	–	–	(2)
initial cost	–	(8)	(42)	(1)	(4)	–	(11)	(66)
depreciation and amortization	–	7	42	1	3	–	11	64
Depreciation and amortization charges in the current reporting period	(86)	(3)	(287)	(2)	(14)	–	(31)	(423)
Initial cost as of 31 December 2022	4,305	157	5,385	98	253	195	541	10,934
Depreciation and amortization as of 31 December 2022	(2,274)	(139)	(3,620)	(94)	(224)	(9)	(457)	(6,817)
Carrying amount as of 31 December 2022	2,031	18	1,765	4	29	186	84	4,117
Additions	5	–	291	1	6	64	16	383
Transfers to other categories, including:	8	(2)	(5)	2	13	(12)	(4)	–
initial cost	8	(2)	(5)	2	13	(12)	(4)	–
Disposals, including:	(17)	–	–	–	–	(2)	–	(19)
initial cost	(26)	(1)	(14)	(1)	(3)	(2)	(2)	(49)
depreciation and amortization	9	1	14	1	3	–	2	30
Depreciation and amortization charges in the current reporting period	(86)	(3)	(302)	(2)	(14)	–	(30)	(437)
Initial cost as of 31 December 2023	4,292	154	5,657	100	269	245	551	11,268
Depreciation and amortization as of 31 December 2023	(2,351)	(141)	(3,908)	(95)	(235)	(9)	(485)	(7,224)
Carrying amount as of 31 December 2023	1,941	13	1,749	5	34	236	66	4,044

As of 31 December 2023, initial cost of fully depreciated property and equipment that were still in operation amounted to UAH 2,600 million (as of 31 December 2022: UAH 2,369 million).

As of 31 December 2023 and 2022, based on the results of impairment test, no signs of impairment were noticed.

The carrying value of property, plant and equipment and intangible assets of a subsidiary has been adjusted by the amount of depreciation (accumulated depreciation) and amortization charges calculated in accordance with the NBU's accounting policies.

In 2023, pursuant to the regulatory acts of the Cabinet of Ministers of Ukraine, free-of-charge transfer of items of state property rights from the NBU's area of responsibility to the area of responsibility of other bodies authorized to manage state property took place. The result of the transfer of those assets amounted to UAH 17 million, which are recognized in equity as a transaction with the founder.

Capital Commitments

As of 31 December 2023, the NBU had capital commitments with respect to the acquisition, construction, and improvement of property and equipment and intangible assets totaling UAH 154 million (as of 31 December 2022: UAH 209 million).

31. Other Nonfinancial Assets

Accounting Policy

Investment and Other Precious Metals

Investment metals are the reserves of non-monetary gold, silver, platinum and palladium reported by weight in Troy

ounces and their value in hryvnias according to accounting price of investment metals.

The accounting price of investment metals under which the investment metals are reported in consolidated financial statements, was as follows:

	31 December 2023 (in UAH)	31 December 2022 (in hryvnias)
1 Troy ounce of gold	78,861.34	66,075.8
1 Troy ounce of silver	924.01	871.97
1 Troy ounce of platinum	37,993.79	37,284.98
1 Troy ounce of palladium	43,325.76	64,776.16

Unrealized revaluations of investment metals due to change of accounting price of investment metals are included into other comprehensive income in the consolidated statement of profit or loss and other comprehensive income recognized in the period in which they occurred. Realized revaluations of investment metals are included into the retained earnings.

Investment metals deposited in foreign banks for which the interest income is accrued, are included into the *Funds and deposits in foreign currency and investment metals* (Note 6). Revaluations of investment metals deposited in foreign banks due to change of accounting price of investment metals are included into other comprehensive income in the consolidated statement of profit or loss and other comprehensive income recognized in the period in which they occurred.

Investment metals include gold ingots that do not meet the established standards, scrap gold and other metals, and are accounted at cost in Stocks of tangible assets.

Investment and precious metals are included into *Other assets* in the consolidated statement of financial position.

Noncurrent Assets Held for Sale

The NBU recognizes its noncurrent assets as held for sale when the carrying amount of asset is recovered rather through sale than current use.

The noncurrent assets recognized as held for sale are recognized at whichever is lower: carrying amount or fair values less cost to sell.

Investment Property

Investment property items include:

- the land a future designation of which is undetermined
- a building not occupied by the NBU and designed for renting out under one or several leases
- a building owned by the NBU or managed under lease agreement and rented out under one or several lease agreements
- immovable property under construction or improvement for future use as investment property.

The NBU carries its investment property at cost. Investment property items are depreciated using the straight-line method.

The NBU recognizes its investment property using the following criteria:

- immovable property is transferred under leases
- immovable property is removed from the list of property used by the NBU according to the NBU's resolution on making decision to rent out the immovable property
- economic benefits are received, which are related to such investment property
- it is probable to estimate reliably the cost of immovable property.

Expenditures on current maintenance of investment property are recognized as expenses when they arise. Expenditures on improvement of investment property items that lead to increase in initially expected benefits from their use, increase the initial cost of those items.

Investment property items are derecognized in the event changes occur in the mode of their functional use.

	2023	2022
		(UAH millions)
Other nonfinancial assets		
Investment metals	2,919	2,984
Current tangible assets	1,851	1,446
Precious metals and stones	1,231	882
Advance payments	245	175
Commemorative and investment coins, souvenirs and other products	180	233
Investment property	44	44
Investments in associated company	37	35
Noncurrent tangible assets held for sale	4	4
Other	9	14
Impairment from other nonfinancial assets	(5)	(16)
Impairment of investments	(5)	(5)
Total other nonfinancial assets	6,510	5,796

32. Other Nonfinancial Liabilities

Accounting Policy

Provisions for Probable Contingencies

The NBU's provisions for probable contingencies include provisioning under legal or constructive obligations (as a result of past events), particularly under lawsuits the settlement of which was very likely (an adverse scenario being more probable than a positive one) to cause an outflow of resources that carry economic benefits and the amount (expenses) under which they can be reliably assessed. Provisions are recognized in profit or loss of the consolidated income statement and other comprehensive income in the period in which they arise.

Judgement

Provisions for Probable Contingencies under Lawsuits Filed against the NBU

The NBU's management analyzes lawsuits, in which it figures as defendant, in order to identify a high probability of potential losses to occur, as a result of which the NBU shall make payments in favor of the other party, the plaintiff. The NBU determines the probability of potential losses as high mainly when the court of appeal rules unfavorably against the NBU.

	2023	2022
		(UAH millions)
Other nonfinancial liabilities		
Accounts payable	79	106
Provisions for probable contingencies	–	95
Unearned revenue	1	1
Total other nonfinancial liabilities	80	202

Contingent Liabilities

Legal Proceedings

From time to time and in the normal course of business, certain lawsuits are filed against the NBU. As of 31 December 2023 and 2022, 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. For such lawsuits, there are contingent liabilities. No provisions for probable contingencies were made.

As of 31 December 2023, there were no lawsuits that had been filed against the NBU that had a high likelihood of resulting in losses, according to the NBU estimates. As of 31 December 2022, for lawsuits against the NBU estimated as the ones having high likelihood of resulting in losses, the NBU made a respective provision of UAH 94,7 million.

Over 2023, provision for probable contingencies in the amount of UAH 94.7 million was released (2022: UAH 129.0 million) as a result of a court decision in favor of the NBU, which is final and not subject to appeal.

Section V.II. Other Income and Expenses (except for Financial Results by Financial Instruments)

Accounting Policy

Recognition of Income and Expenses

Other income and expenses are recognized on accrual basis depending on stage of certain transaction completion that is assessed as ratio of provided (received) services to total services as established under agreement.

The expenses are recognized as expenses of a certain period simultaneously with recognition of the income for which they were incurred. The expenses which cannot be related to income of a certain period, are recognized as expenses of the reporting period during which they were incurred.

Costs Related to the Production of Banknotes, Coins, Souvenirs, and Other Products

The NBU carries out the production of banknotes and coins of the Ukrainian domestic currency. Costs for production of banknotes and coins (except for commemorative coins produced from precious and nonprecious metals and investment coins) are recorded in the NBU's expenses accounts as the finished products are transferred by the Banknote Printing and Minting Works to the NBU's Central Vault. Costs for production of banknotes and coins include depreciation of production machinery, labor costs, other production costs.

Value of commemorative coins produced from precious and nonprecious metals and investment coins, is recognized as

asset in the NBU's consolidated statement of financial position in Other assets and is written off as expenses as the coins are sold.

Personnel Costs

Labor costs, payment of a single contribution for mandatory state social insurance, contributions to the NBU Corporate Nonstate Pension Fund, and costs on personnel training and skill enhancement, are recognized in the period in which they were incurred by the NBU.

Costs for annual (principal, additional, and social) leaves not used by the NBU employees for the past work years and transferred to next years, and other future employee benefits are recognized as liabilities on employee benefits.

The NBU is the founder of the Corporate Nonstate Pension Fund which is the fund with fixed contributions. The NBU pays contributions to this fund on a contractual basis, and after funds transfer, the NBU has no liabilities regarding these payments. The contributions to the NBU Corporate Nonstate Pension Fund are recognized in Personnel costs when the liabilities on funds transfer arise. After the NBU employee's retirement all payments are performed by the NBU Corporate Nonstate Pension Fund.

Taxes except for payment of distributable profit paid by the NBU, are included into Administrative and other expenses.

33. Other Income

	2023	2022
	(UAH millions)	
Income from sale of investment and commemorative coins, souvenir and other products	886	473
Fines, penalties, forfeit received	757	293
Income from real estate sales	4	157
NBU's holding in income of associated company	4	3
Income from license registration and issue	3	2
Other	119	69
Total other income	1,773	997

34. Staff Costs

	2023	2022
		(UAH millions)
Payroll of staff	2,685	2,668
Single contribution for mandatory state social security and contributions to nonstate pension funds	559	557
Financial assistance and other social benefits	15	11
Other	25	20
Total staff costs	3,284	3,256

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

35. Administrative and Other Expenses

	2023	2022
		(UAH millions)
Banknote Printing and Minting Works' expenses not included in production cost	678	557
Depreciation and amortization	266	254
Utilities and household expenses	260	226
Expenses for maintenance of noncurrent tangible and intangible assets	183	163
Problem assets expenses	67	3
Business trips	57	92
Telecommunication services and maintenance	52	40
Contributions to the NBU's Primary Labor Union	33	33
Cost of sewage facility services	29	22
Payments to NBU Council members	24	23
Other	93	108
Total administrative and other expenses	1,742	1,521

Depreciation and amortization charges for 2023 exclude depreciation worth UAH 171 million (UAH 169 million in 2022) 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 expenses for taxes, duties and mandatory payments, consulting and legal services, maintenance of intangible assets, financial assistance and other social benefits to pensioners, etc.

Section VI. Other Notes

36. Related Party Transactions

Related Party Transactions. Judgement

The NBU carries out transactions with related parties, mainly with the government, banks and organizations controlled by the state, key management personnel, etc. In accordance with IFRS 9, financial instruments are initially recognized at fair value. If no active market exists for specific market interest rates, the NBU applies professional judgement. A basis for the judgement is pricing for similar types of

transactions with nonrelated parties and analysis of the effective interest rate, as specified in Note 21.

Terms and Conditions of Related Party Transactions

In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

In the normal course of its operations, the NBU enters into transactions with related parties. The year-end balances on these transactions are presented in the table below:

	Note	2023			2022		
		Government and state-controlled entities	Associated company	Other related parties	Government and state-controlled entities	Associated company	Other related parties
(UAH millions)							
Funds and deposits in foreign currency and investment metals		39	–	–	69	–	–
Domestic securities (gross carrying value)	9	727,818	–	–	757,040	–	–
Loans due from banks and other borrowers (gross carrying value)		3,007	–	–	22,468	–	–
Loss allowances for loans to banks and other borrowers		(3,000)	–	–	(3,006)	–	–
Domestic public debt		1,347	–	–	1,444	–	–
Other assets		83	32	–	52	30	–
Accounts of banks		109,936	–	–	32,512	–	–
Accounts of government and other institutions (excluding the accounts of the Deposit Guarantee Fund)	13	139,401	91	11	53,183	4	8
Accounts of the Deposit Guarantee Fund	13	539	–	–	947	–	–
Liabilities to transfer distributable profit to the State Budget of Ukraine	29	38,643	–	–	71,868	–	–
Certificates of deposit issued by the NBU		261,374	–	–	145,683	–	–
Other liabilities		724	1	–	2,326	–	–

Other related party transactions of the *Accounts of Government and Other Institutions* item include balances on accounts 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 December 2023 bore an interest rate of 7.00% (as of 31 December 2022, 7.00% and 25.00% were set for the long-term loans to state-owned banks)

as of 31 December 2023 and 2022, the NBU had commitments for granting loans to the Deposit Guarantee Fund under an open revocable revolving credit line totaling UAH 3,000 million (Note 10)

domestic-currency balances held by state-owned banks in correspondent accounts with the NBU (included in accounts of banks in the table above) earned no interest as of 31 December 2023 and 31 December 2022 (Note 12)

balances of other foreign-currency demand deposits of banks (included in accounts of banks in the table above) as of 31 December 2023 bore an interest rate of 5.25% (4.25% as of 31 December 2022) (Note 12)

accounts of government and other institutions did not bear any interest as of 31 December 2023 and 2022 (Note 13)

accounts of the Deposit Guarantee Fund bore an interest rate of 4.60% as of 31 December 2023 (4.49% as of 31 December 2022) (Note 13).

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

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

	2023			2022		
	Government and state-controlled entities	Associated company	Other related parties	Government and state-controlled entities	Associated company	Other related parties
	(UAH millions)					
Interest income	107,530	–	–	96,968	–	–
Interest expenses	(29,788)	–	–	(11,216)	–	–
Fee and commission income	211	–	–	185	–	–
Fee and commission expense	(5)	–	–	(1)	–	–
Other income	617	8	–	356	3	–
Gains or losses on transactions with financial instruments at fair value through profit or loss	824	–	–	(3,223)	–	–
Costs related to the production of banknotes, coins, souvenirs, and other products	(133)	–	–	(151)	–	–
Staff costs and remuneration of NBU Council members	–	–	(68)	–	–	(63)
Administrative and other expenses	(94)	–	(70)	(22)	–	(66)
Gains from the reversal of impairment on interest-bearing financial assets	4	–	–	685	–	–
Losses from impairment of other assets	–	–	–	–	(5)	–

Other related parties in the item Administrative and economic and other expenses include the NBU's contributions to the CNPF.

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 2023, expenses for the short-term benefits (salary and social security tax) of key management personnel were UAH 68.4 million, including remuneration of members of the NBU Council of UAH 21.9 million [in 2022, the expenses for the short-term benefits of key management personnel were UAH 63.2 million, including remuneration to members of the NBU Council of UAH 21.7 million].

Expenses for Short-Term Benefits to the Chairperson and Members of the NBU Council:

	2023, UAH millions	Length of service in 2023, in months	2022, UAH millions	Length of service in 2022, in months
Bohdan Danylyshyn	2.7	9.8	3.4	12
Anatolii Barsukov	3.3	12	0.3	1
Ihor Veremii	3.3	12	1.7	6.3
Vasyl Horbal	3.3	12	3.3	12
Mykola Kalenskyi	1.0	3.6	3.3	12
Viktor Koziuk	1.7	6.2	3.3	12
Oleksandr Petryk	–	–	1.3	4.7
Vasyl Furman	3.3	12	3.1	11.2
Olena Scherbakova	3.3	12	2.0	7.2
Total Remuneration:	21.9	–	21.7	–
Single contribution for mandatory state social security	1.8	–	1.7	–
Total expenses for short-term benefits:	23.7	–	23.4	–

Expenses for short-term benefits to the NBU Governor and Board Members:

	2023, UAH millions	Length of service in 2023, in months	2022, UAH millions	Length of service in 2022, in months
Andriy Pyshnyy	7.6	12	1.5	2.8
Kyrylo Shevchenko	–	–	5.7	9.2
Kateryna Rozhkova	5.9	12	6.1	12
Yuriy Heletiy	5.7	12	6.0	12
Yaroslav Matuzka	5.7	12	5.9	12
Sergiy Nikolaychuk	5.8	12	5.9	12
Dmytro Oliinyk	6.5	12	1.1	2.2
Oleksii Shaban	5.7	12	6.0	12
Total Remuneration:	42.9	–	38.2	–
Single contribution for mandatory state social security	1.8	–	1.6	–
Total expenses for short-term benefits:	44.7	–	39.8	–

37. 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	2023			2022		
		current	noncurrent	total	current	noncurrent	total
(UAH millions)							
Assets							
Funds and deposits in foreign currency and investment metals	6	373,440	–	373,440	241,504	–	241,504
Foreign securities	7	1,072,423	676	1,073,099	694,882	624	695,506
SDR holdings	8.1	35,570	–	35,570	62,174	–	62,174
Monetary gold		–	62,387	62,387	–	52,272	52,272
Domestic securities	9	49,074	678,744	727,818	66,452	690,588	757,040
Loans to banks and other borrowers	10	3,291	2,400	5,691	4,891	35,890	40,781
Domestic public debt		112	1,235	1,347	111	1,333	1,444
IMF quota contributions	8.2	–	102,521	102,521	–	97,908	97,908
Property and equipment and intangible assets	30	–	4,044	4,044	–	4,117	4,117
Other assets	11, 31	3,661	3,009	6,670	2,808	3,074	5,882
Total assets		1,537,571	855,016	2,392,587	1,072,822	885,806	1,958,628
Liabilities							
Banknotes and coins in circulation		764,598	–	764,598	715,330	–	715,330
Accounts of banks	12	216,261	–	216,261	86,870	–	86,870
Accounts of government and other institutions	13	140,102	–	140,102	54,198	–	54,198
Liabilities to transfer distributable profit to the State Budget of Ukraine	29	38,643	–	38,643	71,868	–	71,868
Certificates of deposit issued by the NBU	14	621,667	–	621,667	457,464	–	457,464
Liabilities to the IMF, apart from IMF quota contributions	8.3	41,337	44,690	86,027	64,060	77,219	141,279
Liabilities to the IMF with respect to quota contributions	8.3	102,509	–	102,509	97,897	–	97,897
Other liabilities	15, 32	1,827	782	2,609	2,217	3,304	5,521
Total liabilities		1,926,944	45,472	1,972,416	1,549,904	80,523	1,630,427

Contributions to the IMF quota are classified as noncurrent given that under Article XXVI of the IMF Articles of Agreement, a member country has the right to withdraw from the IMF at any time, but there is no current expectation that Ukraine will exercise this right.

Debt obligations to the IMF to pay the quota contribution are classified as current because, in accordance with the Articles of Agreement, the IMF has the right to demand and Ukraine has the obligation to pay the funds and redeem the respective securities. This item also includes funds under IMF Account No. 1, which are categorized as demand deposits and classified as current.

38. Events Subsequent to the Reporting Date

The Board of the National Bank of Ukraine has decided to cut the key policy rate from 15% to 14.5% effective 15 March 2024. A further decline in inflation, controllable FX market conditions, and positive developments in the prospects to receive external assistance enabled an earlier resumption of the easing cycle of interest rate policy in late February–March.

Throughout the period from 1 January 2024 to the date of signing of these consolidated financial statements, financial assistance received by Ukraine from international partners to accounts with the NBU totaled USD 7.9 billion in equivalent, of which more than USD 1 billion was provided as grants. In particular, in March 2024, the government received the first tranche of EUR 4.5 billion under the four-year assistance plan for Ukraine to the total amount of EUR 50 billion (Ukraine Facility Program), which was approved by the European Council on 28 February 2024.

Also, in March 2024, the following funds came to SDR holding accounts in favor of the government:

from Canada – SDR 1,109 million, or UAH 57,594 million at the official UAH/SDR exchange rate as of the date the funds were received

from the IMF under the Extended Fund Facility (EFF) – SDR 664 million, or UAH 34,551 million at the official

UAH/SDR exchange rate as of the date the funds were received.

Before the date of the issuance of these consolidated financial statements, the following repayments were made:

redemption of domestic government debt securities in line with the redemption schedule to the total amount of UAH 16,136 million (UAH 9,500 million in principle, and UAH 6,636 million in interest payments)

the NBU's liabilities toward the IMF in line with the repayment schedule in the total amount of SDR 355 million (UAH 18,151 million at the official exchange rate as of the payment date, or UAH 17,500 million at the annual exchange rate of the IMF).

On 8 March 2024, Standard & Poor's agency downgraded Ukraine's long-term rating in foreign currency from CCC to CC due to the expected restructuring of external debt, while affirming the country's short-term ratings in foreign currency at C.

39. Introducing New and Amended Standards and Interpretations of the Financial Statements

Amended IFRS and interpretations that came into effect on 1 January 2023 and were adopted to be applied.

Amendments to IAS 1. Presentation of Financial Statements intended to provide clarifications on disclosure of accounting policies in financial statements (applying to annual reporting periods beginning on or after 1 January 2023) have been applied to these consolidated financial statements to disclose only significant accounting policies of the NBU.

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).

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).

Amendments to IAS 12. Income Taxes – International Tax Reform Pillar Two Model Rules provide for temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules (apply to annual reporting periods beginning on or after 1 January 2023).

Amended IFRS and interpretations had no significant effect on the NBU's financial results and financial position.

New and Revised Standards that have been Issued but are not yet Effective

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – *Sale or distribution of assets between an investor and its associate or joint venture* (apply to annual reporting periods

beginning on or after the date to be specified. Early application is permitted).

Amendments to IAS 1. Presentation of Financial Statements – Classification of Liabilities as Current or Non-current are intended to clarify the 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 2024).

Amendments to IAS 1. Presentation of Financial Statements – Noncurrent liabilities with covenants are intended to provide a more general approach to the classification of liabilities, both current and noncurrent (apply to annual reporting periods beginning on or after 1 January 2024).

Amendments to IAS 7. Statement of Cash Flows and IFRS 7. Financial Instruments: Disclosures – Supplier Finance Arrangements add disclosure requirements and “indicators” within the existing disclosure requirements that require business entities to provide qualitative and quantitative information on supplier finance arrangements (apply to annual reporting periods beginning on or after 1 January 2024).

Amendments to IAS 21. The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability, require companies to provide more useful information in their financial statements when a currency is not exchangeable into another (apply to annual reporting periods beginning on or after 1 January 2025).

Amendments to IFRS 16. Leases – *Lease Liability in Sale-and-Leaseback Transaction* are intended to clarify the requirements applied by the seller lessee to assess the lease liability arising in the leaseback transaction (apply to annual reporting periods beginning on or after 1 January 2024).

The NBU did not apply the above new and revised standards before the effective date. The NBU's top managers expect the application of these standards and amendments will not have a significant effect on the NBU's performance and financial standing.