

**Joint Stock Company**  
**“The State Export-Import Bank of Ukraine”**

**Management report**

**Annual consolidated financial statements**

*For the year ended 31 December 2021,  
with independent auditor's report*

*Translation from Ukrainian original*

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**Consolidated management report  
OF JOINT STOCK COMPANY  
“THE STATE EXPORT-IMPORT BANK OF UKRAINE”**

*(the management report was prepared in accordance with the requirements of Article 126 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets", the Regulation on Disclosure of Information by Securities Issuers approved by decision No. 2826 of the National Securities and Stock Market Commission of Ukraine (NSSMC) dated December 3, 2013, Law of Ukraine On Accounting and Financial Reporting in Ukraine, the Instruction on the Procedure for Preparation and Publication of Financial Statements of Banks of Ukraine approved by the NBU Board Resolution No. 373 dated October 24, 2011)*

Joint Stock Company “The State Export-Import Bank of Ukraine” (hereinafter – Ukreximbank, JSC “Ukreximbank”, “Ukreximbank”, the Bank/bank or the issuer) was established in 1992 and entered in the State Register of Banks on January 23, 1992 under number 5, “Ukreximbank” performs its activity on the basis of Bank License No.2.

As of December 31, 2021 and 2020, 100% of “Ukreximbank” share capital was owned by the state. Functions on management of the state’s corporate rights in the Bank are performed by the Cabinet of Ministers of Ukraine.

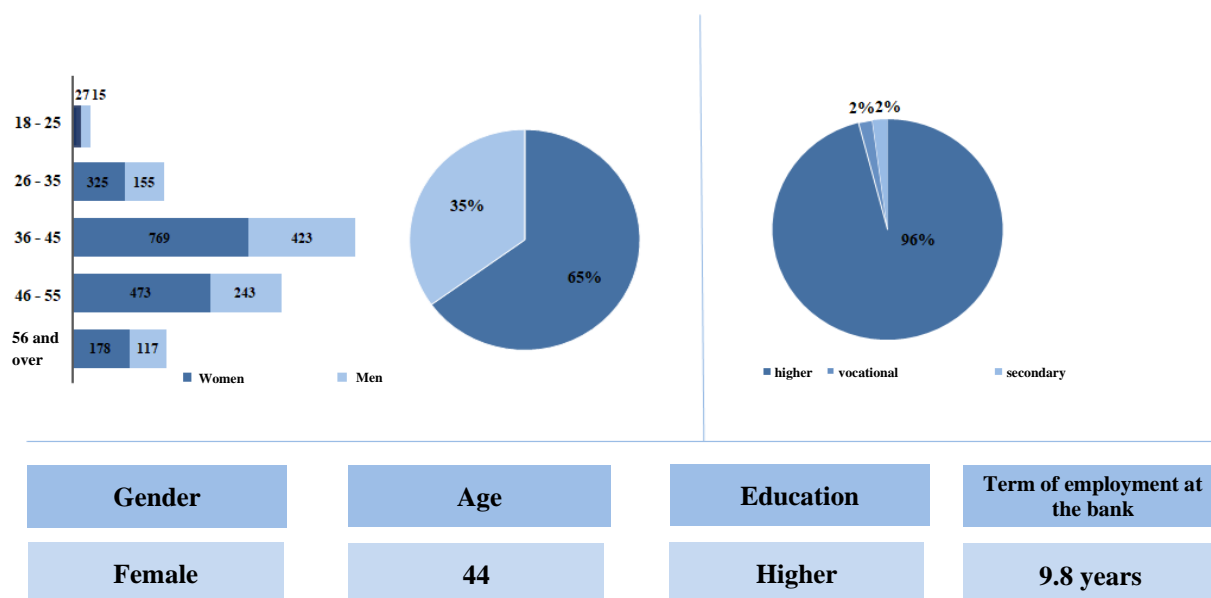
Head Office of “Ukreximbank” is located in Kyiv at the address: 127, Antonovycha Str. The Bank has 22 branches and 29 sub-branches (as of December 31, 2020 it had 22 branches and 38 sub-branches) and two representative offices in London and New-York. The Bank and its branches is a single legal entity.

Historically, the key activity of “Ukreximbank” is servicing of export and import transactions. Currently, “Ukreximbank” has the diversified customer base, which includes significant number of large industrial and state-owned enterprises. “Ukreximbank” accepts deposits from individuals and legal entities, issues loans, provides payment services within Ukraine and carries out money transfers abroad, fulfils foreign exchange transactions, invests funds, performs servicing of the customers’ cash and settlement operations and renders other banking services.

One of the key “Ukreximbank” functions is facilitation of servicing, on behalf of the Government of Ukraine, of the loan agreements entered into by the Government of Ukraine and governments of other countries. “Ukreximbank” acts as an agent of the Government of Ukraine and carries out servicing of loans provided by international financial institutions in accordance with the terms and conditions of such agreements.

**Human resources, employment, respect for human rights, intellectual capital and its use for the Bank goals achievement, anticorruption efforts**

JSC “Ukreximbank” is a reliable employer in the financial sector of the country. The profile of the team and the profile of the Bank's employee are as follows:



As of 31.12.2021 the total registered number of employees in JSC "Ukreximbank" system is 2725 employees.

In 2020 **HR-service**, which was reformed in 2020, corresponds to the modern business organization model. The new HR-service structure in 2021 ensured implementation of a comprehensive approach to personnel management: personnel selection, adaptation, evaluation, remuneration, organizational development, personnel administration, staff training and development, intangible motivation of the staff and internal communications.

Within JSC "Ukreximbank" development strategy new **HR-strategy of JSC "Ukreximbank" for 2020-2022** was developed and approved, whose strategic goal is consistent implementation of transformational changes to personnel management as the basis for strengthening of the employer brand, building and maintaining highly professional, involved, loyal, motivated team of the Bank, which is able to respond flexibly to changes in the internal and external environment and ensure the Bank's leading position in the financial market.

In 2021, in order to organize transparent and centralized **recruitment**, improve the quality of selection of candidates for vacant positions in all independent structural and separate units of the Bank, establish common principles of approval of candidates in accordance with the strategic plans and needs of the Bank, "Regulation on Personnel Selection and Approval" was **developed and approved**. **457 employees** were selected and recruited, including 49 ones to positions of tactical and strategic levels.

During 2021, the implementation of a comprehensive **system of personnel evaluation** was continued, within the framework of which the measures for personnel evaluation with the use of valid instruments in accordance with world practices were successfully implemented. As of December 31, 2021, a competency evaluation was conducted for the heads of the tactical level of the business units of the Branches and the Head Office (41 employees passed the assessment centre).

In 2021 the Bank continued building **the new personnel training and development system**, within which the official launch of EXIM Academy was held (December 13, 2021), and a new, modern remote online learning platform was launched (December 17, 2021).

An analysis of staff training needs was conducted, and a Training Plan for the Bank's employees for 2022 was developed and approved (Order No. 377-21 dd. 31.12.2021).

**Within 2021:**

- the Bank's employees have been trained in 52 remote courses 36,455 times;
- 264 employees of the Bank took part in 108 training events organized by external providers;
- online trainings in ZOOM format were conducted for the employees of the of CB, MSBMUS and RB Departments: "Time to sell", where the Bank's trainers trained: CB - 51 employees (6 groups), RB - 263 employees (33 groups), MSBMUS - 40 employees (4 groups);
- the first face-to-face trainings were launched - 16 events were held during the year, at which 125 employees were trained.

Due to the transformation of the regional network in 2021, the Human Resources Department **centralized the processes of personnel administration**.

As part of internal communication and the development of corporate culture, the process of **building a new corporate culture of the Bank** continues, which is aimed at supporting the achievement of business strategic goals.

**The system of horizontal and vertical internal communications** is in operation, which helps to qualitatively cascade key messages of the Bank to employees. To promote the Bank's values and strategy, as well as to strengthen management communications, Exim Motivation Days strategic meetings were held for the first time in a long time with the participation of regional SSU heads and managers.

A range of projects for support and further development of the corporate culture have been developed and implemented which are aimed at uniting the employees and strengthening of the corporate spirit. Among the implemented projects are corporate events that support the traditions of the Bank, as well as projects "Exim Christmas Fest", "Brothers in Blood", "Parcel to a Hero", "Exim Galery", "Exim Help", "Good Shop".

In 2021, the Bank introduced a wellbeing concept with 2 new projects created within it: "Exim Energy", focused on the development of mental and physical health of the employees, and "Exim Hobby Club", which aims to create common interests for more effective communication and unity. As part of "Exim Energy", a season of crossfit and yoga training in the open air was held, the work of the gym was updated, online lectures on nutrition were held, and weekly sports classes

were held. The Bank's team participated in running marathons, in the Velosotka project, and the Bank's triathlon team was created and officially registered, which has already shown high results in all-Ukrainian competitions.

### **Respect for human rights.**

In terms of respect for human rights the Bank in its activities is guided by the Constitution of Ukraine, strictly adheres to the legislation and regulations of Ukraine, regulations of the Bank, the Code of Conduct (Ethics) of JSC “Ukreximbank”, Anti-Corruption Program of Joint-Stock Company “The State Export-Import Bank of Ukraine”, namely:

- The Bank promotes a culture of respect to executives and employees of the Bank. Executives and employees of the Bank are provided with equal opportunities for professional development, implementation of labour rights and development of professional potential. The Bank's management takes measures aimed at protection of work and health of executives and employees of the Bank, creating the necessary conditions for their safe labour conditions and improvement of social welfare;
- The Bank does not allow any discrimination regarding the Bank's executives and employees on the grounds of race, colour, political, religious and other beliefs, gender, gender identity, sexual orientation, ethnic, social and foreign origin, or any other characteristics at the time of recruitment, remuneration, promotion;
- The main criteria for the appointment of executives and employees of the Bank to senior positions are their achievements and abilities. Every employee of the Bank has the right to nominate his / her candidacy for vacancies available in the Bank, provided that the qualification requirements are met.
- The Bank does not prosecute persons of any kind in its activities

The Bank does not use and does not support the use of labour of children who have not reached the minimum age established by labour legislation from which employment is allowed.

JSC “Ukreximbank” system annually sets working time norms according to five-day working week calendar which does not exceed 40 hours per week, with two days off on Saturday and Sunday, with mandatory observance of working time norms.

In accordance with the requirements of the applicable legislation of Ukraine, the Bank's employees are provided with various types of leave, in particular, annual leave (basic and additional for special work), additional leave in connection with studies, social leave (due to pregnancy and childbirth, childcare leave until the child reaches the age of three, for employees who have children, etc.), unpaid leave.

The Bank's employees support a healthy lifestyle by participating in external and internal activities aimed at an active lifestyle. Every employee of the Bank is provided with a voluntary health insurance policy.

### **Technological resources and their use to achieve the bank goals**

In 2021 JSC “Ukreximbank” continued active transformation of its IT activities in order to achieve the required level of information technologies development to build a modern digital efficient bank that ensures the loyalty of digital users of its services and a sufficient level of reliability and security of IT infrastructure and flexibility of implementation of new technologies and systems according to business requirements.

In June 2021, the Bank fully completed the transfer of all banking transactions to ABS B2 after decommissioning of BIS “Grant”, which was temporarily used in parallel mode with the main ABS. This allowed to create a strong foundation for further automation of processes and providing new services to customers.

During 2021, the Bank has implemented:

- The NBU BankID system for online access to administrative, government, banking, insurance and other services;
- Verification of customers using the mobile application Diia;
- Deal Tracker Refinitiv, the first treasury service in Ukraine for accelerated processing of customers' foreign exchange transactions in larger volumes and at the best exchange rates;
- Automation of securities transactions of individuals and legal entities;
- Automatic transfer of funds from a special bank account to the current accounts of electricity and gas market participants;
- Technology of route tracking and fast transfer of international payments in the framework of the bank's full participation in SWIFT gpi as a Live Member from December 6, 2021;
- iFOBS.Tracker module, which allows customers-legal entities to track online the route of their outgoing international payments throughout the chain of their transfer through SWIFT to the stage of crediting to the recipient's account, indicating the status, processing time, fees charged by intermediary banks;

- SWIFT Alliance multifactor authentication technology based on the Oracle Authenticator mobile application, which meets the requirements of SWIFT Customer Security Program;
- iFOBS Mobile application for legal entities to control the balance of the enterprise without being tied to a stationary workplace. Among the updated features is selection of the deposit according to certain parameters and acceptance of payments using SMS-passwords, which allows managers to confirm the outgoing payments of the company from anywhere in the world and at any time;
- Expanding the functionality of the mobile application for Enter EXIM 2.0 private customers (possibility to order and receive, without visiting the bank, digital payment cards for international payments and online currency exchange; use of geo-limiters to increase security of cards use; IBAN display to increase the convenience of working with transfers).

The processing system, built on the Way4 platform, provides reliable and uninterrupted operation of card processing in 24x7 mode in cooperation with Visa, Mastercard, American Express and NPS Prostrir. In this system, which fully meets the requirements of PCI DSS, in addition to the basic functionality of card processing, technologies GooglePay / ApplePay, Purchase with CashBack, PIN Delivery by SMS are implemented. At the same time, the system serves not only JSC "Ukreximbank", but also a number of affiliate banks that do not have their own processing system. In 2021, the Bank's ATM network put into operation the ATM Securix ATM functional software protection system, which increased the level of protection of the Bank's ATM network.

All physical servers of the bank work in VMware virtual environment, which provides efficient use of server capacity and allows virtualized servers to work in a fault-tolerant configuration. The bank uses modern means of protection of electronic information from network and virus attacks, protection against SPAM, and other types of protection.

JSC "Ukreximbank" has started modernization and implementation of modern tools for information and cybersecurity, in particular: systems of protection from network attacks, endpoint protection systems, protection of corporate network, information security event monitoring system, etc. The introduction of public key modern infrastructure has begun.

## 2021 Awards

*Award For sustainable partnership in driving cashless від компанії Visa.*

Visa awarded Ukreximbank with the award "For a sustainable partnership in the development of non-cash payments". Ukreximbank received an award for the development of a world-class Cashless ecosystem.

*Rating of securities traders of the FSTS Stock Exchange.*

Ukreximbank took the fourth place in the rating of securities traders of the FSTS Stock Exchange. Compared to the same period last year, the bank rose by 25 positions.

*Quarterly rating of the best banking products for business from analysts of Prostobank Consulting.*

Term deposits of the state-owned Ukreximbank took first and second place in the quarterly ranking of the best banking products for business by analysts of Prostobank Consulting.

*State Ukreximbank became the first Ukrainian bank to introduce Deal Tracker as a Service from Refinitiv into the infrastructure of interbank trading on open markets.*

Ukreximbank was the first in Ukraine to implement a comprehensive solution for managing interbank trading flows from Refinitiv, a member of the London Stock Exchange Group.

*"Rating" media*

According to "RATING" media, JSC "The State Export-Import Bank of Ukraine" entered the ranking of the TOP200 largest companies in Ukraine by the amount of tax payments for 2020, taking 98th place.

*Award from the National Depository of Ukraine together with PJSC "Settlement Center" and the Professional Association of Participants of Capital Markets and Derivatives.*

Ukreximbank received a diploma "For expanding the range of new instruments in the capital markets of Ukraine."

*Fitch Ratings.*

On October 13, 2021, the rating agency Fitch Ratings published a report confirming the long-term issuer default ratings (IDRs) of The State Export-Import Bank of Ukraine at "B" with a positive outlook, and upgraded the viability rating (VR) to "b-" from "ccc+ ".

#### *Moody's upgraded JSC "Ukreximbank"*

On December 16, 2021, Moody's Investors Service ("Moody's") announced an increase in the rating of the Basic Credit Assessment (BCAs) of JSC "Ukreximbank" to "b3" from "caa1".

#### *Moody's upgraded JSC "Ukreximbank"*

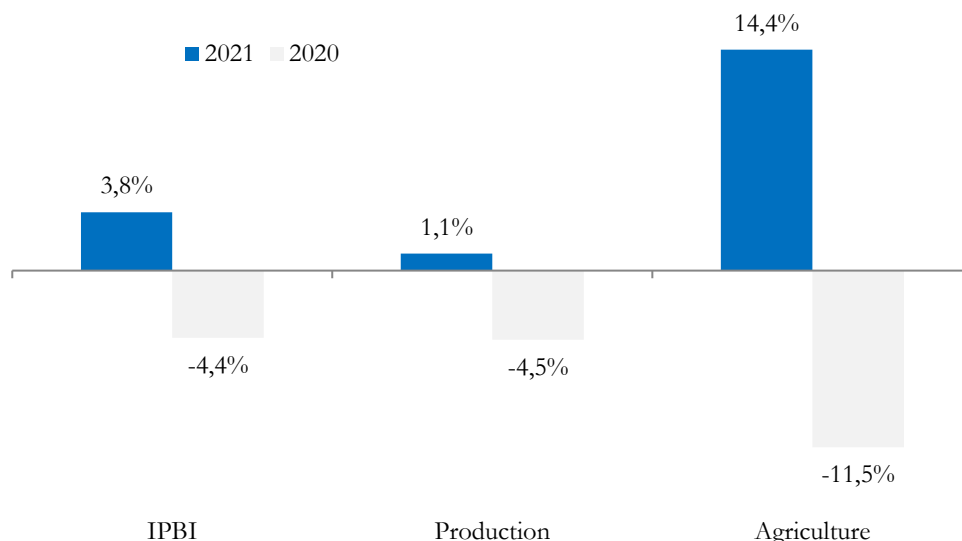
On December 16, 2021, Moody's Investors Service ("Moody's") raised Ukreximbank's adjusted BCA from "caa1" to "b3", counterparty risk assessment (CR Assessment) to "B2" (cr) from "B3" (cr) and counterparty risk ratings (CRR) from "B3" to "B2".

**Nature of business (external environment summary, where the Bank performs its activities, brief summary of the existing business model, core products and services).**

#### ***External environment summary***

In 2021, the global economy and, in particular, the banking sector of Ukraine were affected by the pandemic caused by the spread of COVID-19. The spread of the new Omicron strain in a number of countries has held back global economic growth in 2021. According to the results of 2021, the index of production of basic industries of Ukraine grew by 3.8% in annual terms, as expected, in 2021 the country's economy began to recover after the 2020 crisis. The main driver of growth was agriculture 14.4% (2021), due to record harvests and rising prices in the global market.

**Index of production of basic industries (IPBI) <sup>1</sup>**



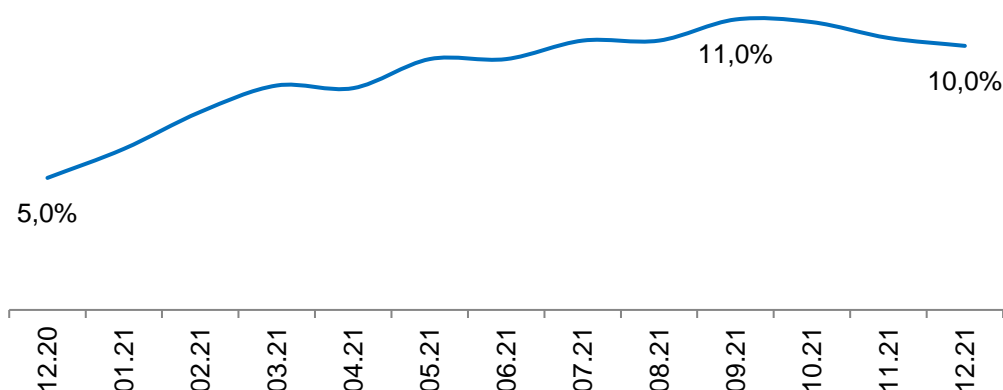
In 2021, consumer price growth accelerated (from 5% in 2020) to 11% in September and slowed to 10% in December 2021<sup>2</sup>. Significant growth in prices was observed in almost all sectors of the economy: 13% was the rise in prices of processed food products for the year; 10.4% increase in the cost of services in 2021; 11.8% change in prices for raw food products for the year; 13.6% was the growth of administratively regulated prices in 2021; fuel cost grew by 26.5% following the results of the year<sup>3</sup>.

<sup>1</sup> [https://bank.gov.ua/admin\\_uploads/article/Dodatky\\_MM\\_2022-01.xlsx?v=4](https://bank.gov.ua/admin_uploads/article/Dodatky_MM_2022-01.xlsx?v=4)

<sup>2</sup> [https://bank.gov.ua/admin\\_uploads/article/Tables\\_Charts\\_2022-Q1.xlsx?v=4](https://bank.gov.ua/admin_uploads/article/Tables_Charts_2022-Q1.xlsx?v=4)

<sup>3</sup> [https://bank.gov.ua/admin\\_uploads/article/CPI\\_2021-12.pdf?v=4](https://bank.gov.ua/admin_uploads/article/CPI_2021-12.pdf?v=4)

### Dynamics of the consumer price index



### Key macroeconomic indicators in 2020-2021

<i>Indicators</i>	<i>As of December 31, 2020</i>	<i>As of December 31, 2021</i>
Industrial output, change in % ( <i>up to December of current year</i> )	(4,5)	1,1 <sup>4</sup>
Share of unemployment, % ( <i>according to the NBU</i> )	10,1	10,1 <sup>5</sup>
The NBU international reserves, USD bln.	28,8	30,9 <sup>6</sup>
Official exchange rate of Hryvnia to US Dollar, UAH/USD	28,27	27,27 <sup>7</sup>

According to the results of 2021, Ukraine's international reserves increased by USD 2.1 billion to USD 30.9 billion (equivalent). This is the record for the last nine years. The National Bank managed to increase international reserves against a positive balance of foreign exchange interventions in the amount of USD 2.4 billion in 2021, which was accompanied by the strengthening of hryvnia against the dollar by 1 hryvnia: from 28.27 at the beginning of 2021 to 27.27 at the end of 2021.<sup>8</sup>

According to preliminary data of the NBU, the current account in 2021 returned to a deficit of USD -2,088 billion, or 1.1% to GDP (in 2020 there was a record surplus of 3.4%), due to significant amounts of reinvested earnings and dividend payments (USD -14 billion in 2021, which is much more than in 2020 USD -3.1 billion). The trade deficit in goods remained almost at the level of the previous year (USD 6.7 billion) despite steady domestic demand. The widening current account deficit was also held by money transfers of migrant workers. They grew by 25% over the year amid the opening of borders and the recovery of recipient economies.

The inflow of capital on the financial account (net borrowing) in 2021 amounted to USD 2.6 billion and was driven by both private and public sector transactions (net outflow was USD 3.3 billion in 2020).<sup>9</sup>

### Balance of Payment of Ukraine in 2020-2021, USD million <sup>10</sup>

<i>Balance of Payment Accounts:</i>	<i>As of December 31, 2020</i>	<i>As of December 31, 2021</i>
<u>A. Current Account</u>	5 267	(2 088)
<u>B. Capital Account</u>	(3)	15
<u>C. Financial Account</u>	3 274	(2 560)
<b><u>D. Overall Balance (= A + B - C)</u></b>	<b>1 990</b>	<b>487</b>

<sup>4</sup> <http://www.ukrstat.gov.ua/express/expr2022/01/09.pdf>

<sup>5</sup> [https://bank.gov.ua/admin\\_uploads/article/Tables\\_Charts\\_2022-Q1.xlsx?v=4](https://bank.gov.ua/admin_uploads/article/Tables_Charts_2022-Q1.xlsx?v=4)

<sup>6</sup> <https://bank.gov.ua/ua/markets/international-reserves-allinfo/dynamics?startDate=01.12.2020&endDate=01.01.2022>

<sup>7</sup> <https://bank.gov.ua/ua/markets/exchangerate-chart?cn%5B%5D=USD&startDate=31.12.2020&endDate=31.12.2021>

<sup>8</sup> <https://bank.gov.ua/ua/news/all/u-2020-rotsi-mijnarodni-rezervi-ukrayini-zrosli-do-vosmirichnogo-maksimumu>

<sup>9</sup> [https://bank.gov.ua/files/ES/State\\_m.pdf](https://bank.gov.ua/files/ES/State_m.pdf)

<sup>10</sup> [https://bank.gov.ua/files/ES/BOP\\_m.xlsx](https://bank.gov.ua/files/ES/BOP_m.xlsx)



In 2021, the NBU, in order to minimize the impact of pro-inflation risks and ensure sustainable reduction of inflation to target of 5%, tightened monetary policy, namely raising the discount rate from 6% at the beginning of 2021 to 9% at the end of 2021 (in 2020 due to easing of monetary policy, the discount rate was reduced from 13.5% at the beginning of the year to 6% at the end of the year).<sup>11</sup>

The weighted average hryvnia rates on bank loans and deposits changed the trend in 2021 and increased: +0.7 p.p. up to 13.3% in November 2021 for new loans to residents; +0.8 p.p. to 5.2% in November 2021 on new deposits of residents<sup>12</sup>.

### **Existing Business Model**

Existing business model envisages:

- focusing on ongoing implementation of the programs together with IFIs under lending projects to the export-oriented enterprises;
- focusing on existing and attraction of new customers for servicing of their export-import transactions and for provision of consultation support;
- expansion of corporate customer base;
- retaining premium individual customers with significant account balances.
- expanding the number of commercial banks, to which financing is provided under the IFI programs;

At its meeting on December 9, 2020, the Cabinet of Ministers of Ukraine approved the Development Strategy of the State Export-Import Bank of Ukraine. The updated strategy is aimed at implementing the "Main Areas of Ukreximbank's activities for 2020-2024" and provides for a comprehensive transformation, which is based on three components, in particular, the business model, the operating model and financial stability.

According to the business model, the bank will focus on its core business, in particular, export-import companies and state-owned enterprises, as well as reducing the cost of servicing the non-target customers. The operational model involves process optimization and radical digitalization with a reduction in physical presence. Financial stability will be achieved by focusing on improving one's position with capital and long-term financial recovery through optimizing the balance sheet by reducing costs and increasing revenues. The bank will also work on capital recovery by resolving the situation with non-performing assets<sup>13</sup>.

### **Eco-responsibility**

The Bank contributes to improving the energy efficiency of the Ukrainian economy and defines the financing of projects in the field of environmental protection and introduction of energy-saving technologies as one of its important activities. JSC «Ukreximbank» adheres to the responsible financing policy and pays attention to the environmental component, in particular:

- Applies environmental and social risk assessment procedures in respect of loan projects;
- Does not provide financing to socially hazardous and environmentally harmful industries;
- Implements initiatives aimed at reduction of the negative impact of business activities on the environment, etc.

The environmental and social management system is integrated into the bank lending activities. The assessment of environmental and social risks is carried out at the stage of review of loan projects, and monitoring of such risks is carried out at the stage of their administration. Remote training courses are arranged on a regular basis to ensure that the Bank's employees are adequately informed of the current risk assessment system.

The Bank regularly conducts training seminars for representatives of enterprises of different sectors of the economy and participates in representative activities to promote energy efficiency programs and encourage investment in this field.

### **Core products and services**

Core products and services of the banking institution are:

- loans
- deposits
- cash and settlement services
- payment card transactions

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<sup>11</sup> <https://bank.gov.ua/ua/markets/interest-rates?startDate=01.01.2020&endDate=31.12.2021>

<sup>12</sup> [https://bank.gov.ua/files/4-Financial\\_markets.xlsx](https://bank.gov.ua/files/4-Financial_markets.xlsx)

<sup>13</sup> <https://www.eximb.com.ua/bank/press/novyny-banku/uryad-shvalyv-strategiyu-rozvytku-derzhavnogo-ukreksimbanku.html>

- securities transactions
- trade finance transactions; factoring
- services provided using remote servicing systems (Client-Bank system, internet banking, mobile banking).

In addition, JSC "Ukreximbank" is expanding the range of products under IFI programs, derivatives. Also, in addition to sovereign Eurobonds, the bank offers corporate Eurobonds, which are placed on international stock markets and admitted to trading on Ukrainian stock exchanges.

**The goals of management and strategies for achievement of these goals (information about priority of actions for achievement of results, highlighting of activities in the area of research and development)**

The strategic goals and priorities of the Bank for 2021 - 2024 are, in particular:

- to become a leading bank for export-import financing and corporate lending in Ukraine, in particular by retaining existing customers and attracting new ones to service their export-import transactions, as well as consultancy support;
- to ensure efficient and profitable operation of the bank as a leading provider in the Ukrainian financial sector of a wide range of corporate banking services for state-owned enterprises, large enterprises, medium-sized enterprises (including strategic for the state areas), cooperation with municipalities, united territorial communities and utilities;
- to carry out digitalization and automation of core business processes in order to increase their economic efficiency;
- to reduce the volume of the loan portfolio in non-strategic sectors and reduce the cost of servicing for the non-target customers;
- to create the stable mechanisms for funding the bank transactions, taking into account the current situation in the loan and money markets and the priority of reducing the cost of loan funds and other debt instruments, which will be offered by the bank;
- to borrow funds of international financial institutions on economically favorable terms and conditions;
- to participate actively in national and international programs to support key sectors of the economy.

The Bank is focused on the following priorities:

- in terms of asset-side transactions - lending to large corporate customers (about 96% of the loan portfolio), medium-sized enterprises and utilities with a simultaneous reduction in investments in government securities (government bonds) and NBU certificates of deposit;
- in terms of liability-side transactions - diversification of funding sources (individuals and legal entities and individuals, CMU, external borrowings, long-term IFI funds).

**Key financial recourses, use thereof for achievement of goals (equity structure, financial mechanism, liquidity and cash flows)**

Since 2016, JSC «Ukreximbank» has been defined by the NBU as a systemically important bank, which corresponds to the high status of the bank in the banking system of Ukraine and at the same time puts forward some increased requirements to ensure the safety margin, in particular:

- from 01.01.2023 the formation of the system importance buffer is introduced in addition to the normative value of H3 and H2 depending on the category of system importance (the introduction of the buffer was suspended due to the pandemic). The Bank expects the system importance buffer to be set at 1.5%;
- development of a business recovery plan to resume activities in accordance with the requirements of the NBU in order to quickly stabilize the crisis;
- compliance with the enhanced N7 at a level of not exceeding 20%.

In the reporting year, Ukreximbank had a sufficient level of equity, successfully used diversified sources of funding to create a reliable liquidity reserve, timely and in full provided repayment of the borrowed funds.

**The Bank's equity** was formed mainly through the issued capital, which amounted to UAH 45.57 billion. as of December 31, 2021. In 2021, the equity of JSC "Ukreximbank" was increased by UAH 2,103 million to UAH 12,453 million against the retained earnings of the bank, which changed from UAH 36,589 million to UAH 33,654 million in 2021.

### Equity structure of JSC «Ukreximbank»

Equity	31.12.2021	31.12.2020	UAH, thousand Dynamics
Issued capital	45,570,041	45,570,041	-
Result from transactions with the shareholder	635,104	635,104	-
Retained earnings	(33,653,771)	(36,589,390)	2,935,619
Reserve and other funds of the bank	0	207,458	(207,458)
Other reserves	(98,629)	525,683	(624,312)
<b>Total equity</b>	<b>12,452,745</b>	<b>10,348,896</b>	<b>2,103,849</b>

### Liquidity

In order to achieve the set goals for lending, the long-term financing from the EIB in the total amount of UAH 680 million has been attracted.

Within the framework of lending to small and medium-sized businesses, the Bank continues implementation of joint programs with international financial institutions (EIB, EBRD, IBRD), increased participation in a joint program with the Entrepreneurship Development Fund for an additional amount of UAH 8 million.

In accordance with the terms of the issue, bonds issued under the LPN scheme on international capital markets were redeemed in the national currency in the amount of UAH 4,051 million, in USD - in the amount of USD 285.3 million.

**Liabilities of JSC «Ukreximbank»** reduced by UAH 2.8 billion (or 2%). At the same time, the following indicators increased:

- increase of the client's funding base by UAH 6.3 billion equivalent or by 5% due to an increase in current accounts of legal entities (UAH +20 billion equivalent). At the same time, time deposits of customers reduced by UAH 14 billion;
- increase in a refinancing loan from the NBU in the amount of UAH 5 billion.

At the same time, during the reporting period, the Bank according to the plan redeemed bonds issued under the LPN scheme on international capital markets in the amount of USD 285 million and UAH 4 billion.

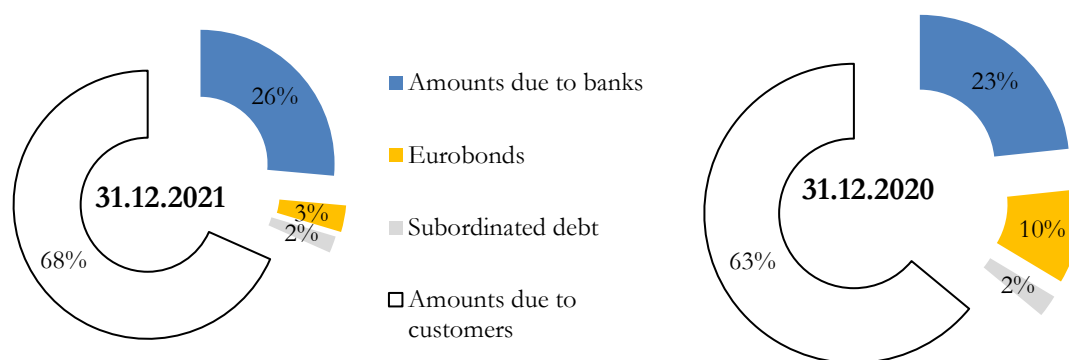
During the year, the Bank raised funding from EIB, IBRD and other international financial institutions.

### Liabilities of the Bank

Liabilities	31.12.2021	31.12.2020	Changes	
			absolute value	%
Amounts due to the National Bank of Ukraine	21,367,229	16,008,768	5,358,461	33%
Amounts due to customers	121,837,236	115,581,108	6,256,128	5%
Amounts due to credit institutions	25,722,711	26,119,028	(396,317)	-2%
Eurobonds issued	5,725,085	18,537,152	(12,812,067)	-69%
Subordinated debt	3,605,597	4,341,176	(735,579)	-17%
Provision for credit-related commitments	290,987	135,531	155,456	115%
Other liabilities	1,091,942	1,803,616	(711,674)	-39%
<b>Total liabilities</b>	<b>179,640,787</b>	<b>182,526,379</b>	<b>(2,885,592)</b>	<b>-2%</b>

The most important item in the Bank's liabilities structure is customer accounts, the share of which increased from 63% to 68% during 2021. The share of Eurobonds during the reporting year reduced from 10% to 3%.

### Main changes in the liabilities structure



The Bank channels the borrowed funds for financing the real sector of the Ukrainian economy:

- provides long-term loans on competitive terms to borrowers of strategically important industries (mechanical engineering, transport, fuel and energy industry, chemical industry, agriculture, etc.);
- implements programs of international financial organizations;
- supports exporters;
- promotes energy efficiency of domestic enterprises.

### Key performance indicators of JSC “Ukreximbank”

<i>Indicators</i>	<i>31.12.2021, UAH, million equivalent</i>	<i>31.12.2020, UAH, million equivalent</i>	<i>Growth rate, %</i>	<i>Market share as at 31.12.2021</i>	<i>Market position as at 31.12.2021</i>
Assets	192,093,532	192,875,275	0%	9%	3
Loans to customers	69,334,862	48,608,320	43%	8%	2
Liabilities	179,640,787	182,526,379	-2%	10%	3
Amounts due to Customers	121,837,236	115,581,108	5%	7%	3
Equity	12,452,745	10,348,896	20%	5%	6
Profit	2,709,168	(5,591,367)	-	4%	7

During 2021 JSC “Ukreximbank” actively implemented state measures aimed at revitalizing the development of the Ukrainian economy, participated together with IFIs in joint export-oriented projects, programs of energy efficiency, energy saving and modernization of domestic enterprises:

- ensuring the organization of a unique consortium loan in the total amount of USD 376 million (share of the bank USD 165 million) - SE "Ukravtodor";
- became the authorized bank for servicing the energy market (CMU Resolution No. 140), which allowed servicing current accounts with a special regime of use of electricity market participants;
- resumption of transactions for granting of uncovered letters of credit to customers for post-import financing, which have not been conducted by the bank since 2014 (letters of credit in the amount of more than USD 60 million were granted);
- introduction of new products to finance the export-import transactions of the bank's corporate customers (in particular, lending was provided to borrowers within the framework of pre-export financing for agricultural sector (PXF) customers, which is unique for Ukrainian banks;
- increase in the performing loan portfolio - starting from 01.09.2021, JSC “Ukreximbank” came out on top in terms of loans to legal entities (net);
- the bank took the 1st place in terms of the volume of provided guarantees (as of 01.01.2021 it was the 6th) and the 2nd place in terms of the volume of trade finance transactions (guarantees, promissory notes and uncovered letters of credit) in Ukraine (as of 01.01.2021 it was the 7th);
- raising tranches of IBRD loan funds under the Access to Long-Term Financing Project in the total amount of USD 46 million;

- signing of the Guarantee Agreement and the Loan Agreement with the IBRD for the implementation of Additional Financing for Counteracting COVID-19 under the Access to Long-Term Financing Project in the amount of USD 100 million;
- start working with the IBRD to prepare a new Municipal Energy Efficiency Project for the amount of USD 300 million;
- attracting a loan tranche of the EIB under the program Loan for Deep and Comprehensive Free Trade Area with the EU for the amount of EUR 20 million;
- signing an additional agreement with the EIB to attract a tranche of a loan in synthetic hryvnia in the amount of equiv. EUR 20 million to finance SME projects;
- refinancing of subprojects of the Bank's customers under IFI programs in the amount of UAH 4.3 billion was approved;
- within the framework of providing agency services to the Ministry of Finance of Ukraine on joint projects with the European Investment Bank APEX and AGRI-APEX - signing 4 agreements with participating banks in the amount of EUR 15.0 million, receiving commission income for 2021 in the amount of UAH 26 million;
- financing of projects of customers - small and medium enterprises at the expense of the Fund for Entrepreneurship Development in the amount of UAH 40.9 million;
- conclusion of a Memorandum of Cooperation with the Association of Ukrainian Cities and amendments to the budget legislation on granting the right to rural and urban communities to borrow were initiated;
- The Bank acted as an underwriter of domestic local government bonds for UAH 400 million of Kyiv City Council and purchased bonds for the amount of UAH 220 million.

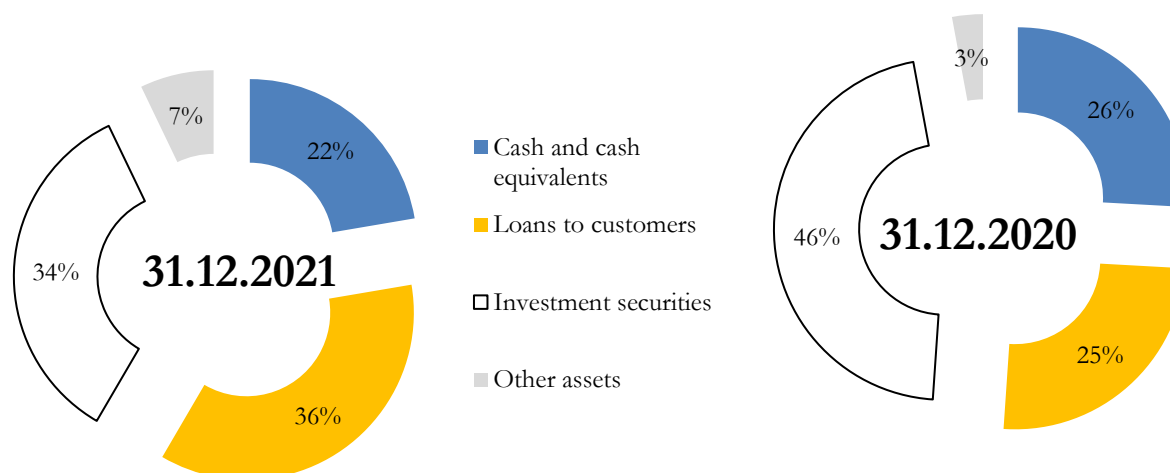
The Bank may from time to time consider the possibility of redemption of issued Eurobonds, as the case may be, through the direct redemption from the market or otherwise taking into account the market price and market liquidity.

As of the end of 2021, **Ukreximbank assets** remained almost at the previous level of UAH 192,094 million. At the same time, there were significant changes in the structure of assets, namely the increase in the loan portfolio by UAH 20,727 million (or 43%) in 2021, which was the result of the Bank's consistent policy in the field of lending with measures aimed at minimizing risks, improving the quality of the loan portfolio and customer service, ensuring the appropriate level of profitability of loans.

#### Assets of the Bank

<i>Assets</i>	<i>31.12.2021</i>	<i>31.12.2020</i>	<i>UAH thousand</i> <i>Changes</i>	
			<i>absolute value</i>	<i>%</i>
Cash and cash equivalents	42,882,371	49,912,943	(7,030,572)	-14%
Loans to customers	69,334,862	48,608,320	20,726,542	43%
Investment securities	66,195,840	88,726,654	(22,530,814)	-25%
Other assets	13,680,459	5,627,358	8,053,101	143%
<b>Total assets</b>	<b>192,093,532</b>	<b>192,875,275</b>	<b>(781,743)</b>	<b>-0,4%</b>

#### Major changes in the structure of assets



The share of investment securities for the reporting year decreased by 12 percentage points to 34%. This is mainly due to the reduction in government bonds portfolios by UAH 11,375 million (nominal value) and Ukravtodor's bonds by UAH 5,500 million (nominal value) in 2021.

**The main performance results and prospects of further development (financial and non-financial indicators enabling to understand the major trends and factors that impact the business, the Bank performance results, their connection to the goals of the managements and the strategies of achieving these goals, analysis of significant changes in financial standing, liquidity and performance results, the reasons of change of indicators during the accounting period, the intention of the Bank strategy implementation in the long-term perspective)**

JSC "Ukreximbank" follows a consistent and prudent policy as related to assets formation, timely and in full represents deductions to provisions under the loans to customers. The Bank takes care of the balanced assets structure, optimal for reliable conduct of customer transactions and financing of the real economy sector. The liquidity level continuously remains adequate for fulfilment of all liabilities.

As related to the business model strategic transformation the Bank performed gradual exit from the retail market (in line with the Strategic directions of the Bank activities designed by the Cabinet of Ministers and the Principles of State Banking Sector Strategic Reforming).

Actions taken by the Bank for this purpose in the last years:

- optimization of the retail chain and respective number of employees;
- review of the retail product line and cancellation of low efficiency retail products;
- re-focus on affluent retail customers segment.

In connection with the military aggression of the Russian Federation against Ukraine starting on February 24, 2022, the President of Ukraine issued a Decree № 64/2022 dated February 24, 2022 "On imposition of martial law in Ukraine" approved by the Law of Ukraine № 2102-IX dated February 24, 2022 "On approval of the Decree of the President of Ukraine "On imposition of martial law in Ukraine".

In order to ensure the reliability and stability of the banking system, the National Bank of Ukraine implemented a number of measures for the continuous operation of the banking system of Ukraine and made anti-crisis decisions, including: suspension / restriction of operation of foreign exchange and stock markets, restrictions on cash withdrawals, the replenishment of banks with cash, expanding the available volumes of banks' refinancing, providing for the possibility of limited unsecured lending, prolongation of the terms of currently provided refinancing loans up to 1 year, etc.

The National Bank of Ukraine has identified JSC "Ukreximbank" as a critical infrastructure object in the banking system of Ukraine and included it in the list of systemically important banks whose functioning ensures the stability of the banking system, is essential for the economy and security of the state, also JSC "Ukreximbank" is included in the list of authorized banks of Ukraine involved in the work (transactions) in a special period.

The Bank switched to intensified monitoring of liquidity, suspended a range of previously planned asset-side transactions. The Bank's liquidity is sufficient, the Bank adheres to all standards, ratios and liquidity indicators as well as obligatory provisions ratio established by the National Bank of Ukraine.

Currently, the Bank's Supervisory Board, the Management Board and the committees of the Supervisory Board and the Management Board continue to perform their functions. The Bank's personnel were relocated to safe locations and their functions are performed without losing control and suspension of critical processes.

In the near future, the Bank will continue to operate under martial law within the valid model and approved business continuity plan.

The Bank's management has assessed the current significant uncertainty associated with the ongoing hostilities in Ukraine, which have caused and continue to cause significant adverse effects on the economy as a whole and on the Bank's customers in particular, on the assumptions underlying the management's estimates of business continuity assumptions.

The Bank's Supervisory Board and the Bank's Management Board will be able to ensure the full functioning of the Bank under martial law for at least 12 months from the date of the report.

Nevertheless, there is significant uncertainty related to currently unpredictable impact of ongoing hostilities in Ukraine on assumptions underlying the management estimates, that may call into question the Bank's ability to continue its operation on a continuous basis, and therefore, it will not be able to sell its assets and repay its liabilities in the ordinary course of business.

Based on liquidity forecasts, capital adequacy ratios, expected loan losses, as well as the possibility of recapitalization, the Bank's management believes that there are sufficient grounds for preparing these financial statements based on the principle of continuous operation.

### JSC "Ukreximbank" performance

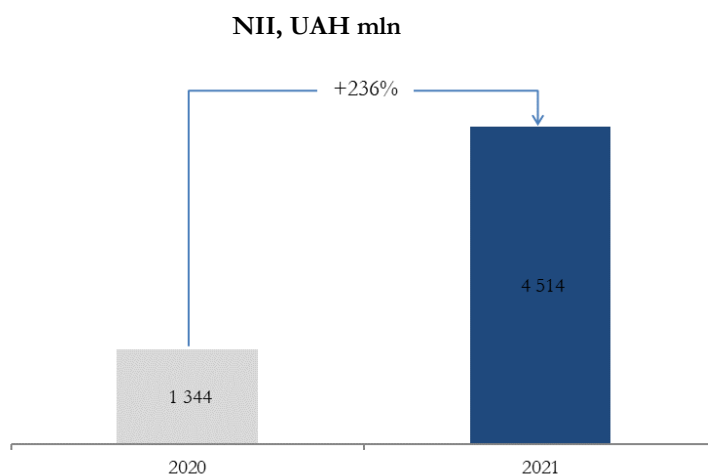
According to the results of the reporting year 2021, Ukreximbank received profit of UAH 2.7 billion. According to the results of the accounting year, the bank maintained its position in the TOP-3 largest banks in terms of net assets, loans to customers and liabilities.

The main factors of the bank's profitable activities in 2021 were measures to increase the bank's operating efficiency (operating profit increased to UAH 3.5 billion in 2021, from UAH -0.02 billion in 2020) and the continuation of prudent credit policy.

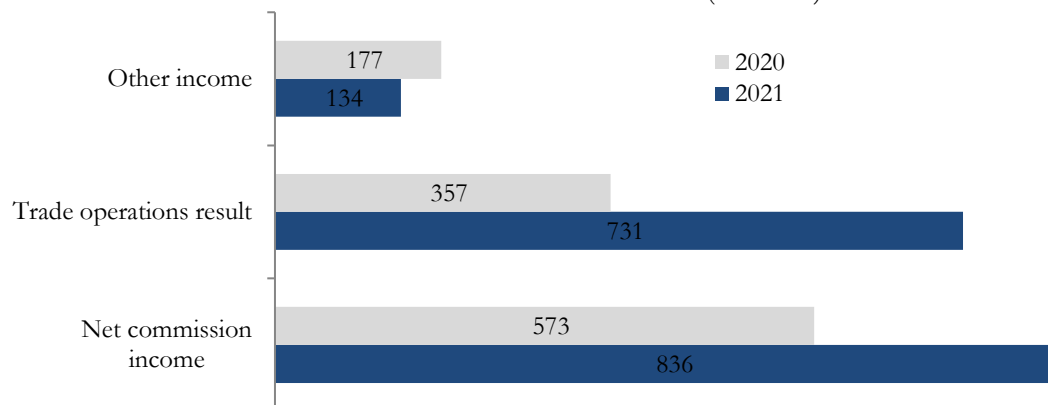
Indicator	2020	2021	Changes		Structure, %	
			absolute value	%	2020	2021
<b>Net interest income</b>	<b>1 344 385</b>	<b>4 513 955</b>	<b>3 169 570</b>	<b>235,8%</b>	<b>55%</b>	<b>73%</b>
<b>Interest income</b>	<b>10 032 745</b>	<b>11 923 313</b>	<b>1 890 568</b>	<b>18,8%</b>	<b>100%</b>	<b>100%</b>
Loans to customers	5 314 246	5 242 212	(72 034)	-1,4%	53%	44%
Securities	3 845 192	5 279 007	1 433 815	37,3%	38%	44%
Amount due from credit institutions	459 676	1 095 747	636 071	138,4%	5%	9%
Finance leasing	413 631	306 347	(107 284)	-25,9%	4%	3%
<b>Interest expenses</b>	<b>(8 688 360)</b>	<b>(7 409 358)</b>	<b>1 279 002</b>	<b>-14,7%</b>	<b>100%</b>	<b>100%</b>
Amount due to customers	(4 052 049)	(3 911 638)	140 411	-3,5%	47%	53%
Eurobonds issued	(2 843 033)	(834 139)	2 008 894	-70,7%	33%	11%
Amount due to credit institutions	(1 070 778)	(778 766)	292 012	-27,3%	12%	11%
Subordinated debt	(437 746)	(367 754)	69 992	-16,0%	5%	5%
Amount due to the NBU	(258 731)	(1 441 280)	(1 182 549)	457,1%	3%	19%
Other interest expenses	(26 023)	(75 781)	(49 758)	191,2%	0%	1%
<b>Net non-interest income</b>	<b>1 106 553</b>	<b>1 701 279</b>	<b>594 725</b>	<b>53,7%</b>	<b>45%</b>	<b>27%</b>
<b>Net commission income</b>	<b>573 214</b>	<b>835 998</b>	<b>262 784</b>	<b>45,8%</b>	<b>23%</b>	<b>13%</b>
Commission income	877 052	1 182 595	305 543	34,8%	36%	19%
Commission expenses	(303 838)	(346 597)	(42 759)	14,1%		
<b>Trade operations result</b>	<b>356 692</b>	<b>731 396</b>	<b>374 704</b>	<b>105,0%</b>	<b>15%</b>	<b>12%</b>
<b>Other income</b>	<b>176 647</b>	<b>133 885</b>	<b>(42 763)</b>	<b>-24,2%</b>	<b>7%</b>	<b>2%</b>
<b>Net operating income</b>	<b>2 450 938</b>	<b>6 215 234</b>	<b>3 764 295</b>	<b>153,6%</b>	<b>100%</b>	<b>100%</b>
<b>Operating expenses</b>	<b>(2 467 716)</b>	<b>(2 665 273)</b>	<b>(197 557)</b>	<b>8,0%</b>	<b>100%</b>	<b>100%</b>
Personnel expenses	(1 496 732)	(1 815 684)	(318 952)	21,3%	61%	68%
Depreciation and amortization	(114 177)	(113 552)	625	-0,5%	5%	4%
Other operating expenses	(856 807)	(736 037)	120 770	-14,1%	35%	28%
<b>Operating income</b>	<b>(16 778)</b>	<b>3 549 961</b>	<b>3 566 738</b>	<b>-</b>		
Revaluations results	(801 850)	(818 828)	(16 977)	2,1%		
Expenses for provision and modification of financial instruments	(4 496 878)	(21 817)	4 475 061	-99,5%		
Profit before tax	(5 315 506)	2 709 316	8 024 822	-		
Income tax expenses	(275 861)	(148)	275 713	-99,9%		
<b>Net profit</b>	<b>(5 591 367)</b>	<b>2 709 168</b>	<b>8 300 535</b>	<b>-</b>		

The growth of net interest income was simultaneously due to the following main factors:

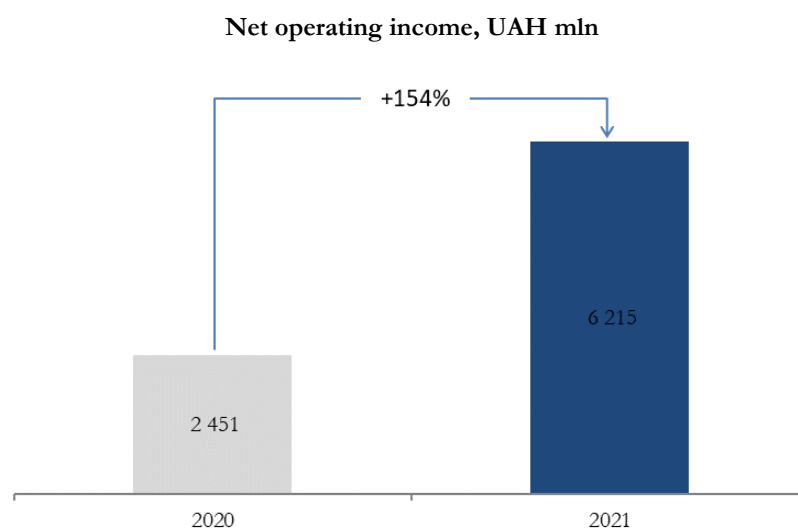
- growth of average interest rates on interest-bearing assets from 5.8% (in January 2021) to 6.1% (in December 2021) due to an increase in interest rates on loans from 6.0% to 7.4% and an increase in the loan portfolio in 2021 by UAH 21 billion to UAH 69 billion at the end of 2021;
- decrease in the value of interest-bearing liabilities from 5.1% (in January 2021) to 3.9% (in December 2021).



In terms of **non-interest income**, there was a significant increase in the result from trade operations +UAH 375 million up to UAH 731 million and net commission income + UAH 263 million (or + 46%).

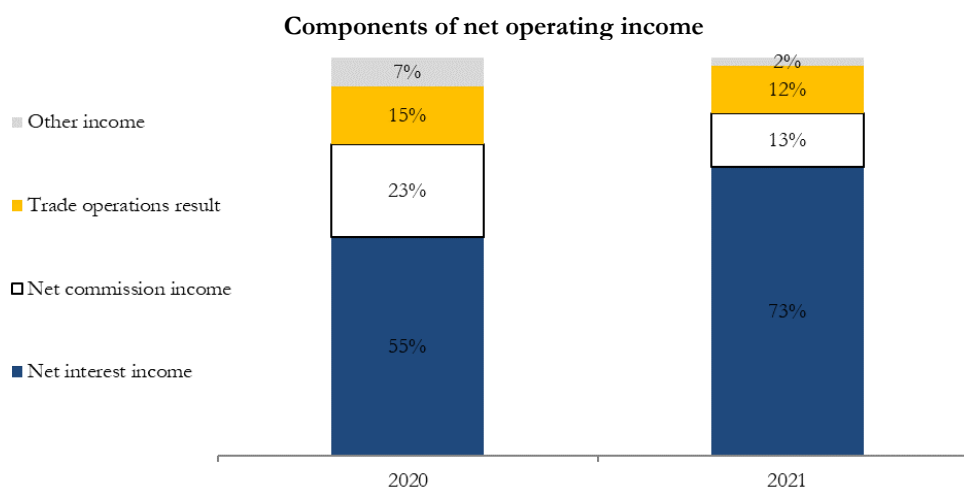


Net operating income of JSC “Ukreximbank” increased by UAH 3,764 million (or 154%) to UAH 6,215 million in 2021.



In the long run, the Bank expects an increase in operating profitability due to:

- improvement of work with NPL (repayment of problem loans at the expense of borrowers, sale of collateral);
- optimization of the balance sheet structure (repayment of part of the liabilities with high value).



The structure of the Bank's net operating income is dominated by income from interest-bearing transactions. It is likely that this income structure will be preserved further. Taking measures aimed at improving the loan portfolio, restructuring



of bad debts, reducing the cost of the Bank's resource base will lead to an increase in interest margin. Accordingly, the Bank does not expect a significant change in the ratio between net interest and non-interest income in the near future.

### Key performance indicators

The key performance indicators (performance indicators used by the management to assess the Bank performance in accordance with the set objectives, analysis of significant changes in financial condition, liquidity and performance compared to targets, their changes during the reporting period)

Performance indicators	2020	2021	Changes
Liquidity ratio, %	25.9%	22.3%	-3.6%
Capital adequacy ratio, %	21.4%	17.8%	- 3.6%
Tier I capital adequacy ratio, %	14.3%	13.8%	-0.5%
Loan portfolio coverage ratio with customer accounts, %	237.8%	175.7%	-62.1%
Net interest margin, %	0.9%	2.4%	1.5%
Return on assets, %	-3.4%	1.4%	4.8%
Return on equity, %	-58.0%	23.8%	81.8%
Operating expenses, % of net operating income	100.7%	42.9%	-57.8%

### Information on the conclusion of derivatives or deeds on derivative securities by the issuer

During the reporting period, the Bank did not enter into any derivatives and did not enter into any deeds with derivative securities.

### Information on the issuer's financial risk management objectives and policies, including the insurance policy for each major forecast transaction for which hedging transactions are used

For efficient risk management, the Bank has developed and implemented a risk management system that provides for the distribution of rights, obligations, responsibilities between management bodies, structural units of the Bank, separation of risk identification and assessment processes. More detailed information on financial risk management is provided in Section 13. Information on the Bank's risk management system and its key characteristics.

### Information on the issuer's exposure to price risks, credit risk, liquidity risk and/or cash flow risk

Significant types of risks and the Bank approaches to the risk management are provided in Section 13. Information on the Bank risk management system and its key characteristics.

## Report on Corporate Governance

### 1. Purpose of Bank's activities.

The purpose of the Bank's activities is to create favorable conditions for economic development; servicing of export-import transactions; credit and financial support of economy sectors and enterprises that are export-oriented or carry out activities related to the production of import-substituting products, as well as making a profit in the interests of the Bank and its shareholder.

### 2. Information on compliance/non-compliance with the principles or code of corporate governance (with reference to the source of their text), deviations and reasons for such deviations during the year.

The situation surrounding the interview of the former Chairman of the Management Board of the Bank Metsger Ie.V. to "Radio Svoboda" held on 4 October 2021 (hereinafter - the First Incident), as well as the events surrounding the employment of the head of the Banking Security Department of the Bank Telbizov I.G. to work at the Bank (hereinafter

- the Second Incident) demonstrated that, unfortunately, the Code (Principles) of Corporate Governance and the Code of Conduct (Ethics) of the Bank developed and approved in 2020 were not properly implemented in the Bank.

At the same time, the Supervisory Board is convinced that the First and Second Incidents have become a challenge and a litmus test of the effectiveness of the Bank's corporate governance system as a whole, including the Supervisory Board's ability to act quickly and decisively in such critical situations, the existence in the Bank of mechanisms for investigating relevant cases and bringing employees and managers of the Bank to justice for violations, as well as of the effectiveness of these mechanisms.

The Supervisory Board recognizes that the prevention of cases such as the First and Second Incidents is one of the priority objectives of the introduction and development of the Bank's corporate governance system. At the same time, it is believed that an equally important factor in assessing the quality of corporate governance in the Bank is the ability of the Bank's management to effectively manage and minimize the consequences of the Bank's risks.

The Bank has taken all appropriate measures to effectively resolve the First and Second Incidents, which proves that the Bank has an effective system of corporate governance and internal control. Currently, the Supervisory Board and the Management Board of the Bank continue to work on updating the Code (Principles) of Corporate Governance and the Code of Conduct (Ethics) of the Bank in order to reformat them to convey to all employees and managers of the Bank the practical (rather than formal) value of the Bank's corporate values, and to ensure that each employee of the Bank understands their rights and responsibilities and the role of each of them in shaping the image and reputation of the Bank. The current versions of the Code (Principles) of Corporate Governance and the Code of Conduct (Ethics) of the Bank are set out on the Bank's official website and are available at:

Code (principles) of corporate governance: <https://www.eximb.com/assets/files/download/corporate-governance-code-2021.pdf>

Code of Conduct (Ethics) of the Bank: <https://www.eximb.com/assets/files/download/code-of-conduct-ukr.pdf>

### **3. Information on the owners of a qualifying holding (including persons exercising control over the financial institution), their compliance with the requirements established by legislation and changes in their composition during the year**

As of December 31, 2021, 100% of the authorized capital of the Bank is owned by the state represented by the Cabinet of Ministers of Ukraine. Address: 12/2, Hrushevskoho Str., Kyiv, 01008.

### **4. Information on the General Meeting of Shareholders of the Bank and a general description of the decisions made at the meeting.**

According to Article 7 of the Law of Ukraine on Banks, the sole shareholder of a state bank is the state. The functions of managing the corporate rights of the state in the state bank are exercised by the Cabinet of Ministers of Ukraine. The body that manages the corporate rights of the state in the state bank also exercises the functions of the supreme governing body of the state bank (hereinafter – Supreme Body).

Decisions of the Supreme Body are formalized by acts of the Cabinet of Ministers of Ukraine, drafts of which are prepared and submitted to the Cabinet of Ministers of Ukraine by the central executive body that ensures the formation of state finance policy, and are not subject to coordination with other interested bodies.

### **5. Procedure for appointment and dismissal of Bank's officials.**

#### *The Supervisory Board of the Bank*

The Supervisory Board is a collegial governing body of the Bank, which within its competence manages the Bank, controls and regulates the Bank's Management Board in order to implement the Bank's development strategy, and protects the rights of depositors, creditors and the state as a shareholder of the Bank.

Members of the Supervisory Board are appointed by the Supreme Governing Body of the Bank according to the procedure stipulated by legislation, in particular:

- one state representative in the Supervisory Board is appointed by the Supreme Body on the proposal of the President of Ukraine, one - on the proposal of the Cabinet of Ministers of Ukraine and one - on the proposal of the Verkhovna Rada Committee on Finance, Tax and Customs Policy;
- independent members of the Supervisory Board are appointed by the Supreme Governing Body of the Bank on the basis of a proposal of the tender commission established by the Cabinet of Ministers of Ukraine.

Members of the Bank's Supervisory Board take office after their approval by the National Bank of Ukraine.

Given the special role of the Bank's Supervisory Board in the new corporate governance system, the Law established a special procedure for the appointment and termination of powers of members of the state bank's Supervisory Board.

In order to ensure the independence of the supervisory boards of state banks, the Law limited the right of the Supreme Body to terminate the powers of supervisory board members of its own accord to two cases, namely: repeated fail to approve the state bank's development strategy approved by the supervisory board of the state bank, and fail to implement strategy and/or business plan for the development of the state bank, which is confirmed by the results of the annual evaluation according to the procedure stipulated by the Supreme Body.

All other grounds for termination of powers of members of supervisory boards by the supreme body are based on legal facts that arose not on the initiative of the higher body, including establishing the fact of non-compliance of a member of the supervisory board of the state bank with the requirements to the supervisory board members; at the request of at least five members of the supervisory board of the state bank or the National Bank of Ukraine, if a member of the supervisory board of the state bank improperly performs his/her duties or does not meet the qualification requirements.

#### *The Management Board of the Bank*

The Management Board is the Bank's permanent executive body that carries out management of its activities on an on-going basis, should act in favour of the Bank and avoid conflicts of interest and is responsible for the effectiveness of its performance in accordance with the Bank's Charter and the Regulation on the Management Board.

The Management Board consists of the Chairman, Deputy Chairmen and other members of the Management Board. Quantitative composition of the Management Board (total number of positions in the Management Board according to the organizational structure of the Bank) is determined by the resolution of the Supervisory Board on approval of the organizational structure of the Bank.

The Chairman of the Management Board and other members of the Management Board are appointed and dismissed by the Supervisory Board on the proposal of the Appointment and Remuneration Committee of the Supervisory Board.

Candidates for the positions of the Chairman and members of the Management Board are determined based on the results of the competitive selection, which is conducted in accordance with the procedure established by the Supervisory Board.

The National Bank shall approve the positions of the Chairman and other members of the Management Board in accordance with the procedure established by it.

The Chairman of the Management Board shall take office after the approval by the National Bank.

The grounds for termination of powers of the Chairman and other members of the Management Board, including early termination, shall be established by law and/or labor agreements (contracts) concluded with them. The Chairman or members of the management board may be appointed for a new term only based on the results of competitive selection.

#### **6. Powers of Bank officials.**

The powers of the Bank's officials are set out in the Charter, Regulations on the Supervisory Board and the Management Board, which are available free of charge on the Bank's official website at the following link – <https://www.eximb.com/ua/bank/corp-management>.

In addition, the Bank has an order on the personal distribution of functions and powers between the Bank's management.

#### **7. Information on the composition of the Bank's Supervisory Board and on the changes with respect to it during the year, including the committees formed by it, as well as information on the meetings held with a general description of the decisions taken.**

The personal composition of the Supervisory Board as of the end of 2021 was as follows:

- Gordiyenko Olyana Pavlivna, Independent Member of the Supervisory Board;
- Chichlo Dimitri, Independent Member of the Supervisory Board;
- Konovets Sergiy Oleksandrovych, Independent Member of the Supervisory Board;
- Menu Dominique, Independent Member of the Supervisory Board;
- Urban Laszlo, Independent Member of the Supervisory Board;

- Vynyarsky Vladyslav Volodymyrovych, Independent Member of the Supervisory Board;
- Strakhova Victoria Kostyantynivna, Member of the Supervisory Board, State Representative of the President of Ukraine;
- Butsa Yuriy Bohdanovych, Member of the Supervisory Board, State Representative from the Cabinet of Ministers of Ukraine;
- Terentyev Yuriy Oleksandrovych, Member of the Supervisory Board, State Representative from the Verkhovna Rada Committee on Finance, Tax and Customs Policy

The Chairman of the Supervisory Board is Gordiyenko Olyana Pavlivna. The Deputy Chairman of the Supervisory Board is Chichlo Dimitri.

During 2021, the following changes took place in the composition of the Supervisory Board:

- in accordance with the Order of the Cabinet of Ministers of Ukraine No.1580-p dated 16.12.2020, Terentyev Yuriy Oleksandrovych was appointed a member of the Supervisory Board as a state representative from the Verkhovna Rada Committee on Finance, Tax and Customs Policy. He entered into office (acquired powers) as a member of the Supervisory Board on 4 March 2021, after obtaining the approval of the National Bank of Ukraine;
- in accordance with the Order of the Cabinet of Ministers of Ukraine No.1325-p dated 28.10.2021 - Vynyarsky Vladyslav Volodymyrovych was appointed as an independent member of the Supervisory Board. He entered into office (acquired powers) as a member of the Supervisory Board on 8 December 2021, after obtaining the approval of the National Bank of Ukraine.

The newly appointed members of the Supervisory Board were duly and immediately acquainted with the key aspects of the Supervisory Board and Committees activity and with all aspects of the Management Board activity. Taking into account the appointment of new members of the Supervisory Board, in March and December 2021 the relevant assessments of the collective suitability of the Supervisory Board were conducted and it was found that the newly appointed members of the Supervisory Board strengthened its collective suitability. It was also found that the current composition of the Supervisory Board demonstrates the appropriate level of knowledge, skills and experience required for the Supervisory Board to exercise its powers in accordance with the main activities, development strategy and business plan of the Bank, and taking into account the types, nature of the Bank's activities, organizational structure and risk profile of the Bank, systemic importance of the Bank and activities of the banking group, which includes the Bank.

*Information on the meetings held with a general description of the decisions taken, and the committees of the SB formed will be provided later by the Secretary of the SB.*

Regular meetings of the Supervisory Board are held as needed, but at least one meeting of the Supervisory Board and several meetings of the Supervisory Board committees were held each month. When convening and holding meetings in 2021, the plan of meetings of the Supervisory Board and its Committees, which was approved by the Supervisory Board at the end of 2020, was taken into account.

In 2021, the members of the Supervisory Board held 30 meetings, maintained constant communication with the Management Board (including by holding regular monthly meetings and joint meetings with the Bank's Management Board to discuss the Bank's activities and the state of implementation of the Bank's development strategy) and relevant structural units of the Bank to form a better vision of the problems and challenges that stand in the way of achieving the Bank's goals.

**The main issues considered at the Supervisory Board meetings in 2021 include:** approval of lending terms and financial restructuring terms, refinancing operations terms, approval of the procedure of competitive selection of appraisal entities for valuation of the Bank's property, property valuation approval, consideration of reports of external auditors and financial statements of the Bank, approval of various annual audit plans, procedures, requirements and criteria for conducting various audits by the Internal Audit Department, approval of reports on the work of internal control units and the corporate secretary unit, review of reports on the activities of the Supervisory Board committees, issues of making changes to the organizational structure of the Bank and approval of regulations on structural units of the Bank, issues of determining the collective suitability of the Management Board and the Supervisory Board, assessment of the work of the Supervisory Board and the Committees of the Supervisory Board, the Management Board, the Bank's control divisions, issue of amending the credit policy, approval of the risk appetite statement, personnel issues within the competence of the Supervisory Board, issues related to the activities of SE "Ukreximleasing" and "Eximleasing" LLC, issues of prevention, detection and management of conflicts of interest, approval of updates to the policy on compliance with legislation in the field of prevention and counteraction to money laundering, terrorist financing and financing of proliferation of weapons of mass-destruction, control over the implementation of the Bank's development strategy, approval of key performance indicators of the Management Board, consideration of the results of the Bank's activities and the performance status of the Bank's development strategy, regular review of the operational plan for the implementation of the problem assets management strategy and regular review of information on the Bank's top 20 debtors, approval of the Bank's budget and business plan, consideration of the reports regarding the implementation of recommendations

of the National Bank of Ukraine, issues of regular review and update of internal documents of the Bank, approval of limits on conducting and changing the terms of active operations, the issue of write-offs of estimated reserves for expected credit losses of some borrowers of the Bank, approval of debt sale / assignment of the right to claim under non-performing assets of JSC "Ukreximbank", which have been assigned the "problem debt" status, the work of the Ethics Commission, and issues with respect to the action plan to improve the principles of corporate governance and ethical conduct in the Bank, etc.

In 2019, the Supervisory Board established all committees required to be established in accordance with the Law of Ukraine "On Banks and Banking" (hereinafter – the Law on Banks), namely: the Audit Committee, the Risk Committee and the Committee on Nomination and Remuneration.

Pursuant to the Law on Banks, the Risk Committee and the Nomination and Remuneration Committee shall be chaired by independent members of the Supervisory Board, thus the Risk Committee is chaired by Dominique Menu and the Nomination and Remuneration Committee is chaired by Gordiyenko Olyana Pavlivna. In compliance with the Law on Banks, the majority of members of the Committees of the Supervisory Board on Nomination and Remuneration and Risk are independent (from 3 April 2020 onwards, all members of the Risk Committee are independent). All members of the Audit Committee are independent, the chairperson of the Audit Committee is Konovets Sergiy Oleksandrovych.

Moreover, in order to ensure the effective operation of the Bank's Supervisory Board, in 2019, the Operations and Digital Committee, the Governance and Compliance Committee and the Non-Performing Loans Committee were additionally established and have been successfully performing their functions.

The committees provide assistance to the Supervisory Board in the exercise of its powers through preliminary examination and preparation for consideration at the meeting of issues within the competence of the Supervisory Board. The functions of the committees of the Supervisory Board are defined in accordance with the legislation in the regulations on the committees of the Supervisory Board, which are adopted by the Supervisory Board.

## **Audit Committee**

### Purpose of activity

Assisting the Supervisory Board in exercising its powers to ensure the functioning and control over the effectiveness of the internal control system and the internal audit function in the Bank, compliance with internal audit policies and conducting external audits.

### Composition of the committee

Chairman of the committee - Sergiy Konovets

Members of the committee – Sergiy Konovets, Dominique Menu, Dimitri Chichlo, as well as Vladyslav Vynyarsky (joined the Committee pursuant to the decision of the Supervisory Board dated 17 December 2021 (Minutes No. 29 of the meeting of the Supervisory Board)).

Number of meetings held - in 2021 the committee held 34 meetings.

### Key activities of the committee in 2021:

- provision of a recommendation to the Supervisory Board to make amendments to the structure of the Internal Audit Department, the Regulation on the Internal Audit Department and the job description of the Head of the Internal Audit Department;
- in order to significantly strengthen the internal audit function, provision of proposals to the Nomination and Remuneration Committee of the Supervisory Board on termination of the powers of the Director of the Internal Audit Department and organisation of the competitive selection of a new Director in order to significantly strengthen the internal audit function and the role of the Supervisory Board;
- regarding the determination of Nebesenko Yuliya Hennadiivna as the winner of the competitive selection of the Head of the Internal Audit Department of the Bank, as well as the amount of her remuneration;
- provision of recommendations to the Supervisory Board to approve the new versions of the Regulation on the Internal Audit Department, Regulation on internal audit of the Joint Stock Company "State Export-Import Bank of Ukraine" banking group, Regulation on the competitive selection of the audit activity subjects, which might be appointed for providing services on mandatory audit of the financial statements of the Joint Stock Company "State Export-Import Bank of Ukraine", Procedure for Planning and Conducting Risk-Oriented Audits in the Banking Group of JSC "Ukreximbank" and other documents with a view to improving the function of internal audit of the Bank;

- consideration of the reports of the internal audit unit on results of completed audit engagements and periodic reports on the results of the internal audit activity;
- provision of recommendations to the Supervisory Board to approve the audit plan of the internal audit unit of the Bank for 2021; continuation of the procedure of implementation of the “Audit Universe” software; the Methodology for assessing effectiveness, comprehensiveness and adequacy of the internal control system of JSC “Ukreximbank” and other documents with a view to creating an effective internal control environment in the Bank;
- provision of recommendations to the Supervisory Board to approve draft budgets of the internal audit unit to evaluate if the allocated resources are adequate for internal audit effectiveness; provision of recommendations to the Supervisory Board to approve the budget of the Supervisory Board;
- selection of external expert to provide special forensic audit services with respect to the circumstances of the credit project related to the provision by the Bank of loans for the purchase of a shopping centre in Kyiv called “Sky Mall”;
- assessment of the effectiveness of the internal audit unit of the Bank;
- assessment of the effectiveness and independence of the Bank’s external auditor.

## **Risk Committee**

### Purpose of activity

Assisting the Supervisory Board in exercising its powers to oversee the adequacy and effectiveness of the Bank's risk management system.

### Composition of the committee

Chair of the committee – Dominique Menu

Members of the committee - Dominique Menu, Dimitri Chichlo, Olyana Gordiyenko, Laszlo Urban, as well as Vladyslav Vynnyarsky (joined the Committee pursuant to the decision of the Supervisory Board dated 17 December 2021 (Minutes No. 29 of the meeting of the Supervisory Board)).

Number of meetings held - in 2021 the committee held 27 meetings.

### Key activities of the committee in 2021:

- discussion and consideration of the Bank's internal reporting on capital ratios, assessment of liquidity risk, interest rate risk of the banking book, market risks and operational risks, as well as the results of internal stress-testing;
- development and provision of recommendations to the Supervisory Board on approval of internal documents on risk management and compliance control in the Bank;
- provision of recommendations to the Supervisory Board on the selection of appraisers of the Bank's property and approval of the terms of the respective agreements with them, as well as on the approval of the market value of the Bank's property;
- provision of recommendations to the Supervisory Board on some asset-side transactions of the Bank, in particular financial restructuring of some debtors of the Bank;
- provision of recommendations to the Supervisory Board on other active operations with the Bank’s clients, in particular, on lending to them and on the Bank’s participation in consortium (syndicated) lending;
- consideration of the need to request the state authorities and institutions to provide clarification on certain issues, in particular, issues related to the valuation of the Bank's assets.
- consideration of operational and other risks due to the cap on the payment of remuneration to the Bank’s managers and provision of recommendations to the Supervisory Board to take appropriate measures for mitigating those risks;
- consideration of the issue of amending the authority limits of the Management Board for conducting interest rate swap transactions with the National Bank of Ukraine;
- jointly with the members of the Governance and Compliance Committee of the Supervisory Board, approval of the Internal Control System Policy of the Bank and consideration of the calendar plan for development and revision of the Bank’s internal regulations;
- consideration, jointly with the Audit Committee of the Supervisory Board, of the results of the internal control system assessment and the results of the Risk management system assessment;
- consideration, in cooperation with the Collateral Assessment, Monitoring and Accreditation Division of the Risk Management Department the Bank, of the issue on the approval and implementation of the Procedure for competitive selection of appraisal entities for the valuation of the property of JSC “Ukreximbank”, the selection of the Bank's property appraiser and approval of the terms of the agreement to be concluded with it, as well as

- the issue of the approval and implementation of the Regulation on procedure for verification (authentication) of JSC “Ukreximbank” property value;
- provision of recommendations to the Supervisory Board on writing off of the debts of some borrowers to the Bank, which is not debt forgiveness (cancellation), against estimated loan loss provisions, reflecting such write-off on off-balance sheet accounts;
- conducting a number of discussions regarding the possibilities for improving the procedure for issuing loans by the Bank, given the situation that has arisen in connection with the journalistic investigation of lending to some companies;
- provision of proposals to the Supervisory Board on taking measures to prevent conflicts of interests and promote their settlement;
- review of the major risk exposures of the Bank, including but not limited to credit risk, market risk, operational risk, interest risk in the banking book, liquidity risk, compliance risk etc.

## **Nomination and Remuneration Committee**

### Purpose of activity

Assisting the Supervisory Board in exercising its powers to monitor the effectiveness of the Bank's appointments and remuneration management.

### Composition of the committee

Chair of the committee - Olyana Gordiyenko

Members of the committee – Olyana Gordiyenko, Victoria Strakhova, Sergiy Konovets, Dimitri Chichlo, Yuriy Terentyev (appointed as a member of the Committee pursuant to the Resolution of the Supervisory Board dated 11 March 2021 (Minutes No. 4 of the meeting of the Supervisory Board)), Laszlo Urban (appointed as a member of the Committee pursuant to the Resolution of the Supervisory Board dated 5 November 2021 (Minutes No. 23 of the meeting of the Supervisory Board)), Dominique Menu (appointed as a member of the Committee pursuant to the Resolution of the Supervisory Board dated 5 November 2021 (Minutes No. 23 of the meeting of the Supervisory Board)), Vladyslav Vynyarsky (appointed as a member of the Committee pursuant to the Resolution of the Supervisory Board dated 17 December 2021 (Minutes No. 29 of the meeting of the Supervisory Board))

Number of meetings held - in 2021 the committee held 40 meetings.

### Key activities of the committee in 2021:

- holding competitive selections of candidates/ appointments to the positions of the member of the Management Board (responsible for medium business, municipalities and utilities; retail business; digital banking; networks of branches and outlets of the bank; leasing business of the banking group), head of the internal audit unit of the Bank;
- implementation of operative and decisive actions in order to resolve the crisis situation that arose around the interview with Radio Svoboda on October 4, 2021, in particular submitting proposals to the Supervisory Board on termination of powers of the Chairperson of the Management Board of the Bank;
- organization of competitive selection for the position of the Chairman of the Management Board of the Bank;
- evaluation (annual, for the year 2020) of the performance of the Management Board and the Supervisory Board; evaluation of the members of the Management Board and the Supervisory Board, head of internal audit unit, chief risk officer, chief compliance officer on the matter of compliance with the qualification requirements and requirements envisaged by the regulations of the National Bank of Ukraine, requirements on professional suitability, verifying collective suitability of the Supervisory Board and the Management Board;
- ensuring the regular review of the profile matrix of the Supervisory Board and the Management Board of the Bank;
- proposing the draft remuneration policy for Supervisory Board members for consideration by the highest management body of the Bank;
- development, together with the relevant structural subdivisions of the Bank, of the procedure of communication interaction of the Supervisory Board of the Bank and the media plan for the Supervisory Board for 2021; development of the external communications standards of the Supervisory Board during the competitive selection process of the new Chairperson of the Management Board of the Bank.

## **Operations and Digital Committee**

### Purpose of activity

Assisting the Supervisory Board in monitoring the effectiveness of the Bank's business processes, operations, information technology and information security in order to implement the Bank's strategy.

### Composition of the committee

Chair of the committee – Dimitri Chichlo

Members of the committee - Dimitri Chichlo, Sergiy Konovets, Dominique Menu, Yuriy Butsa, Victoria Strakhova, Yuriy Terentyev (joined the Committee pursuant to the decision of the Supervisory Board dated 11 March 2021 (Minutes No. 4 of the meeting of the Supervisory Board)).

Number of meetings held - in 2021 the committee held 14 meetings.

### Key activities of the committee in 2021:

- monitoring whether the Bank has the internal capacity to constantly analyse, propose and implement organisational and technical solutions to improve the effectiveness and decrease the operational risk of its internal business processes;
- monitoring whether the Bank effectively implements organisational and technical solutions to improve the effectiveness and decrease the operational risk of its internal business processes, in particular, providing recommendations on optimization, automation and strengthening of controls in regulatory IT processes, which involve the manual activity;
- performance of the analysis of the structure of the Bank and the Bank's regional network (structural units) and preparation of the proposals for its optimization;
- work in cooperation with the Management Board of the Bank on the development of new organizational structure of the Bank, and on its implementation;
- work on development of the informational security and an information technology strategy;
- consideration of operational and other risks and provision of recommendations to the Supervisory Board to take appropriate measures for mitigating those risks.

## **Compliance and Governance Committee**

### Purpose of activity

Assisting the Supervisory Board in exercising its powers to ensure the effective organization of corporate governance in the Bank.

### Composition of the committee

Chair of the committee – Yuriy Butsa

Members of the committee - Yuriy Butsa, Olyana Gordiyenko, Victoria Strakhova, Laszlo Urban, Dominique Menu and Yuriy Terentyev (joined the Committee pursuant to the decision of the Supervisory Board dated 11 March 2021 (Minutes No. 4 of the meeting of the Supervisory Board))

Number of meetings held - in 2021 the committee held 11 meetings.

### Key activities of the committee in 2021:

- submission for consideration by the Supervisory Board of adoption and update of the Bank's principles (code) of corporate governance, Bank's Code of Conduct (Ethics), as well as the Regulations on the Bank's Management Board and Supervisory Board, the Charter of the Bank, among other documents;
- ensure annual review of the regulations (policies) of the Bank on its corporate managing bodies;
- providing recommendations to the Supervisory Board on the organization of legal support for its activities;
- monitoring developing trends, initiatives or proposals in relation to legal developments, best corporate governance practice in order to determine the extent to which these initiatives impact the Bank.



## **NPL Committee**

### Purpose of activity

Assisting the Supervisory Board in exercising its powers to establish and ensure the effective functioning of the Bank's problem asset management process.

### Composition of the committee

Chair of the committee – Laszlo Urban

Members of the committee - Laszlo Urban, Olyana Gordiyenko, Victoria Strakhova Dominique Menu, Yuriy Terentyev (joined the Committee pursuant to the decision of the Supervisory Board dated 11 March 2021 (Minutes No. 4 of the meeting of the Supervisory Board)) and Vladyslav Vynyarsky (joined the Committee pursuant to the decision of the Supervisory Board dated 17 December 2021 (Minutes No. 29 of the meeting of the Supervisory Board)).

Number of meetings held - in 2021 the committee held 16 meetings.

### Key activities of the committee in 2021:

- participation in development/update of problem assets management strategy of the Bank and the operational plan, as well as other documents on problem assets management;
- monitoring of the implementation results of the problem assets management strategy and operational plan of the Bank;
- in order to effectively control the implementation of the Bank's the problem assets management strategy and operational plan, introducing the changes to the Bank's organizational structure to subordinate the Department for Restructuring and Recovery to the Bank's Chief Risk Manager;
- ensuring the preparation and submission to the Supervisory Board of the Bank draft decisions regarding the determination of instruments for debt settlement on non-performing assets and the conditions (parameters) of such settlement;
- submission for consideration of the Supervisory Board of the Bank of proposals on indebtedness settlement of the Bank's debtors/counterparties, which requires the decision of the Supervisory Board of the Bank in accordance with the legislation;
- monitoring developing trends, initiatives or proposals in relation to legal developments regarding problem assets management, in order to determine the extent to which these initiatives impact the Bank, and providing periodic updates to the Supervisory Board of the Bank.

## **8. Information on the composition of the executive body of the Bank and its change during the year, including the committees established by it, as well as information on the meetings held with a general description of the decisions taken.**

The composition of the Management Board of the Bank as of the end of 2021 was as follows:

- Sergii Iermakov, Acting Chairman of the Management Board, member of the Management Board;
- Dmytro Kaplyuk, Member of the Management Board, Chief Risk Officer;
- Oleksandr Ignatenko, Member of the Management Board;
- Oleksandr Shchur, Member of the Management Board;
- Aleksandr Muravitski, Member of the Management Board;
- Mykhailo Medko, Member of the Management Board;
- Svitlana Monastyrska, Member of the Management Board - Deputy Chairman of the Management Board.

During 2021 the following changes took place in the composition of the Bank's Management Board:

- Mykhailo Medko was appointed a member of the Bank's Management Board (resolution of the Supervisory Board № 12 dated June 17-19, 2021);
- Sergii Iermakov, Member of the Bank's Management Board, was appointed Acting Chairman of the Bank's Management Board by combining positions for the term before the appointment for the position of the Chairman of the Management Board of the person appointed by the Bank's Supervisory Board based on competitive selection, but not later than in six months (Resolution of the Supervisory Board dated 11.10.2021 № 21);

- Ievhen Metsger, Chairman of the Management Board of the Bank, was dismissed and his employment was terminated on the basis of Part 1 of Art. 39 of the Labour Code of Ukraine, namely on the initiative of the employee (resolution of the Supervisory Board dated 11.10.2021 № 21).

In 2021, the Bank's Management Board held 104 meetings, of which 13 were paper circulation meetings (decision-making by paper circulation), at which 751 issues were considered. In making decisions, the Management Board was guided by the Charter, the Regulations on the Management Board and other regulatory and administrative documents of the Bank.

Decisions by the Management Board are made according to the following procedure:

- 1) by holding meetings;
- 2) by paper circulation meeting.

The main organizational form for making the decisions by the Management Board is holding the meetings of the Management Board.

In accordance with the requirements of the Regulation on the Management Board, meetings of the Management Board are held if necessary, but at least once a month. If necessary, by the resolution of the Chairman of the Management Board, extraordinary meetings are held.

Meetings of the Management Board are held in the form of a joint presence of members of the Management Board in a designated place, including by electronic means (video and voice conferences, etc.), provided that each member of the Management Board participating in such a conference can see and hear (or at least hear) and communicate with all other participants in the meeting of the Management Board and identify the results of the vote. This form of the meeting is allowed if none of the members of the Management Board has objected to its application before the relevant meeting of the Management Board.

Member of the Management Board who is on a business trip has the right to participate in the meetings of the Management Board (with the right to vote), which are held in the form of joint presence of members of the Management Board in a designated place, including by electronic means (video and voice conferences), subject to the requirements specified in the previous paragraph.

The Management Board has the right to make decisions if at least two thirds of its members from the appointed composition of the Management Board are present at its meeting.

Decisions of the Management Board are taken by a simple majority of votes of its members participating in its meeting. In case of equal distribution of votes, the vote of the Chairman of the Management Board (or the person chairing the meeting) is decisive. Meetings of the Management Board of the Bank were chaired by the Chairman of the Management Board. In his absence, the meeting was chaired by a member of the Management Board, Acting Chairman of the Management Board.

Chief Risk Officer (CRO) and Chief Compliance Officer (CCO) or other employee(s) assigned with his / her/ their duties in the absence of the Chief Risk Officer (CRO) and / or the Chief Compliance Officer (CCO) for the reasons provided by the current legislation of Ukraine (vacation, temporary incapacity, business trips, etc.) were present at meetings of the Management Board and had the right to prohibit (veto) decisions of the Management Board in cases established by current legislation of Ukraine and the Bank's regulations.

Chief Risk Officer (CRO) and Chief Compliance Officer (CCO) or other employee (s) assigned with his / her/ their duties in the absence of the Chief Risk Officer (CRO) and / or the Chief Compliance Officer (CCO) for the reasons provided by the current legislation of Ukraine (vacation, temporary incapacity, business trips, etc.) before and during the meetings of the Management Board were provided with all necessary materials on issues submitted to the Management Board and conditions for implementation of the right to ban (veto) the decision of the Management Board.

No cases of prohibition (veto) were recorded.

The issues of the current management of the Bank's activities were discussed at the meetings of the Management Board, namely:

- preparation of the Bank's budget and the Bank business development plan for approval by the Supervisory Board;
- approval of the Bank's regulations whose approval belongs to the competence of the Management Board in accordance with the legislation;
- preliminary consideration of internal regulations governing the activities of structural units (regulations on structural units of the Head Office of the Bank and standard regulations on structural units of separate branches of the Bank) and branches of the Bank in accordance with the Bank's development strategy, and other regulations

which according to regulation and the Charter are approved by the Supervisory Board, for their approval by the Supervisory Board;

- making decisions on acquisition of property by the Bank for the purpose of debt repayment, including in connection with the exercise of the mortgagee's right;
- making a decision on writing off the Bank's assets;
- quarterly reports on the assessment of the functioning of the internal control system for submission to the Supervisory Board;
- reports of the Management Board to the Supervisory Board on the implementation of the main (strategic) activities of the Bank, the Bank's development strategy, the Bank's budgets, the Bank's business development plan;
- making decisions on charitable assistance;
- giving prior consent to the appointment and dismissal of the Bank's branch managers;
- formation of permanent working bodies (committees, commissions, groups), to which, if necessary, certain powers of the Management Board may be delegated, and approval of regulations on such working bodies;
- reviewing the Bank's annual financial statements / consolidated annual financial statements together with the opinions of the external audit and submitting them to the Supervisory Board;
- reporting on risk management, including: approval of the maximum size of key risk indicators, issues on the results of stress testing of sensitivity to risks, review of management reporting on credit risks, compiled based on the results of the quarter.

In accordance with the Charter, the Management Board of the Bank established 9 committees and 3 commissions<sup>14</sup> which were operating during 2021, in particular:

- Credit Committee;
- Minor Credit Committee (by the Resolution of the Management Board dated 03.02.2021 (minutes № 10) in 2021 Retail Business Committee was renamed to Minor Credit Committee);
- Assets and Liabilities Committee;
- Tariff Committee;
- Committee for implementation and functioning of information security management system (by the resolution of the Management Board dated 24.03.2021 (minutes № 24) in 2021 Information Security Committee was renamed to Committee for implementation and functioning of information security management system);
- Problem Assets Workout Committee;
- Information Technologies Committee;
- Operating and Compliance Risk Management Committee;
- Tender Committee.
- Commission on accreditation / interaction with third parties providing additional and related non-banking services
- Commission on monitoring of asset-side transactions of Joint-Stock Company "The State Export-Import Bank of Ukraine";
- Marketing Commission.

### **Credit Committee**

A permanent collegial body of the Bank that determines the possibility and conditions of asset-side banking transactions with business entities, asset-side transactions in the interbank market, asset-side transactions with securities within the powers delegated to it by the Management Board, and established key risk indicators, approves the classification of the Bank's asset-side transactions and receivables, proposals for the formation of provisions to cover possible losses from their impairment, is responsible for the implementation of the Bank's Lending Policy.

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<sup>14</sup> Commission for Monitoring the Clients' Active Transactions was established by the resolution of the Bank's Management Board dated December 30-31, 2021 (Minutes №104); Marketing Commission was established by the decision of the Management Board of the Bank dated 10.02.2021 (Minutes №13), the activity of the Commission was terminated by the resolution of the Management Board dated 17.11.2021 (Minutes №89).

Composition of the Credit Committee as of December 31, 2021:

Position	Full name
Head of Committee	O.S. Ignatenko
Deputy Head of Committee	O.S. Isniuk
Committee Member	D.Ie. Kaplyuk
Committee Member	Ie.Ie. Grechyn
Committee Member	I.V. Grynenko
During the absence of a member of the Committee who participates in the meetings of the Committee on a permanent basis (main composition), a representative of Operating Department, T.M. Yaremchuk participates in the meetings of the Committee on behalf of the Department with all the powers of a member of the Committee	

In 2021, 357 meetings of the Credit Committee were held during which 988 issues were considered and the decisions on the following were made:

- lending to borrowers / making changes to lending to borrowers / extending the validity of decisions of the Credit Committee on lending to borrowers;
- setting limits on asset-side transactions with counterparty banks;
- approval of the amount of provisions under IFRS9 and the amount of credit risk on asset-side banking transactions at the reporting date;
- affirmation/ approval of financial restructuring plans and conditions etc.;

**Minor Credit Committee**

a permanent collegial body of the Bank that within delegated powers determines the possibility and conditions of asset-side banking transactions with clients of medium-sized business, local governments (municipalities), utilities sector (hereinafter - MSBMUS borrowers) and retail business in accordance with the Bank's customer segmentation (hereinafter - retail borrowers), assesses the quality of the loan portfolio by operations with the relevant borrowers, is responsible for the implementation of the Bank's Credit Policy, and performs other tasks and functions specified in the Regulation on Minor Credit Committee.

Composition of Minor Credit Committee as of December 31, 2021:

Position	Full name
Head of the Committee	M.B. Medko
Deputy Head of the Committee	S.S. Puskai
Member of the Committee	A.S. Blyzniuk
Member of the Committee	A.O. Maniskevych
Member of the Committee	N.L. Agre
Member of the Committee	V.A. Basalaieva
Member of the Committee	S.V. Skrynskyi

In 2021, 164 meetings of Minor Credit Committee were held during which 703 issues were considered and the decisions on the following were made:

- lending / making changes to the terms and conditions of lending to borrowers / extending the validity of MCC decisions on lending to borrowers;
- opening a credit line within "Bonus" card credit product;
- approval / change of terms and conditions of lending/ credit products passports/ procedures / agreements;

- approval of amendments to standard form of the loan agreement and standard form of supplementary agreements to the loan agreement, which are applied to credit transactions within the credit product under “Available loans 5-7-9%” Program;
- early termination of credit agreements with borrowers, etc.

### Assets and Liabilities Committee

is a permanent collegial body of the Bank, which, within the powers delegated by the Management Board and in accordance with the Regulation on Assets and Liabilities Committee and Sub-Committee ensures the management of assets and liabilities structure, compliance with indicators of liquidity risk, interest rate risk of the banking book, market risks, including economic ratios on liquidity, capital risks, open currency position limits established by the NBU as well as the relevant financial covenants on external economic agreements.

#### Composition of Assets and Liabilities Committee as of December 31, 2021:

Position	Full name
Head of the Committee	O.V. Shchur
Deputy Head of the Committee	O.S. Ignatenko
Member of the Committee	S.O. Iermakov
Member of the Committee	D.Ie. Kaplyuk
Member of the Committee	M.B. Medko
Member of the Committee	A.V. Boldyriev
Member of the Committee	S.S. Sokyрко

In 2021, 77 meetings of the Assets and Liabilities Committee were held during which 325 issues were considered and the decisions were made, in particular, on the following:

- revision of interest rates on client deposits;
- approval of individual terms and conditions for attracting clients' funds;
- revision of recommended interest rates on loans;
- setting transfer rates;
- participation in the auction for placement of domestic government bonds;
- use of currency position to repay loan debt;
- sources of loan funding;
- setting limits on the interest rate risk in the banking book and alarm thresholds of them;
- information reports on the review of financial markets, dynamics of interest rates and liquidity position, capital ratios, liquidity risk assessment, interest rate risk in the banking book, market risks; regarding the results of stress testing of credit risk, liquidity risk;
- consideration of the pricing regulations;

### Tariff Committee

is a permanent collegial body of the Bank established to settle the issues of the management of fees and commissions rates for banking services and to analyse the ratio between the cost of services and the market competitiveness of the Bank's tariffs, as well to settle other issues related to banking products and provision of banking services, except for credit services

#### Composition of the Tariff Committee as of December 31, 2021:

Position	Full name
Head of the Committee	M.B. Medko
Deputy Head of the Committee	O.V. Shchur
Member of the Committee	S.P. Iergieva
Member of the Committee	V.V. Pogolian
Member of the Committee	O.B. Tyshchenko
Member of the Committee	O.I. Prymachenko
Member of the Committee	S.S. Puskai

In 2021, 66 meetings of the Tariff Committee were held at which 266 issues were considered and the decisions were made in particular on the following:

- setting individual tariffs for customers;
- approval of commission fees for banking services / amendments to the current basic tariffs;
- provision of powers to responsible units to set individual tariffs for customers, etc.

#### **Committee for implementation and functioning of information security management system**

a permanent collegial body of the Bank, which, within the powers delegated to it, ensures the process of development, implementation, operation, monitoring, review, maintenance and improvement of the information security management system in the Bank by making appropriate decisions.

#### Composition of Committee for implementation and functioning of information security management system as of December 31, 2021

Position	Full name
Head of the Committee	O.O. Muravitski
Member of the Committee	S.P. Ierhieva
Member of the Committee	O.S. Ignatenko
Member of the Committee	P.A. Kolomiets
Member of the Committee	D.Yu. Bakumenko
Member of the Committee	A.O. Mysnyk

In 2021 5 meetings of the Committee for implementation and functioning of information security management system were held at which 7 issues were considered and the decisions were made on the following:

- familiarization with Strategy of development of corporate system of information security management;
- familiarization with the preliminary Report on compliance with the Payment Card Industry Data Security Standard (PCI DSS), the results of the audit on compliance with the Payment Card Industry Data Security Standard (PCI DSS), with the analytical opinion of the Information Security Division on details of PCI DSS compliance certification and the terms of possible improvement of compliance status;
- familiarization with the results of external assessment of SWIFT cyber security, etc.

#### **Problem Assets Workout Committee**

is a permanent collegial body of the Management Board of the Bank that within the delegated powers determines the terms and conditions for implementing measures aimed at repaying debt on loan transactions, which is considered non-performing in accordance with the resolutions of the Bank authorized collegial bodies; the possibility and terms and conditions of the Bank's collected property management measures; measures aimed at settlement of receivables assigned with problem debt status.

#### Composition of Problem Assets Workout Committee as of December 31, 2021:

Position	Full name
Head of the Committee	D. Ie. Kaplyuk
Deputy Head of the Committee	A.F. Shop
member of the Committee	P.O. Pozniakov
member of the Committee	D.Yu. Bakumenko
member of the Committee	T.M. Kovalenko
member of the Committee	S.V. Revurko
member of the Committee	Ie.Ie. Grechyn
Member of the Committee	S.P. Ierhieva

In 2021, 76 meetings of Problem Assets Workout Committee were held at which 342 issues were considered and the decisions were made on the following:

- approval / implementation of an action plan for problem debts repayment;
- assignment of the right of claim under loan agreements;
- approval of the terms and conditions of sale of property;
- expediency of appealing against judgments;
- expediency of acquisition by the Bank of right of ownership (put on the books) of the property pledged as collateral;
- making amendments to ALCO decisions, action plan for problem debts repayment; collateral agreements;

- write-offs of borrowers' debt at the expense of loan loss provisions;
- refusal to leave property, which was unsold at bidding, as property of the Bank, etc.

### IT Committee

is a permanent collegial body of the Bank that determines the general principles of information technologies development at the Bank, determines the priority and distribution of tasks, projects, resources, etc. for the development, implementation, operation of information technologies / systems of the Bank by making appropriate decisions

#### IT Committee composition as of December 31, 2021:

Position	Full name
Head of the Committee	A.O. Muravitski
Deputy Head of the Committee	S.P. Ierhieva
Member of the Committee	I.V. Bila
Member of the Committee	O.V. Shchur
Member of the Committee	D.Yu. Bakumenko
Member of the Committee	M.B. Medko
Member of the Committee	K.I. Koval

In 2021, 28 meetings of IT Committee were held at which 52 issues were considered and decisions were made on the following:

- projects approval: adaptation of SWIFT gpi (SWIFT gpi Onboarding) specifications; Automated verification of individuals in state registers (through FUBCH services), CashLab and others;
- introduction of the Bank's information system on problem assets management;
- development and implementation of iFOBS.BankID service for individuals;
- automation of foreign exchange transactions on SWAP and Forward conditions;
- implementation of changes to the "Implementation of a new standard of transaction authentication based on VISA EMV 3DS technology and RBA (Risk Based Authentication) system" project;
- implementation of ATMsecuriX software (or analogues);
- automatic processing of outgoing payments in foreign currencies with auto-routing using API;
- planning of project IT works in Q1 2022, etc.

### Operational and Compliance Risk Committee

a permanent collegial body of the Bank, which ensures the performance of functions and powers to manage operational and compliance risks.

#### Operational and Compliance Risk Committee composition as of December 31, 2021

Position	Full name
Head of the Committee	D.Ie. Kaplyuk
Deputy Head of the Committee	D.Yu. Bakumenko
Member of the Committee	A.O. Muravitski
Member of the Committee	Ia.O. Scorbulatov
Member of the Committee	B.M. Markulchak
Member of the Committee	D.O. Krytskyi
Member of the Committee	Ie.P. Tychynska

In 2021, 13 meetings of the Operational and Compliance Risk Committee were held at which 33 issues were considered and decisions were made in particular on the following:

- operational risk management status;
- reports on the management of key operational risk indicators;
- results of operational risk stress testing;
- review of the status of implementation of decisions of the Operational and Compliance Risk Committee / instructions, etc.

## Tender Committee

permanent collegial body, the purpose of the Committee is to organize and conduct procurement procedures to select the most attractive proposals for the purchase of goods / performance of works / provision of services necessary to ensure the economic activities of the Bank.

### Composition of the Tender Committee as of December 31, 2021:

Position	Full name
Head of the Committee	A.O. Muravitski
Deputy Head of the Committee	N.V. Kyseliova
Member of the Committee	K.I. Koval
Member of the Committee	D.Yu. Bakumenko
Member of the Committee	O.M. Kozak
Member of the Committee	Yu.V. Ozirnyi
Member of the Committee	Ie. Ie. Grechyn

In 2021, 132 meetings of the Tender Committee were held, of which 83 were regular, at which 274 issues were considered, in particular on consideration and making decisions on procurement procedures of the Bank, etc.

## **Commission on accreditation of/interaction with third parties providing additional and supplementary non-banking services.**

is a permanent collegial body of the Bank, which determines the possibility and conditions of accreditation of/interaction (cooperation) with third parties (hereinafter – Non-Banking Institutions), which provide additional and supplementary non-banking services (hereinafter – Non-Banking Services), the issues of interaction (cooperation) with which shall be submitted to the Commission in accordance with regulatory, administrative documents of the Bank, decisions of collegial bodies of the Bank, as well as determines (selects) third parties that provide Non-Banking Services, in cases provided by regulatory, administrative documents of the Bank, decisions of collegial bodies of the Bank, and in some cases if there is the need for such determination (selection) within the competence of the Commission.

### Composition of the Commission on accreditation of/interaction with third parties providing additional and supplementary non-banking services as of December 31, 2021

Position	Full name
Head of the Commission	D.Ie. Kaplyuk
Deputy Head of the Commission	D.Yu. Bakumenko
Member of the Commission	T.M. Kovalenko
Member of the Commission	Ya.O. Skorbulatov
Member of the Commission	A.A. Lola
Member of the Commission	S.L. Ostapenko

In 2021, 51 meetings of the Commission on accreditation of/interaction with third parties providing additional and supplementary non-banking services were held, at which 115 issues were considered and the decisions were made in particular on the following:

- accreditation of partners providing surveyor services to check the availability and condition of property;
- interaction/establishment of interaction of the Bank with notaries/law firms;
- denial of accreditation/accreditation procedure;
- involvement of Baker&McKenzie – CIS Limited, which acts through its representative office in Ukraine, as a legal advisor to draft an opinion (memorandum) on the procedure for execution of surety agreements with individuals – citizens of Ukraine;
- review of insurance liability limit of the insurance company;
- accreditation of the electronic trading platform U-BASE COMMODITY MARKET, which provides services for the organization of purchase/sale of property at auctions in the form of electronic auction in the system “Prozorro.Sales”;
- approval of a competition for the selection of real estate/brokerage entities to find and attract customers during the sale of non-core assets approved for sale, etc.



**Commission on monitoring of asset-side transactions of customers of Joint-Stock Company “The State Export-Import Bank of Ukraine”**

is a permanent collegial body of the Management Board, which, within the powers delegated to it, monitors asset-side transactions of the Bank's customers to identify credit risk factors and organizes work to prevent non-fulfilment (improper fulfilment) of customers' obligations to the Bank by making appropriate decisions.

Composition of the Commission on monitoring of asset-side transactions of customers of Joint-Stock Company “The State Export-Import Bank of Ukraine” as of December 31, 2021:

Position	Full name
Head of the Commission	D.Ie. Kaplyuk
Deputy Head of the Commission	A.F. Shop
Member of the Commission	T.V. Koruna
Member of the Commission	I.A. Tarasynskyi
Member of the Commission	D.O. Tarasov
Member of the Commission	S.V. Tkachenko
Member of the Commission	H.H. Lisnichuk
Invited to the Commission meetings on the permanent basis:	D.Yu. Bakumenko

In 2021, meetings of the Commission on monitoring of asset-side transactions of customers of Joint-Stock Company “The State Export-Import Bank of Ukraine” were not held.

**Marketing Commission**

permanent working body of the Bank, which was established for the purpose of prompt decision making on advertising, marketing and communication activities of the Bank.

For the period from 10.02.2021 to 17.11.2021, 3 meetings of the Marketing Commission were held, at which 9 issues were considered and the decisions were made on the following:

- conducting a product and image campaign to increase brand and product knowledge among the priority groups of the target audience (large corporate, medium-sized business and Premium retail segment);
- approval of the updated section of the document “Basic elements of corporate style of JSC “Ukreximbank” (brandbook)” in terms of brand elements, updated style of advertising layouts, corporate presentation, office work, also including updating of facade signs;
- approval of the updated design of the Bank's cards, including variants of premium and mass segment card packaging concepts;
- concepts of organizing and conducting a marketing campaign of the Bank and MC for premium customers of the Bank, etc.

**9. Information on the facts of violation of internal rules by the members of the Supervisory Board and of the executive body of the Bank, which led to causing damage to the Bank or the Bank's clients.**

In 2021, a case of violation of the Code of Conduct (Ethics) by the manager of the Bank was recorded during an interview of “Radio Svoboda” with Metsger Ie. V., the former Chairperson of the Management Board of the Bank, held on 4 October 2021. Thus, the situation around the interview of “Radio Svoboda” with Metsger Ie. V., led to a reputational risk for the Bank - the critical level of reputational risk was caused by a significant increase in the number of negative publications with respect to the Bank (this situation became resonant and formed a negative opinion in society about the behaviour of the manager of the Bank). At the same time, the Bank took all appropriate measures to effectively and promptly resolve the situation surrounding the interview with Radio Svoboda on October 4, 2021 in order to avoid the damages to the Bank or the Bank's clients.

**10. Information on measures of influence applied by the state authorities to the Bank during the year, including the ones applied with respect to the members of its Supervisory Board and the executive body.**

According to the decision of the state authorities, the Bank was fined UAH 3.07 thousand during the year.

In 2021, the members of the Supervisory Board and the Management Board of the Bank were not subject to measures of influence of public authorities.

## **11. Information on the amount of remuneration for the year of the members of the Supervisory Board and the executive body of the Bank.**

Remuneration for 2021 of the members of the Supervisory Board<sup>15</sup> and the executive body of the Bank totally amounted to UAH 109,134.7 thousand.

## **12. Information on significant risk factors that affected the Bank's activities during the year.**

During 2021, the Bank's activities were affected by the following significant risk factors:

### **Credit risk factors**

During 2021, work continued to ensure adequate assessment of the Bank's debtors, to establish effective monitoring, including the prompt identification of credit risk factors in the early response procedure, and the proper processing of issues related to the settlement of non-performing assets. In order to increase control and increase the efficiency of work with problem debts, including with significant amounts of assets written off at the expense of provisions, Restructuring and Recovery Department reports to the Chief Risk Officer (CRO).

### **COVID-19**

During 2021, the Bank and the banking system of Ukraine as a whole continued to be affected by the pandemic of the acute respiratory disease COVID-19 caused by the coronavirus SARS-CoV-2, and related restrictive quarantine measures introduced in Ukraine. In response to the spread of COVID-19, measures have been put in place to prevent threats to the health, lives of employees and customers, to ensure the quality and continuity of the Bank's operation during the pandemic and the relative restrictive quarantine measures.

### **Other factors of risk**

In the second half of 2021, the NBU discount rate increased, and, accordingly, other interest rates began to increase. The Bank took measures to minimize interest rate risk by providing assets at floating rates and purchasing interest rate swaps. In addition, the Bank was affected by the same risk factors that affected the activities of other banks and the banking system of Ukraine as a whole.

It should also be noted that given the increase in operational efficiency of the Bank, the optimization of the loan portfolio structure, including taking into account the results of work with the loan portfolio and other factors, in 2021 the National Bank of Ukraine approved the Bank's restructuring program based on the Bank's resilience assessment in accordance with the Regulations on the Assessment of Stability of Banks and the Banking System of Ukraine No. 141 dd. 22.12.2017.

## **13. Information on the Bank's risk management system and its key characteristics**

The Bank's Risk Management System (RMS) is key to ensuring financial health, stability and promoting the Bank's strategic business development goals in today's dynamic environment, which provides for identification, analysis (assessment), monitoring, control, mitigation and reporting on the Bank's risks in order to make timely and adequate administrative decisions.

The RMS covers all significant risks to which the Bank is exposed in its transactions, namely:

- credit risk;
- liquidity risk;
- interest rate risk of the banking book;
- market risk;
- operational risk;
- compliance - risk.

and includes all components required by law, namely:

- organizational structure;
- the Bank's risk management culture and code of conduct (ethics);

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<sup>15</sup> Remuneration of the members of the Supervisory Board of JSC "Ukreximbank" for 2021 consists of the amount of remuneration, the amount of compensation payments to members of the Supervisory Board and procurement of services required for performance of obligations by the Supervisory Board members, made by JSC "Ukreximbank" on its own behalf and at its own expense.

- the Bank's internal regulatory documents on risk management;
- instruments for effective risk management in the Bank;
- information systems that ensure the availability of mechanisms of risk management and reporting.

The RMS is based on the division of responsibilities between all independent structural units and branches of the Bank using the model of three lines of protection with the first line at the level of business units of the Bank and units for the Bank's operation support, the second line at the level of the risk management unit and the compliance control unit (compliance), the third line at the level of the internal audit unit.

The subjects of the RMS are: the Supervisory Board; Risk Committee of the Supervisory Board; Management Board; committees of the Management Board, in particular, the Credit Committee, the Small Credit Committee, the Assets and Liabilities Committee (ALCO), the Operational and Compliance Risk Committee and other collegial bodies of the Bank; the Internal Audit Department; chief risk officer (CRO) and the Risk Management Department; Chief Compliance Manager (CCO) and the Compliance Control Department; business units and support units.

The second and third line of protection and the chief risk officer (CRO), and the chief compliance officer (CCO) subordinate and report to the Supervisory Board. They are staffed with suitably qualified employees who ensure the effective implementation of the functionality and tasks of the relevant units.

In order to ensure the effective functioning of the risk management system, the Bank ensures the formation, development and maintenance of a high culture of risk management in all areas of the Bank's activities and at all organizational levels, including measures taken on an ongoing basis to raise awareness of risk management among the Bank's employees.

The RMS includes a wide range of risk management regulations that take into account the need to define and regulate the full risk management process (from risk identification to reporting) and cover the definition of general requirements (including organizational structure, strategic risk management objectives, risk appetite, etc.) and detailing of methodological approaches and procedures for risk management.

The Bank's regulatory documents on risk management are conditionally divided into general (applicable to all types of risks – Risk Management Strategy, Risk Appetite Statement, Recovery Plan, Procedures for Escalation of Risk Limits Violation, etc.) and specific ones (for certain types of risks to which the Bank is exposed during its activity – policies, methods, regulations / procedures, reporting forms). All regulatory documents on risk management are subject to at least annual review, including for a number of documents – at the level of the Supervisory Board, and in case of amendments in legislation, they are promptly updated.

In order to achieve the main objectives of risk management, the Bank uses effective instruments and models for risk assessment, including limits, statistical and mathematical models, analysis of actual values of indicators and the reasons for their significant changes, forecasting and more.

The instruments and models used to assess a particular type of risk are determined based on the nature of the relevant type of risk, the requirements of NBU regulations and banking practice in assessing / managing the relevant type of risk, as well as the current situation and (where relevant) actual values and forecasts for macroeconomic indicators.

The Bank provides constant monitoring of risks, their indicators, as well as the actual implementation of measures aimed at minimizing risks, and their effectiveness. In case of violation of risk limits / indicators and significant increase of risk (with the maximum approximation of actual risk indicators to the established limits), this is reported to the authorized collegial bodies of the Bank, including the Management Board and the Supervisory Board.

In order to provide a predictive risk assessment, determine the ability to withstand risks that the Bank faces in the course of its activities or that may arise in the future, as well as to determine the Bank's ability to withstand financial market crises, the Bank periodically conducts stress testing in compliance with legislation requirements.

As part of stress testing, the Bank quantifies risks: credit risk, market risk, interest rate risk of the banking book, liquidity risk and operational risk to determine their impact on the Bank's capital to assess the Bank's ability to withstand adverse financial market phenomena. The results of stress testing are communicated to the ALCO, the Management Board of the Bank, the Risk Committee of the Supervisory Board and the Supervisory Board of the Bank.

The Bank creates reliable information systems that promote risk management by ensuring proper aggregation of data on the Bank's risks, enabling prompt and reliable risk measurement and reporting. The Bank's information systems provide the ability to record and store the required scope of primary data to keep up to date and apply risk assessment / analysis models, including their individual components, proper calculation of actual values of risk indicators, formation of provisions for active Bank transactions, operational reporting, etc.

Risk reporting is formed in such a way as to reflect accurate, complete, reliable, timely information on all significant risks of the Bank, the current state and dynamics of their changes. Reporting on risks at regular intervals is provided to the Bank's Supervisory Board, the Risk Committee, the Bank's Management Board and its relevant committees as well as other users.

Thus, risk management in the Bank involves effective interaction at all organizational levels of the Bank (from the Supervisory Board to each employee of the Bank), including timely identification, proper assessment, preparation of information for sound decision-making and continuous monitoring and control of risks.

**14. Information on the results of the operation of the internal control system during the year and its key characteristics.**

The Bank has implemented an effective and efficient internal control system (ICS). The Bank's ICS is based on the division of responsibilities between the Bank's units. This unit is based on the application of the model of three lines of protection with the first line at the level of business units of the Bank and units of support of the Bank, second line at the level of the risk management unit and the compliance control unit (compliance), the third line at the level of the internal audit unit. ICS is integrated with all banking processes, risk management system and corporate governance at all levels. Internal control is provided in absolutely all areas, including decision-making processes and implementation of the Bank's strategies, business plans and goals.

During 2021:

- internal regulations on the functioning of the internal control system (Policy on the internal control system, Procedure for administering the catalog of processes and controls, Instructions for assessing controls by independent structural units, Instructions for testing controls by independent structural units, Instructions for monitoring of internal system control effectiveness) are approved;
- three training sessions were held (in February, May and October), according to the results more than 80% of the staff passed this training and successfully passed the test for knowledge of the internal control system;
- controls in the Bank are identified and structured in the form of the "Catalog of processes and controls of the Bank";
- an online form for evaluating the effectiveness of the implemented control procedures based on Oracle Application Express (APEX) is developed and implemented;
- planning and evaluation of about 500 controls (including 350 key ones) for almost 100 owners and testing of more than 300 controls (including more than 200 key ones) for 90 control owners were carried out.

**15. Information on the results of the internal audit system functioning during the year.**

The Bank's Internal Audit Department (the Department) is responsible for performing the internal audit function.

The main goal of the Department is to increase the value of the Bank, which is achieved by conducting objective internal audits and performing consulting tasks of appropriate quality based on a risk-based approach, providing appropriate recommendations.

The Department reports to and is accountable to the Bank's Supervisory Board and reports to the Audit Committee on its activities. The Audit Committee and the Supervisory Board of the Bank ensure the effective functioning of the Department.

The work of the Department was carried out in accordance with the approved Plan for 2021 and on individual instructions of the Supervisory Board of the Bank.

During 2021, 20 scheduled (2 ones as of 01.01.2022 were in progress) and 5 unscheduled audits were conducted. 4 normative documents related to the practice of internal audit have been developed and 12 ones were updated.

In 2021, the Internal Audit Department operated without significant restrictions.

The Department reports on its work on a quarterly basis to the Audit Committee and the Supervisory Board of the Bank, and once every six months to the National Bank of Ukraine.

**16. Information on the facts of alienation of assets during the year in the amount exceeding the amount specified in the Bank's Charter.**

During 2021, the Bank did not alienate assets exceeding the amount specified in the Charter.

**17. Information on the results of valuation of assets in case of their purchase and sale during the year in excess of the amount specified in the Bank's Charter.**

During 2021, the Bank did not purchase or sell assets in excess of the amount specified in the Bank's Charter.

**18. Information on transactions with related parties, including within one industrial-financial group or other association, conducted during the year. Such information is not a trade secret.**

The Bank pays sufficient attention to the identification of persons related to the Bank, the formation and updating of their list in order to control the risks of transactions with persons related to the Bank.

The Bank submits monthly information to the NBU about persons related to the Bank in accordance with the procedure established by the NBU regulations.

Information on related party transactions in accordance with IFRS 24 Related Party Disclosures is disclosed in Note 32 "Related party transactions" of the annual financial statements of JSC "Ukreximbank" for the year ended 31 December 2021.

#### **19. Information on activities of the external auditor during 2021.**

Ernst & Young Audit Services LLC has been appointed the external auditor of the Bank's financial statements for 2021.

#### **General information on the external auditor appointed during 2021 (including the total length of audit experience, the number of years during which it provides audit services to the Bank, a list of other audit services provided to the Bank during 2021)**

The total audit experience of Ernst & Young Audit Services LLC is more than 25 years. For the past five years, Ernst & Young Audit Services LLC has been providing audit services to the Bank. No other audit services were provided to the Bank during 2021.

#### **Cases of conflict of interest and/or combination of functions**

There were no cases of conflict of interest and/or combination of functions.

#### **Information on the rotation of auditors in the Bank for the last five years**

For the past five years – an auditing company Ernst & Young Audit Services LLC.

#### **Information on the used recommendations of the bodies that carry out state regulation of financial services markets on the audit opinion**

During 2021, the Audit Chamber of Ukraine did not impose penalties on the Bank's external auditor. The state bodies regulating the financial services markets did not find any facts of submission of unreliable statements of the Bank, which was confirmed by the auditor's opinion.

#### **Conclusions of the Audit Committee of the Supervisory Board on the independence of the external audit and the independence of the external auditor**

The Audit Committee of the Supervisory Board was responsible for assessing the effectiveness and independence of the Bank's external auditor in 2021. This responsibility was discharged at the Committee's meetings (including with the participation of members of the Bank's Management Board, during which major issues arising from the external audit of the Bank were discussed) and during meetings with members of the Bank's external auditor's team and relevant persons/structural units of the Bank directly involved in the external audit of the Bank's financial statements for 2021.

In assessing the effectiveness of the Bank's external auditor in 2021, the Audit Committee considered external audit as a process as a whole and did not intend to assess the effectiveness of specific individuals providing external audit services. The assessment of the Bank's external auditor's effectiveness covered the own judgement of each member of the Committee on the Bank's external auditor's effectiveness, taking into account the comments of individuals/structural units of the Bank directly involved in the external audit of the Bank's financial statements for 2021.

The Audit Committee evaluated the effectiveness of the Bank's external auditor on the following components: (1) the quality of services; (2) the availability of tools and resources to perform the audit task; (3) communication and interaction during the task; and (4) independence, objectivity, and professional scepticism. In particular, the Audit Committee assessed the extent to which the Bank's external auditor adhered to agreed audit deadlines, was friendly and communicative, identified problems in the Bank's activities, opportunities and risks in a timely manner, and ensured optimal price-quality ratio of the external audit. The Audit Committee also considered whether the members of the Bank's external auditor's team were technically competent and able to put the knowledge into practice, whether they understood the Bank's business and the banking industry as a whole and allocated sufficient resources to complete the work in a timely manner. Additionally, the Audit Committee assessed the effectiveness of the Bank's external auditor's communication, integrity and objectivity, open consideration of complex situations and independence.

Based on the results of the assessment, the Audit Committee as of the 04.05.2022 believes that the external audit of Ernst & Young Audit Services LLC provides reasonable assurance that the Bank's financial statements for 2021 are free of material misstatement and should be assessed as "meeting expectations".

The assessment of the independence of Ernst & Young Audit Services LLC as the Bank's external auditor was conducted by the Audit Committee on an ongoing basis throughout the service period during 2022. To initiate the assessment of independence, the Audit Committee used the answers of the Bank's external auditor to clarifying questions regarding its independence and the documentary confirmation of such answers. In order to conduct a continuous assessment of independence, the periodic meetings were organized with the key partner of the Bank's external auditor Alexander Svistich, at which, inter alia, it checked the relevance of the external auditor's answers to the clarifying questions.

A letter dated May 2022 was also received from LLC "Ernst & Young Audit Services" containing a written confirmation (the "Confirmation") that the external auditor of the Bank, key audit partner, and auditors involved in the performance of the respective audit engagement are independent of the Bank. The Confirmation contains assurances of the non-participation of the engagement partner, owners, founders, participants of LLC "Ernst & Young Audit Services" in the preparation and adoption of management decisions of the Bank and the absence of existing or potential conflict of interest and information about threats that may affect the results of the audit services and independence of LLC "Ernst & Young Audit Services".

The results of the Audit Committee's assessment revealed that the independence of the Bank's external auditor LLC "Ernst & Young Audit Services" and the key partner for the audit of the Bank Alexander Svistich during the statutory audit of the annual separate financial statements and annual consolidated statements of the Banking Group of Joint-Stock Company "The State Export-Import Bank of Ukraine" for 2021 (as of 31.12.2021), which was performed in accordance with Agreement for the provision of audit services, was not endangered, and the requirements of the legislation on independence of the external auditor were not violated.

## **20. Information on the Bank's protection of the rights of financial services consumers, in particular:**

Complaints in the bank are considered in accordance with the Law of Ukraine "On Citizens' Appeals", other current regulations of Ukraine and internal regulations of the Bank governing the handling of appeals.

Complaints of the Bank's customers are considered by the Chairman of the Bank's Management Board in accordance with the Law of Ukraine "On Citizens' Appeals" and the Bank's Charter, as well as by officials authorized by the Chairman of the Bank's Management Board with the right to sign responses to such complaints, and if the citizen does not agree with the decision made related to the complaint, such complaints shall be resolved in the court order.

During the reporting period (2021), the Bank duly considered and satisfied 142 appeals of various nature regarding the provision of banking services.

**Chairman of the Management Board**



**Serhii IERMAKOV**



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## Independent auditor's report

To the Shareholder and the Supervisory Board of  
Joint Stock Company "The State Export-Import Bank of Ukraine"

### Report on the audit of the annual consolidated financial statements

#### Opinion

We have audited the annual consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (hereinafter the "Bank"), which are presented on pages 39 to 126 and comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the annual consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2021 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 opinion

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 annual consolidated financial statements section of our report. We are independent of the Bank 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 annual 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 opinion.

#### Material uncertainty related to going concern

We draw attention to Note 2 and Note 34 to the annual consolidated financial statements, which indicate that since 24 February 2022 the Bank's operations are negatively affected by the ongoing military invasion of Ukraine, with the magnitude of further developments or the timing of their cessation being uncertain. As stated in Note 2, these events or conditions

along with other matters as set forth in Note 34, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. 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 annual consolidated financial statements of the current period. In addition to the matters described in the Material uncertainty related to going concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the annual consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each 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 annual 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 annual consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying annual consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<b>Allowance for expected credit losses of loans to customers</b>	
<p>The appropriateness of allowance for expected credit losses (ECL) of loans to customers was significant to our audit because it is a key area of judgment for management. The Bank's ECL allowance calculations are outputs of complex models with a number of underlying assumptions regarding development of ECL models, including the various formulas and the choice of inputs, selection of forward-looking macroeconomic scenarios and their probability weightings, the estimation of the amount and timing of cash flows from collateral etc.</p> <p>The use of different assumptions could produce significantly different estimates of expected credit losses of loans to customers. Taking into account the significance of the loans to customers balances and high level of subjectivity of assumptions, we considered</p>	<p>Our audit procedures included the assessment of the consistency of the methodology used by the Bank for the assessment of the ECL allowance under IFRS 9 as at 31 December 2021 and for the year then ended.</p> <p>With respect to allowance for expected credit losses calculated on an individual basis, our audit procedures comprised evaluation of the reasonableness of management assumptions by analysing assessment of financial condition of the counterparty, forecasts of future cash flows and valuation of underlying collateral which were incorporated in multiple scenarios for a sample of loans. In addition, we considered whether the assessment of expected credit losses for the borrowers from industries, which were directly affected by the business activity restrictions provided by the</p>



Key audit matter	How our audit addressed the key audit matter
<p>that assessment for expected credit losses of loans to customers was a key audit matter.</p> <p>The Bank's management approaches to assessing and managing credit risk are described in Notes 10 and 28 to the annual consolidated financial statements.</p>	<p>government (shopping malls, airports, hotels etc.), included current conditions related to COVID-19.</p> <p>With respect to allowance for expected credit losses calculated on a collective basis, our audit procedures comprised testing of the design and operating effectiveness of the Bank's internal controls in respect of ECL allowance calculation including correctness of identification and calculation of triggers for significant increase in credit risk and credit impairment, staging identification, probabilities of default and loss given default.</p> <p>We involved our risk management specialists to assist us with the analysis of the validation procedures performed by the Bank's experts in respect of models with forward-looking information on macro-economic factors, which included updated statistical information for 2021 year and changes in economic conditions related to the effects of COVID-19 based on the facts and circumstances at the reporting date.</p> <p>We also tested the inputs to the underlying models and their mathematical accuracy.</p> <p>We analysed associated disclosures in Notes 10 and 28 to the annual consolidated financial statements in respect of allowance for expected credit losses of loans to customers.</p>
Valuation of indexed state bonds at fair value through profit or loss	
<p>Valuation of indexed state bonds with the embedded foreign exchange derivatives at fair value through profit or loss was a key area of judgments for management due to complexity of estimations regarding the choice of variable inputs, such as risk-free rates in national and foreign currencies, current spot rate and volatility of exchange rate, and subjective valuation techniques.</p> <p>Taking into account the significance of the carrying amount of indexed state bonds at fair</p>	<p>Our audit procedures in respect of the valuation of indexed state bonds at fair value through profit or loss comprised inquiries of the Bank's management about the significant assumptions applied, consideration and testing of inputs used, including mathematical accuracy of the calculation and comparing the results in the models to the amounts recognised in the annual consolidated financial statements.</p> <p>We analysed the Bank's disclosures in relation</p>

Key audit matter	How our audit addressed the key audit matter
<p>value through profit or loss to the annual consolidated financial statements and related estimation uncertainty, we considered valuation of the above assets to be a key audit matter.</p> <p>Notes 11 and 29 to the annual consolidated financial statements provide information on the indexed state bonds at fair value through profit or loss.</p>	<p>to the indexed state bonds at fair value through profit or loss.</p>
<b>Valuation of deferred tax assets</b>	
<p>The Bank has significant recognised and unrecognised deferred tax asset balances as at 31 December 2021. Recognition of deferred tax asset is dependent on the availability of future taxable profits. There is an inherent uncertainty involved in forecasting future taxable profits. The analysis of the recognition and recoverability of deferred tax asset was one of the matters of most significance in our audit because the amounts are material, the assessment process is judgmental, and is based on assumptions that are affected by expected future market and economic conditions.</p> <p>Notes 4 and 15 to the annual consolidated financial statements provide information on the judgements and amounts of deferred tax asset.</p>	<p>Our audit procedures comprised evaluation of the reasonableness of management assumptions in relation to deferred tax asset's recoverability by analysing the availability of sufficient future taxable profits based on the business plan and the forecast. We discussed the underlying judgements with the Bank's management, tested tax positions and timing of future deductions. In addition, we considered the historical accuracy of management's estimates by comparing budgeted and actual data. We also compared the assumptions used in the business plan and the forecast with available banking market information and the overall Ukrainian economy projections.</p> <p>We also analysed the deferred tax asset disclosures prepared by the Bank and presented in the annual consolidated financial statements.</p>

Other information included in the Consolidated Management Report and Annual Information of the Issuer of Securities for 2021

Other information comprises the Bank's Consolidated Management Report (including the Corporate Governance Report), but does not include the annual consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and other information in the Annual Information of the Issuer of Securities, which is expected to be made available to us after that date. Management is responsible for the other information.

Our opinion on the annual 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 annual 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 annual 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. We have nothing to report in this regard.

When we read the Annual Information of the Issuer of Securities, if we conclude that there is a material misstatement therein, we will communicate the matter to the Supervisory Board.

#### Responsibilities of management and the Supervisory Board for the annual consolidated financial statements

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

In preparing the annual consolidated financial statements, management is responsible for assessing the Bank'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 either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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 Bank'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 Bank's ability 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 annual 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 Bank to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual 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 Bank's subsidiaries to express an opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Bank. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board 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 Supervisory Board 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 Supervisory Board, we determine those matters that were of most significance in the audit of the annual consolidated financial statements of the current period and are therefore the key audit matters.

Report in accordance with requirements of Section IV paragraph 11 "Instruction on preparation and publication of financial statements of banks in Ukraine" as approved by Resolution of the Board of National Bank of Ukraine No. 373 dated 24 October 2011 (as amended)

In accordance with Section IV paragraph 11 "Instruction on preparation and publication of financial statements of banks in Ukraine" as approved by Resolution of the Board of National Bank of Ukraine №373 dated 24 October 2011 (as amended) ("Instruction No. 373"), we report the following:

In our opinion, based on the work undertaken in the course of our audit of the Bank's annual consolidated financial statements, Consolidated Management Report is prepared in accordance with requirements of Instruction No. 373 and information given is consistent with the financial statement. We are required to report if we have identified material misstatements in the Consolidated Management report in light of the knowledge and understanding obtained during the course of the audit of the Bank's annual consolidated financial statements. We have nothing to report in this regard.

## 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") and pursuant to the "Requirements to the information applicable to the audit or review of the financial statements prepared by capital market and organized commodity market participants supervised by the National Securities and Stock Market Commission (the NSSMC)" approved by the NSSMC Decision №555 dated 25 July 2021 (hereinafter – "NSSMC Requirements") 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 Bank's annual consolidated financial statements on 13 April 2017 by the Supervisory board. Our appointment renewed annually by the Supervisory board. On 22 July 2021 our appointment has been approved by the Supervisory Board for a total period of uninterrupted engagement for performing the statutory audit of two years. The period of total uninterrupted engagement for performing the statutory audit of the Bank is six 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 Bank, which we issued on 5 May 2022 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 Bank, and which have not been disclosed in the annual consolidated financial statements or the consolidated management report.

#### Reporting under the NSSMC requirements

- Full legal name of the Bank, information on the ultimate controlling party as well as the ownership structure are disclosed in Note 1 to the Bank's annual consolidated financial statements.
- As at 31 December 2021, the Bank has subsidiaries: Subsidiary "Lease Company "Ukreximleasing", which is located in Kyiv at 11a Vorovskogo St., and Limited liability company "Eximleasing", which is located in Kyiv at 5 Nimetska St.
- As at 31 December 2021, the Bank was not a controlling party or a participant of a non-banking group.
- The Bank is a public interest entity in accordance with the Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.
- Prudential ratios, established by the NSSMC for relevant activity of professional capital market and organized commodity market participants, are not applicable to banks, which are engaged in professional stock market activities in accordance with "Regulation on prudential ratios for professional stock market activities and risk management requirements" (as amended) approved by the NSSMC Decision No.1597 dated 1 October 2015.
- The Bank's Audit Committee has not performed a review of the Bank's financial and economic activities based on the results of the financial year.
- Limited liability company "Ernst & Young Audit Services" (ERDPOU: 33306921, website: [www.ey.com/ua](http://www.ey.com/ua)) have audited the Bank's financial statements according to the agreement No. GFS-2021-00217/021-00/2/230921 dated 23 September 2021. The audit was conducted during the period from 23 September 2021 to 6 May 2022.



Translation from Ukrainian original

The partner in charge of the audit resulting in this independent auditor's report is Svistich O.M.  
For and on behalf of Ernst & Young Audit services LLC

Svistich O.M.  
General Director

Registration number in the Register of auditors  
and audit firms: 101250

Melnyk O.O.  
Partner

Registration number in the Register of auditors  
and audit firms: 101245

Pryshchepko Y.Y.  
Auditor

Registration number in the Register of auditors  
and audit firms: 101251

Kyiv, Ukraine

6 May 2022

Ernst & Young Audit Services LLC is included in  
the Register of auditors and audit firms,  
registration number: 3516

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(thousands of Ukrainian hryvnia)

		31 December 2021	31 December 2020 (restated)	1 January 2020 (restated)
	Notes			
<b>Assets</b>				
Cash and cash equivalents	6	42,882,371	49,912,943	33,469,935
Loans and advances to banks	9	8,270,170	370,160	256,172
Loans and advances to customers	10	69,334,862	48,608,320	53,285,804
Investments in securities	11	66,195,840	88,726,654	48,365,848
Current tax assets	15	250,048	250,331	246,882
Derivative financial assets	18	582,742	108,231	—
Non-current assets classified as held for sale		8,332	22,241	—
Investment property	12	984,056	1,143,451	1,035,586
Property, plant and equipment	13	1,850,466	1,967,759	1,616,461
Intangible assets	14	74,463	51,984	59,173
Deferred tax assets	15	1,190,303	1,175,372	1,463,771
Other financial assets	16	177,596	141,000	199,604
Other non-financial assets	17	292,283	396,829	347,088
<b>Total assets</b>		<b>192,093,532</b>	<b>192,875,275</b>	<b>140,346,324</b>
<b>Liabilities</b>				
Due to other banks	19	25,577,371	17,503,638	882,436
Customer accounts	21	121,837,236	115,581,108	76,621,910
Derivative financial liabilities	18	7	1,123	—
Other borrowed funds	20	27,237,654	43,161,310	47,496,402
Subordinated debt	22	3,605,597	4,341,176	5,429,914
Provisions for loan commitments and financial guarantee contracts	24	290,987	135,531	49,062
Other provisions	24	561	3,455	244
Other financial liabilities	16	596,018	1,488,166	606,528
Other non-financial liabilities	17	495,356	310,872	342,603
<b>Total liabilities</b>		<b>179,640,787</b>	<b>182,526,379</b>	<b>131,429,099</b>
<b>Equity</b>	23			
Issued capital		45,570,041	45,570,041	38,730,042
Other reserves		(98,629)	525,683	337,779
Result from transactions with the shareholder		635,104	635,104	635,104
Retained earnings		(33,653,771)	(36,589,390)	(30,948,626)
Reserve and other funds of the bank		—	207,458	162,926
<b>Total equity</b>		<b>12,452,745</b>	<b>10,348,896</b>	<b>8,917,225</b>
<b>Total equity and liabilities</b>		<b>192,093,532</b>	<b>192,875,275</b>	<b>140,346,324</b>

Authorised for release and signed

Chairman of the Management Board

Serhii IERMAKOV

Chief Accountant

Nataliia POTEMSKA

06 May 2022

V.M. Medko  
247-89-16



**CONSOLIDATED STATEMENT OF PROFIT AND LOSS****For the year ended 31 December 2021***(thousands of Ukrainian hryvnia)*

	Notes	2021	2020 (restated)
Interest income calculated using effective interest method	25	10,418,141	8,389,411
Other interest income	25	1,505,172	1,643,334
Interest expense	25	(7,409,358)	(8,688,360)
Fee income	26	1,182,595	877,052
Fee expense	26	(346,597)	(303,838)
Other income		136,690	172,358
Net increase/(decrease) from financial instruments at fair value through profit or loss		(1,867,000)	3,547,769
Net increase/(decrease) from operations with debt financial instruments at fair value through other comprehensive income		29,150	(34,113)
Net increase/(decrease) from trading in foreign currencies		757,247	366,520
Net increase/(decrease) from foreign exchange translation		956,181	(4,432,346)
Net increase/(decrease) from revaluation of investment property	12	36,989	107,012
Gains/(losses) on initial recognition of financial assets at interest rates above or below market		462	(35,875)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	8	(1,191,215)	(4,406,582)
Employee benefits expense	27	(1,815,684)	(1,496,732)
Depreciation and amortisation expense		(113,552)	(114,177)
Other administrative and operating expenses	27	(807,497)	(1,322,879)
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	17	23,940	2,819
Gain (loss) arising from derecognition of financial assets measured at amortised cost		1,213,652	413,121
<b>Profit (loss) before tax</b>		<b>2,709,316</b>	<b>(5,315,506)</b>
Income tax expense		(148)	(275,861)
<b>Profit (loss)</b>		<b>2,709,168</b>	<b>(5,591,367)</b>

Authorised for release and signed

Chairman of the Management Board

Serhii IERMAKOV

Chief Accountant

Nataliia POTEMSKA

06 May 2022

V.M. Medko  
247-89-16

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2021***(thousands of Ukrainian hryvnia)*

	<i>Notes</i>	<i>2021</i>	<i>2020 (restated)</i>
<b>Profit (loss)</b>		<b>2,709,168</b>	<b>(5,591,367)</b>
<b>Other comprehensive income</b>			
<i>Components of other comprehensive income that will not be reclassified to profit or loss, before tax</i>			
Other comprehensive income before tax, gains (losses) on revaluation	13	(82,949)	342,478
<i>Components of other comprehensive income that will be reclassified to profit or loss, before of tax</i>			
Gains (losses) on financial assets measured at fair value through other comprehensive income, before tax		(537,301)	(127,815)
<i>Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss</i>			
Income tax relating to changes in revaluation surplus of other comprehensive income	15	14,931	(12,538)
<i>Income tax relating to components of other comprehensive income that will be reclassified to profit or loss</i>			
Income tax relating to changes in revaluation of financial assets measured at fair value through other comprehensive income		-	-
<b>Total other comprehensive income</b>		<b>(605,319)</b>	<b>202,125</b>
<b>Total comprehensive income</b>		<b>2,103,849</b>	<b>(5,389,242)</b>

**Authorised for release and signed****Chairman of the Management Board****Serhii IERMAKOV****Chief Accountant****Nataliia POTEMSKA**

06 May 2022

V.M. Medko  
247-89-16

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2021***(thousands of Ukrainian hryvnia)*

					<i>Other reserves</i>			
					<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Retained earnings</i>	<i>Equity</i>
	<i>Issued capital</i>	<i>Result from transactions with the shareholder</i>	<i>Reserve and other funds of the bank</i>	<i>Revaluation surplus</i>				
At 1 January 2020 (restated)	38,730,042	635,104	162,926	697,568	(291,706)	(68,083)	(30,948,626)	8,917,225
Loss for the year	-	-	-	-	-	-	(5,591,367)	(5,591,367)
Other comprehensive income for the year	-	-	-	329,940	(132,477)	4,662	-	202,125
<b>Total comprehensive loss for the year</b>	-	-	-	<b>329,940</b>	<b>(132,477)</b>	<b>4,662</b>	<b>(5,591,367)</b>	<b>(5,389,242)</b>
Increase (decrease) through transfers and other changes, equity	-	-	-	(14,221)	-	-	14,221	-
Dividends paid (Note 23)	-	-	-	-	-	-	(19,086)	(19,086)
Distribution of previous years profit	-	-	44,532	-	-	-	(44,532)	-
Increase through other contributions by owners (Note 23)	6,839,999	-	-	-	-	-	-	6,839,999
<b>At 31 December 2020 (restated)</b>	<b>45,570,041</b>	<b>635,104</b>	<b>207,458</b>	<b>1,013,287</b>	<b>(424,183)</b>	<b>(63,421)</b>	<b>(36,589,390)</b>	<b>10,348,896</b>
Profit for the year	-	-	-	-	-	-	2,709,168	2,709,168
Other comprehensive loss for the year	-	-	-	(68,018)	(537,947)	646	-	(605,319)
<b>Total comprehensive income for the year</b>	-	-	-	<b>(68,018)</b>	<b>(537,947)</b>	<b>646</b>	<b>2,709,168</b>	<b>2,103,849</b>
Increase (decrease) through transfers and other changes, equity	-	-	-	(18,993)	-	-	18,993	-
Profit allocation to the reserve funds (Note 23)	-	-	525,244	-	-	-	(525,244)	-
Loss recovery out of the reserve funds (Note 23)	-	-	(732,702)	-	-	-	732,702	-
<b>At 31 December 2021</b>	<b>45,570,041</b>	<b>635,104</b>	-	<b>926,276</b>	<b>(962,130)</b>	<b>(62,775)</b>	<b>(33,653,771)</b>	<b>12,452,745</b>

Authorised for release and signed

Chairman of the Management Board

Serhii IERMAKOV

Chief Accountant

Nataliia POTEMSKA

06 May 2022

V.M. Medko  
247-89-16

**CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)****For the year ended 31 December 2021***(thousands of Ukrainian hryvnia)*

	Notes	2021	2020 (restated)
<b>Cash flows from (used in) operating activities</b>			
Interest received	-	11,444,251	9,727,307
Commission income received		1,144,274	889,676
Net (increase)/decrease from operations with financial instruments at fair value through profit or loss		(25,851)	(9,828)
Net increase/(decrease) from trading in foreign currencies		757,247	366,520
Other cash receipts from operating activities		90,614	136,983
Interest paid		(7,818,559)	(8,849,363)
Commission expenses paid		(346,597)	(303,838)
Payments to and on behalf of employees		(1,604,992)	(1,550,272)
Administrative expenses and other paid operating expenses		(777,694)	(803,903)
Net (increase)/decrease in loans and advances to banks		(8,585,392)	(16,330)
Net (increase)/decrease in loans and advances to customers		(19,083,123)	8,580,118
Net (increase)/decrease in other financial assets		21,782	84,427
Net (increase)/decrease in other assets		39,700	(48,165)
Net increase/(decrease) in due to other banks		6,492,886	16,743,842
Net increase/(decrease) in customer accounts		9,011,973	28,022,404
Net increase/(decrease) in other financial liabilities		(867,886)	1,332,102
Net increase/(decrease) in other liabilities		(27,280)	38,637
Income taxes (paid) refund		-	(3,449)
<b>Cash flows from (used in) operating activities</b>		<b>(10,134,647)</b>	<b>54,336,868</b>
<b>Cash flows from (used in) investing activities</b>			
Purchase of securities		(50,996,294)	(44,230,733)
Proceeds from sale of investments in securities		70,318,952	16,205,364
Proceeds from sale of property, plant and equipment		262	-
Purchase of property, plant and equipment		(76,765)	(74,629)
Purchase of intangible assets		(44,981)	-
Proceeds from sale of investment property		379,401	-
Dividends received		933	699
Other inflows (outflows) of cash		9,608	-
<b>Cash flows from (used in) investing activities</b>		<b>19,591,116</b>	<b>(28,099,299)</b>
<b>Cash flows from (used in) financing activities</b>			
Receipt of other debt		1,940,133	6,088,340
Return of subordinated debt		(570,811)	(1,838,315)
Return of other debt		(15,749,698)	(19,797,614)
Payments of lease liabilities		(3,966)	(5,242)
Dividends paid		-	(19,086)
<b>Cash flows from (used in) financing activities</b>		<b>(14,384,342)</b>	<b>(15,571,917)</b>
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes		(4,927,873)	10,665,652
Effect of exchange rate changes on cash and cash equivalents		(2,110,878)	5,786,030
Impact of expected credit losses on cash and cash equivalents		8,179	(8,674)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(7,030,572)</b>	<b>16,443,008</b>
Cash and cash equivalents at the beginning of the period	6	49,912,943	33,469,935
<b>Cash and cash equivalents at the end of the period</b>	6	<b>42,882,371</b>	<b>49,912,943</b>

**Authorised for release and signed****Chairman of the Management Board****Serhii IERMAKOV****Chief Accountant****Nataliia POTEMSKA**

06 May 2022

V.M. Medko  
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## 1. Principal activities

Joint Stock Company “The State Export-Import Bank of Ukraine” (“Ukreximbank”) was founded in 1992 and entered to the State Register of Banks under #5 on 23 January 1992. Ukreximbank operates under banking licence #2 dated 7 August 2019.

As at 31 December 2021 and 2020, 100% of Ukreximbank’s shares were owned by the state. The Cabinet of Ministers of Ukraine performs the functions of managing the state’s corporate rights at the Bank.

Ukreximbank’s head office is located in Kyiv at 127 Antonovycha St. It has 22 branches and 29 outlets (31 December 2020: 22 branches and 38 outlets) and two representative offices located in London and New-York. Ukreximbank and its branches form a single legal entity.

Traditionally, the main focus of Ukreximbank’s operations was the servicing of various export-import transactions. Currently, Ukreximbank’s customer base is diversified and includes a number of large industrial and state-owned enterprises. Ukreximbank accepts deposits from entities and individuals, issues loans, transfers payments in Ukraine and internationally, exchanges currencies, makes investments, provides cash and settlements, and renders other banking services to its customers.

One of Ukreximbank’s main activities is to facilitate, on behalf of the Ukrainian Government, the administration of loan agreements entered into by the Ukrainian Government with other foreign governments. Ukreximbank acts as an agent, on behalf of the Ukrainian Government, with respect to loans from foreign financial institutions based on the aforementioned agreements.

The Bank’s aim (in accordance with the Charter) is to create favorable conditions for the economic development and support of the domestic producers, to service export and import operations, to provide credit and financial support of restructuring processes, to strengthen and implement the industrial and trade potential of the industries and manufacturers that are export-oriented or carry out the activities related to the production of import-substituting products, and also to receive gains in favor of the Bank and its shareholder.

Ukreximbank prepares the annual separate financial statements and annual consolidated financial statements that comprise the consolidated performance indicators of Ukreximbank and its subsidiaries “Lease Company “Ukreximleasing” and “Eximleasing” LLC (together referred to as the “Bank”).

“Ukreximleasing”, a 100% owned subsidiary, was founded in 1997 and registered in Ukraine, and operates in the trading and leasing business.

“Eximleasing” LLC, a 100% owned subsidiary, was founded in 2006 and registered in Ukraine, and operates in the trading and leasing business.

## 2. Basis of preparation

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and requirements of the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” # 996-XIV of 16 July 1999 in respect of the preparation of financial statements (as amended).

The annual consolidated financial statements are prepared under the historical cost convention except as disclosed in the *Summary of significant accounting policies*, for example, investment securities at fair value through other comprehensive income, investment securities at fair value through profit or loss, derivatives and investment property are measured at fair value, buildings are measured at revalued amount, assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

These annual consolidated financial statements are presented in thousands of Ukrainian hryvnia (“UAH”), unless otherwise indicated.

**Going concern**

These annual consolidated financial statements have been prepared on a going concern basis. During the preparation of the financial statements for 2021, the Bank's management assessed the Bank's ability to continue in the future, taking into account the ongoing hostilities in Ukraine, which have already caused and continue to cause significant negative consequences for the economy of the country, as a whole, and the Bank and its customers, in particular, as referred in Note 34. The Bank's management believes that over the next 12 months the Bank will meet its obligations on time and in full and repay about USD 280 million of external borrowings. Also, the outflow from customer accounts in the amount of UAH 5,200 million and USD 35 million is expected. The Bank plans additional lending to strategic corporate clients in the amount of approximately UAH 4,000 million. The source of repayment of liabilities and increase in lending will be the accumulated liquidity, redemption of Ukrainian state bonds and government-guaranteed corporate bonds, as well as, if necessary, attracting the NBU's refinancing loans. Balances on correspondent accounts and deposit certificates of the National Bank of Ukraine are projected at the level of UAH 12-13 billion and equivalent of USD 680-780 million in foreign currency, which will ensure the liquidity needs. The Bank's management approaches to assessing and managing liquidity risk are described in Notes 27 to the annual consolidated financial statements.

Taking into account the payment of dividends for 2021 in the amount of UAH 1,364 million (50% of profits for 2021) and the expected costs of forming reserves to cover losses expected due to the military aggression of the Russian Federation against Ukraine, there may be a lack of capital to meet the NBU's regulatory requirements in mid-2022. Under such conditions, the Bank activates the Business Recovery Plan approved by the Supervisory Board in December 2021, which provides for, inter alia, additional capitalization at the expense of the shareholder, the amounts of which are not foreseeable but may be significant. However, in accordance with Resolution #23 of the National Bank of Ukraine of 25 February 2022 (as amended), the Bank is not subject to sanctions during martial law for violations of capital, liquidity, credit risk and investment ratios.

Based on forecasted liquidity, capital adequacy ratios, expected credit losses and the possibility of additional capitalisation, the Bank's management believes that there are sufficient grounds for preparing these financial statements on a going concern basis.

However, there is a material uncertainty, related to the unpredictable impact of ongoing hostilities on the territory of Ukraine on the assumptions underlying management's assessments, that may cast significant doubt on the Bank's ability to continue as a going concern, and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

**Reclassifications**

In preparing the consolidated financial statements for 2021, the Bank decided to approximate the format of disclosure of indicators and line titles of the main forms of financial statements to the format of financial statements in accordance with international standards in a single electronic format approved by Order #595 of the Ministry of Finance of Ukraine “On Approval of Translation of the Financial Statements Taxonomy according to International Financial Reporting Standards 2021” of 12 November 2021. Accordingly, some changes have been made in the presentation of comparative information for 2020 to bring it in line with the new format of data presentation.

Specifically, the following reclassifications were made in the consolidated statement of financial position:

- (a) Derivative financial assets, other financial assets and other non-financial assets were presented as separate items;
- (b) Investment securities at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost were presented in a separate item “Investments in securities”;
- (c) Amounts due to the National Bank of Ukraine were combined with amounts due to credit institutions with the exception of loans from international and other financial organisations;
- (d) Eurobonds issued were combined with loans from international and other financial organisations;
- (e) derivative financial liabilities, other financial liabilities, other non-financial liabilities and other provisions were presented as separate items.

# Translation from Ukrainian original

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The table below shows the effect of respective reclassifications on disclosures in the consolidated statement of financial position as at 31 December and 1 January 2020:

	<i>31 December 2020 (as previously reported)</i>	<i>Effect of bringing in new format</i>	<i>31 December 2020 (restated)</i>	<i>1 January 2020 (as previously reported)</i>	<i>Effect of bringing in new format</i>	<i>1 January 2020 (restated)</i>
<b>Assets</b>						
Investment securities:						
- at fair value through profit or loss	29,008,521	(29,008,521) <sup>(b)</sup>	—	25,731,949	(25,731,949) <sup>(b)</sup>	—
- at fair value through other comprehensive income	14,543,523	(14,543,523) <sup>(b)</sup>	—	22,633,899	(22,633,899) <sup>(b)</sup>	—
- at amortised cost	45,174,610	(45,174,610) <sup>(b)</sup>	—	—	—	—
Investments in securities	—	88,726,654 <sup>(b)</sup>	88,726,654	—	48,365,848 <sup>(b)</sup>	48,365,848
Other assets	646,060	(646,060) <sup>(a)</sup>	—	546,692	(546,692) <sup>(a)</sup>	—
Derivative financial assets	—	108,231 <sup>(a)</sup>	108,231	—	—	—
Other financial assets	—	141,000 <sup>(a)</sup>	141,000	—	199,604 <sup>(a)</sup>	199,604
Other non-financial assets	—	396,829 <sup>(a)</sup>	396,829	—	347,088 <sup>(a)</sup>	347,088
<b>Liabilities</b>						
Amounts due to the National Bank of Ukraine	16,008,768	(16,008,768) <sup>(c)</sup>	—	—	—	—
Amounts due to credit institutions	26,119,028	(26,119,028) <sup>(c), (d)</sup>	—	21,825,762	(21,825,762) <sup>(c), (d)</sup>	—
Due to other banks	—	(17,503,638) <sup>(c)</sup>	17,503,638	—	(882,436) <sup>(c)</sup>	882,436
Eurobonds issued	18,537,152	(18,537,152) <sup>(d)</sup>	—	26,553,076	(26,553,076) <sup>(d)</sup>	—
Other borrowed funds	—	(43,161,310) <sup>(d)</sup>	43,161,310	—	(47,496,402) <sup>(d)</sup>	47,496,402
Other liabilities	1,803,616	(1,803,616) <sup>(d)</sup>	—	949,375	(949,375) <sup>(d)</sup>	—
Derivative financial liabilities	—	1,123 <sup>(d)</sup>	1,123	—	—	—
Other financial liabilities	—	1,488,166 <sup>(d)</sup>	1,488,166	—	606,528 <sup>(d)</sup>	606,528
Other non-financial liabilities	—	310,872 <sup>(d)</sup>	310,872	—	342,603 <sup>(d)</sup>	342,603
Other provisions	—	3,455 <sup>(d)</sup>	3,455	—	244 <sup>(d)</sup>	244

Accordingly, the following reclassifications were made in the consolidated statement of cash flows:

- (a) Amounts due to the National Bank of Ukraine were combined with amounts due to credit institutions;
- (b) Redemption of Eurobonds issued was combined with repayment of borrowings from credit institutions;
- (c) Net increase/(decrease) in other financial assets and net increase/(decrease) in other non-financial assets were presented as separate items;
- (r) Net increase/(decrease) in other financial liabilities and net increase/(decrease) in other non-financial liabilities were presented as separate items.

The table below shows the effect of respective reclassifications on disclosures in the consolidated statement of cash flows for the year ended 31 December 2020:

	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Amounts due to the National Bank of Ukraine	16,008,811	(16,008,811) <sup>(a)</sup>	—
Amounts due to credit institutions	735,031	(735,031) <sup>(a)</sup>	—
Net increase/(decrease) in due to other banks	—	16,743,842 <sup>(a)</sup>	16,743,842
Redemption of Eurobonds issued	(12,442,092)	12,442,092 <sup>(b)</sup>	—
Repayment of borrowings from credit institutions	(7,355,522)	7,355,522 <sup>(b)</sup>	—
Return of other debt	—	(19,797,614) <sup>(b)</sup>	(19,797,614)
Other assets	36,262	(36,262) <sup>(c)</sup>	—
Net (increase)/decrease in other financial assets	—	(84,427) <sup>(c)</sup>	84,427
Net (increase) / (decrease) in other assets	—	(48,165) <sup>(c)</sup>	(48,165)
Other liabilities	1,370,739	(1,370,739) <sup>(d)</sup>	—
Net increase/(decrease) in other financial liabilities	—	(1,332,102) <sup>(d)</sup>	1,332,102

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	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Net increase/(decrease) in other liabilities	–	(38,637) <sup>(d)</sup>	38,637

In addition, the following reclassifications were made in the consolidated statement of profit and loss:

(a) net gains/(losses) on investment securities at fair value through profit or loss and net gains/(losses) from transactions with derivatives were presented by separate item “Net increase/(decrease) from financial instruments at fair value through profit or loss”;

(b) net gains from dealing in foreign currencies and net gains from dealing in precious metals were presented by separate item “Net increase/(decrease) from trading in foreign currencies”;

(c) net (losses)/gains from translation differences on trading in foreign currencies and net gains from revaluation of precious metals were presented by separate item “Net increase/(decrease) from foreign exchange translation”;

(d) expenses for expected credit losses and (expenses)/reversal of expenses for expected credit losses on credit-related commitments

were presented by item “Impairment gain and reversal of impairment loss (impairment gain) determined in accordance with IFRS 9”;

(d) net gains from revaluation of investment property were presented by separate items;

(e) gains on initial recognition of financial assets at interest rates above or below market were combined with losses on initial recognition of financial assets at interest rates above or below market;

(f) net losses on modification of financial assets at amortised cost, net losses on derecognition of financial assets at amortised cost and other operating expenses were combined with other administrative and operating expenses;

(g) impairment gain and reversal of impairment loss (impairment loss) for non-financial assets were presented by separate item.

The table below shows the effect of respective reclassifications on disclosures in the consolidated statement of profit and loss for the year ended 31 December 2020:

	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Net gains/(losses) on investment securities at fair value through profit or loss	3,450,489	(3,450,489) <sup>(a)</sup>	–
Net gains/(losses) from transactions with derivatives	97,280	(97,280) <sup>(a)</sup>	–
Net increase/(decrease) from financial instruments at fair value through profit or loss	–	3,547,769 <sup>(a)</sup>	3,547,769
Net increase from trading in foreign currencies	366,193	(366,193) <sup>(b)</sup>	–
Net increase from trading in precious metals	327	(327) <sup>(b)</sup>	–
Net increase/(decrease) from trading in foreign currencies	–	366,520 <sup>(b)</sup>	366,520
Net (decrease)/increase from translation differences on trading in foreign currencies	(4,436,620)	(4,436,620) <sup>(c)</sup>	–
Net increase from revaluation of precious metals	4,274	(4,274) <sup>(c)</sup>	–
Net increase/(decrease) from foreign exchange translation	–	(4,432,346) <sup>(c)</sup>	(4,432,346)
Expenses for expected credit losses	(4,324,502)	(4,324,502) <sup>(d)</sup>	–
(Expenses)/ reversal of expenses for expected credit losses on credit-related commitments	(82,080)	(82,080) <sup>(d)</sup>	–
Impairment gain and reversal of impairment loss (impairment gain) determined in accordance with IFRS 9	–	(4,406,582) <sup>(d)</sup>	(4,406,582)
Other income	283,659	(111,301) <sup>(d),(e)</sup>	172,358
Net increase/(decrease) from revaluation of investment property	–	107,012 <sup>(d)</sup>	107,012
Net losses on modification of financial assets at amortised cost	(119,021)	119,021 <sup>(f)</sup>	–
Net losses on derecognition of financial assets at amortised cost	(384,396)	384,396 <sup>(f)</sup>	–
Other operating expenses	(856,807)	856 807 <sup>(d), (f), (g)</sup>	–



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	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Other administrative and operating expenses	–	1,322,879 <sup>(i)</sup>	(1,322,879)
Gains/(losses) on initial recognition of financial assets at interest rates above or below market	–	35,875 <sup>(e)</sup>	(35,875)
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	–	(2,819) <sup>(g)</sup>	2,819
<b>Loss for the year</b>	<b>(5,591,367)</b>	<b>–</b>	<b>(5,591,367)</b>

In addition, the Bank decided to reclassify the expenses on balances on correspondent accounts (expenses related to the collection of fee for keeping balances on nostro accounts by correspondent banks) from commission expense to interest expense.

The table below shows the effect of respective reclassifications on disclosures in the consolidated statement of profit and loss for the year ended 31 December 2020:

	<i>As previously reported</i>	<i>Effect of reclassification</i>	<i>Restated</i>
Interest expense	(8,663,457)	(24,903)	(8,688,360)
Fee expense	(328,741)	24,903	(303,838)
<b>Loss for the year</b>	<b>(5,591,367)</b>	<b>–</b>	<b>(5,591,367)</b>

In addition, “Revaluation surplus”, “Reserve of gains and losses on financial assets measured at fair value through other comprehensive income” and “Reserve of gains and losses from investments in equity instruments” were presented by separate items in the consolidated statement of changes in equity.

The table below shows the effect of respective reclassifications on disclosures in the consolidated statement of changes in equity for the year ended 31 December 2020:

	<i>Revaluation reserve</i>	<i>Revaluation surplus</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>
<b>31 December 2020 (as previously reported)</b>	525,683	–	–	–
Effect of bringing in new format	(525,683)	1,013,287	(424,183)	(63,421)
<b>31 December 2020 (restated)</b>	–	1,013,287	(424,183)	(63,421)
<b>1 January 2020 (as previously reported)</b>	337,779	–	–	–
Effect of bringing in new format	(337,779)	697,568	(291,706)	(68,083)
<b>At 1 January 2020 (restated)</b>	–	697,568	(291,706)	(68,083)

The respective changes were made in the comparative information presented in the notes to annual consolidated financial statements:

### 3. Summary of significant accounting policies

#### Changes in accounting policies

The accounting policies adopted in the preparation of these annual consolidated condensed financial statements are consistent with those followed in the preparation of the Bank’s consolidated annual financial statements for the year ended 31 December 2020, except for the adoption of the new standards and amendments thereto applied for the first time from 1 January 2021. The nature and effect of these changes is disclosed below.

The Bank applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

*Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Bank does not contemplate to apply the practical expedients provided by the amendments. Please see details in Note 28.

*COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16*

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Bank has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

**Financial assets and liabilities**

***Initial recognition***

*Date of recognition*

Financial assets and liabilities, except loans to customers and amounts due to customers, are recognised on the transaction date i.e. the date when the Bank becomes a party to the agreement specifying the terms of the respective instrument. These are regular purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Loans to customers are recognised when funds are transferred to the customers' accounts. Amounts due to customers are recognised when funds are transferred to accounts with the Bank.

***Initial measurement of financial instruments***

Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price. If the fair value of financial instruments at initial recognition differs from the transaction price, the Bank recognises Day 1 gain or loss.

All financial assets, except for equity and derivative instruments, are classified and measured at initial recognition based on the business model used by the Bank to manage a particular group of assets, which a financial asset is attributed to, as well as the characteristics of contractual cash flows from this financial asset.

The business model is determined at the level of groups of financial assets that are managed collectively to achieve a particular business goals.

All debt financial assets are held within one of three business models:

- ▶ business model whose objective is to hold financial assets in order to collect contractual cash flows (BM 1);
- ▶ business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (BM 2);

- ▶ business model whose objective is collecting maximum cash flows from sale of assets or business model other than BM 1 and BM 2 (BM 3).

At the date of initial recognition of each debt financial asset, other than those classified by the Bank as measured at FVPL for the purpose of eliminating or significantly reducing a measurement or recognition inconsistency, as well as those managed under BM 3, the Bank performs an analysis of contractual cash flows from such financial asset.

The main objective of the contractual cash flows analysis (SPPI test) is to determine whether the terms of agreement on a financial asset conform to the underlying loan agreement and identify the terms of agreement which result in additional risks and/or additional volatility of contractual cash flows not inherent with the underlying loan agreement.

The Bank performs SPPI test at the level of a separate debt financial asset/group of debt financial assets of the respective category of assets managed under BM 1 or BM 2.

#### *Financial assets and liabilities measurement categories*

Depending on the business model and the results of the SPPI test, the debt financial assets can be classified as follows:

- ▶ Assets at amortised cost (BM 1, SPPI test passed);
- ▶ Assets at fair value through other comprehensive income (BM 2; SPPI test passed);
- ▶ Assets at fair value through profit or loss (BM 1 or BM 2 and SPPI test failed, BM 3).

The Bank classifies and measures derivative instruments and instruments held for trading at FVPL.

Financial liabilities, other than credit-related commitments and financial guarantees, are measured at amortised cost or at FVPL if they are held for trading and are derivative instruments, or at the Bank's discretion are classified at FVPL.

#### *Loans and advances to banks, loans and advances to customers, investment securities at amortised cost*

The Bank measures financial assets at amortised cost only if both of the following conditions are met:

- ▶ The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (BM 1);
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit and loss when financial assets are derecognised or impaired, as well as through the amortisation process.

#### *Debt instruments at fair value through other comprehensive income*

The Bank measures debt instruments at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

- ▶ a debt instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (BM 2);
- ▶ The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. SPPI criteria are met).

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. For debt instruments measured at FVOCI the Bank recognises allowance for expected credit losses (ECLs). The procedure for recognising ECLs on such assets is provided in Note 28.

*Equity instruments at fair value through other comprehensive income*

Upon initial recognition of equity financial assets, the Bank occasionally elects to classify irrevocably some of such assets as equity instruments at FVOCI when they meet the definition of equity under IAS 32 and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss. Dividends are recognised in profit or loss when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

*Financial assets and financial liabilities at fair value through profit or loss*

This category includes financial assets and financial liabilities which, upon initial recognition, were classified as such at the Bank's discretion or should be measured at fair value through profit or loss under IFRS 9. The Bank may, at initial recognition, designate a financial instrument as measured at fair value through profit or loss if one of the following criteria is met: Such classification is determined on an instrument-by-instrument basis:

- ▶ if it eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- ▶ a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- ▶ a financial liability contains one or more embedded derivatives and the host is not an asset within the scope IFRS 9, unless the

the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract or

it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited.

All debt financial assets that do not meet a “solely payment of principal and interest” (SPPI) criterion, are classified at initial recognition as fair value through profit or loss. Under this criterion, such instruments as Ukrainian state bonds that provide for indexation of the nominal value by maturity according to the changes in the average interbank UAH/USD exchange rate per month prior to the date of issue and per month prior to the maturity date (Note 11), are measured at FVPL.

Financial assets and liabilities at FVPL are recognised in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss, except for a change in the fair value of financial liabilities classified at the Bank's sole discretion at fair value through profit or loss caused by changes in its own credit recognised in other comprehensive income. Interest income on all financial assets at FVPL is recognised using the contractual interest rate.

*Financial guarantees, letters of credit and credit-related commitments*

In the normal course of business the Bank issues financial guarantees in the form of letters of credit, guarantees and avals. Financial guarantees are initially recognised as other financial liabilities in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount of amortised commission and an ECL provision.

Increase in liability related to financial guarantee agreements is recognised in the consolidated statement of profit and loss. The commission received is recognised in the consolidated statement of profit and loss on a straight-line basis over the term of the guarantee agreement.

The contractual nominal value of financial guarantees is not recorded in the consolidated statement of financial position.

***Reclassification of financial assets and financial liabilities***

The Bank reclassifies all financial assets only when it changes its business model of management thereof. Financial liabilities are never reclassified.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, amounts due from the NBU, overnight deposits and loans with banks, NBU deposit certificates for up to 90 days, short term deposits classified as cash equivalents and reverse “repo” agreements that mature within ninety days of the date of origination and are free from contractual encumbrances, and are not impaired individually.

**Precious metals**

Gold and other precious metals are recorded at fair value, which approximate the NBU bid prices and are quoted at a discount to London Bullion Market rates. Changes in the NBU bid prices are recorded as revaluation differences from precious metals in the consolidated statement of profit and loss.

**“Repo” and reverse “repo” agreements and securities lending**

Sale and repurchase agreements (“repo” agreements) are treated as secured financing transactions. Securities sold under “repo” agreements are retained in the consolidated statement of financial position and in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under “repo” agreements. The respective liabilities are included to due to other banks and customer accounts. Securities purchased under agreements to resell (“reverse repo”) are recorded as cash and cash equivalents, loans and advances to banks or loans and advances to customers as appropriate. The difference between “repo” price is treated as interest and is accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the annual consolidated financial statements. Securities borrowed are not recorded in the annual consolidated financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded within net increase/(decrease) from financial instruments at fair value through profit or loss in the consolidated statement of profit and loss. The obligation to return them is recorded at fair value as a trading liability.

**Derivative financial instruments**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- ▶ Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable.
- ▶ It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- ▶ It is settled at a future date.

In the normal course of business, the Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange and capital markets, as well as interest rate swaps. These financial instruments are stated at fair value through profit or loss. The fair values are derived based on quoted market prices or valuation models that take into account current and contractual market prices of the underlying instruments and any other relevant factors. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Gains and losses resulting from transactions with currency forwards and swaps are included in the consolidated statement of profit and loss as net gains/(losses) from foreign currencies, and gains and losses from transactions with interest rate swaps are included in the consolidated statement of profit and loss as net gains/(losses) from transactions with derivatives.

*Embedded derivatives*

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

An embedded derivative that is a component of a hybrid instrument of the host that is a financial asset is not separated but is

recorded as part of such a hybrid financial instrument classified as a whole as designated at fair value through profit or loss.

### **Promissory notes**

Promissory notes purchased are included in trading securities, or in in loans, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

### **Borrowings**

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to other banks, including the NBU, amounts due to customers, debt securities issued, loans received from international and other financial organisations and subordinated debt. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit and loss when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit and loss.

### **Leases**

#### ***Finance – Bank as a lessor***

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is recognised based on a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

#### ***Operating – Bank as a lessor***

The Bank presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the consolidated statement of profit and loss on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

#### ***Leases – Bank as a lessee***

##### *Right-of-use assets*

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### *Lease liabilities*

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period, in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the lease commencement date, the amount of

lease liabilities is increased to reflect the accrual of interest and reduced to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term leases and leases of low-value assets*

The Bank does not recognise a contract to be a lease contract in case of short-term leases and leases of low-value underlying assets and accounts for no right-of-use assets and lease liabilities. Under such contracts, lease payments are recognised as expense on a straight-line basis over the lease term specified by the contract.

A short-term lease is the lease, which as at the lease commencement date according to the lease contract has the lease term of 12 months or less, and this lease contract includes no automatic lease extension conditions, and the bank does not intend to extend the lease term specified by the contract, nor it intends to acquire the underlying asset. A low value of the underlying asset is the value, which is less than the UAH equivalent of USD 5,000,00 at NBU's official UAH/foreign currency exchange rate as at the date of completion of the appropriate lease contract.

#### *Significant judgement in determining the lease term of contracts with extension options*

The Bank determines the lease term following the lease term specified in the completed contract as at the date of its completion.

If following the lease contract the lease term is 12 months or less as at the lease commencement date, the automatic lease extension conditions being included, and the bank intends to extend the lease term, then the lease term under such contract is determined as the term specified by the contract and increased for the extension term.

### **Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

### **Derecognition of financial assets and liabilities**

#### ***Derecognition due to substantial modification of terms and conditions***

##### *Financial assets*

The Bank derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan. When assessing whether or not to derecognise a financial asset, amongst others, the Bank considers such factors as a change in currency of a financial assets, change in counterparty, interest rate revision to the market rate, as well as whether the modification is such that the instrument would no longer meet the SPPI criterion. Upon initial recognition, loans are classified as Stage 1 for ECL measurement purpose, unless the new loan is deemed to be purchased or originated credit impaired financial asset.

If the modification does not result in derecognition of a financial asset, based on the change in cash flows discounted at the original effective interest rate, the Bank records a modification gain or loss from modification of financial assets in *Other administrative and operating expenses* in the consolidated statement of profit and loss.

##### *Financial liabilities*

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss.

Terms are considered significantly different if the discounted present value of cash flows on new terms, including any fees paid, net of any fees received and discounted at the original effective interest rate, differs by at least 10 percent from the discounted present value of remaining cash flows on the original financial liability. If an exchange of debt instruments or a change in terms is accounted for as repayment, then any expenses or commissions paid are recognised as part of gains or

losses on repayment. If an exchange or change in terms is not accounted for as repayment, then any expenses and fees paid adjust the carrying amount of the liability and are amortised over the life of the modified liability.

### ***Derecognition other than for substantial modification***

#### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- ▶ The rights to receive cash flows from the financial asset have expired;
- ▶ The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; and
- ▶ The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### **Asset management**

The Bank provides fiduciary management services construction financing funds (“CFF”). The Bank acts as an agent in such arrangements and its responsibility is limited to fiduciary duties, which are commonly applied in the asset management business. Accordingly, the Bank does not recognise liabilities relating to the funds under management. Funds under management are not legal entities under the laws of Ukraine. The management of fund activity is effectively delegated to the Bank. The funds keep their current accounts in the Bank to the extent to which the funds are not invested in eligible assets, which meet the investment profile for the fund.

### **Taxation**

The current income tax charge is calculated in accordance with Ukrainian taxation regulations. Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Ukraine also has various operating taxes, which are assessed on the Bank’s activities. These taxes are recorded in other administrative and operating expenses in the consolidated statement of profit and loss.

### **Property, plant and equipment**

Equipment is carried at cost excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment.

Following initial recognition at cost, buildings and land are subsequently carried at their revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.



Any revaluation surplus is credited to the surplus in the property revaluation reserve, which is included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit and loss, in which case the increase is recognised in the consolidated statement of profit and loss. A revaluation deficit is recognised in the consolidated income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the property revaluation reserve.

The transfer from the surplus in the property revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Specifically, the accumulated depreciation at the revaluation date is subtracted from the original (revalued) cost of property, plant and equipment, and the resulting net carrying amount is revalued to its fair value. The revalued amount of an asset as at the revaluation date equals its fair value and the accumulated depreciation equals zero. Upon disposal, the respective surplus of property revaluation is transferred to retained earnings.

The carrying amounts of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	15-75 years
Furniture, fittings and other assets	2-25 years
Equipment and computers	2-15 years
Motor vehicles	5 years

Leasehold improvements (refurbishment costs for premises under lease contract) are depreciated over a period not exceeding the leasing period

The asset's residual values, useful lives and methods are reviewed and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses unless they qualify for capitalisation.

### **Intangible assets**

Intangible assets include acquired computer software and licences. Intangible assets are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of five to ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

### **Investment property**

Investment property is property held to earn rental income or for capital appreciation and which is not occupied by the Bank.

Investment property is initially recognised at cost, including transaction costs, and subsequently re-measured at fair value based on its market value.

Gains and losses resulting from changes in the fair value of investment property are recorded in the statement of profit and loss in gains/(losses) less (losses)/ gains on revaluation of investment property in the year in which they arise.

### **Non-current assets classified as held for sale**

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the prospective sale is deemed feasible.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the non-current asset must

have been actively marketed for a sale at price that is reasonable in relation to its current fair value and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset classified as held for sale.

The Bank measures a non-current assets classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Bank recognises an impairment loss if events or changes in circumstance indicate that the carrying amount of assets classified as held for sale may be impaired.

#### **Provisions for other losses**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

#### **Retirement and other benefit obligations**

The Bank has contribution pension plan separate from the State pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The contribution payable to a contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under “Personnel expenses”. Unpaid contributions are recorded as a liability. The Bank has no other post-retirement benefits or significant other compensated benefits requiring accrual.

#### **Issued capital**

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Gain or loss arising from transactions with the shareholder is recognised in equity under “Result from transactions with the shareholder”.

#### **Segment reporting**

The Bank’s segmental reporting is based on the following operating segments: Corporate banking, Medium-sized business, municipalities and utilities sector and Interbank and investments business.

#### **Contingencies**

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any future outflow is considered remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

#### **Performance guarantees**

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees are not considered financial instruments. Performance guarantees are initially recognised at fair value, as evidenced by the amount of compensation received for issuing them, which is subsequently amortised to the Bank’s commission income on off-balance transactions on a straight-line basis over the life of a performance guarantee. Performance guarantees are accounted for in off-balance-sheet in the amount of guarantee commitments. Subsequently, performance guarantees are measured at greater of: the amount of amortised commission and allowance for possible losses on the performance guarantee issued.

#### **Recognition of income and expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### **Interest and similar income and expense**

Under IFRS 9, interest income on all financial instruments measured at amortised cost, at FVOCI and, at discretion, at FVPL is calculated by applying the effective interest method. Effective interest rate (EIR) is the rate that exactly discounts estimated

future cash flows through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the financial instrument and are an integral part of the effective interest rate, but not future credit losses.

If expected cash flows from financial assets are reviewed for reasons not related to credit risk, the adjustment is disclosed in the statement of financial position as a positive or negative change in the carrying amount of the asset and as an increase or decrease in interest income. The amount of this adjustment is subsequently amortised and recognised in profit or loss in “Interest income calculated using effective interest method”.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets, except for credit-impaired financial assets.

When a financial asset becomes credit-impaired and, accordingly, is attributed to Stage 3, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired financial asset, the Bank calculates interest income using the credit-adjusted EIR to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Upon recovery of impairment of credit-impaired financial assets as a result of the client’s repayment of debt on accrued income, whether or not such a recovery of impairment results in the transfer of a financial asset from Stage 3, the difference between the amount of interest calculated at the effective interest rate on the gross carrying amount and the interest income calculated at the effective interest rate on the amortised cost of a financial asset, is recognised as an adjustment (decrease) of the expected credit losses to the amount recognised as an adjustment to interest income in prior years.

Interest income on all financial assets at FVPL is recognised using the contractual interest rate in “Other interest income” in the consolidated statement of profit and loss.

### ***Fee income***

The Bank earns fee and commission income from the diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

#### *Fee income earned from services that are provided over a certain period of time*

Fees arising for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

#### *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees related a certain performance are recognised after fulfilling the corresponding criteria.

### ***Dividend income***

Revenue is recognised when the Bank’s right to receive the payment is established.

### **Foreign currency translation**

Annual consolidated financial statements are presented in Ukrainian hryvnia (“UAH”), which is the Bank’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange effective at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit and loss as net

increase/(decrease) from foreign exchange translation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Differences between the contractual exchange rate of a transaction in a foreign currency and the NBU exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official NBU exchange rates at 31 December 2021 and 2020 were UAH 27.2782 and UAH 28.2746 to 1 US dollar and UAH 30.9226 and UAH 34.7396 to 1 euro, respectively.

### Future changes in accounting policies

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### *IFRS 17 Insurance contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it
- Apply other applicable standards (such as IFRS 9, IFRS 15 or IAS 37) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Bank is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement;

That a right to defer must exist at the end of the reporting period;

That classification is unaffected by the likelihood that an entity will exercise its deferral right;

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Reference to the Conceptual Framework – Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Bank’s consolidated financial statements.

*Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Bank’s consolidated financial statements.

*Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Bank’s consolidated financial statements.

*IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity shall apply this amendment to the financial liabilities that have been modified or replaced at (or after) the beginning of the annual reporting period, in which the entity first applies this amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022 with earlier adoption permitted. The Bank will apply this amendment to the financial liabilities that have been modified or replaced at (or after) the beginning of the annual reporting period, in which it will first apply the amendment and does not expect this will result in a material impact on its consolidated financial statements.

*Definition of Accounting Estimates - Amendments to IAS 8*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Bank’s consolidated financial statements.

*Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank’s accounting policy disclosures.

#### **4. Significant accounting judgements and estimates**

In the process of applying the Bank’s accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

##### **Expected credit losses**

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining expected credit losses on financial assets. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank’s ECL calculations are outputs of complex models with a number of underlying assumptions (than are based primarily on historical data) regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on the lifetime expected credit loss basis;

The Bank’s internal credit grading model, which assigns PDs to the individual grades;

Segmentation by special characteristics of the separate arrays of assets (groups) for which similar calculation models will be used for ECL calculation;

Determination of associations between macroeconomic scenarios and economic inputs, such as the consumer price index, GDP growth, export/import growth, and the effect on PDs, EADs and LGDs;

Identification of individual scenarios for significant assets (except those attributed to Stage 1) including the determination of probability of obtaining cash flows from different sources of origin for various options of the development of events (upside case, base and downside cases).

As at 31 December 2021, the total expected credit losses on financial assets, credit-related commitments and financial guarantee contracts amounted to UAH 18,140,725 thousand (31 December 2020: UAH 52,764,057 thousand). Details are provided in Notes 6, 9, 10, 11, 16, and 24.

**Deferred tax asset**

The recognised deferred tax asset in the amount of UAH 1,190,303 thousand (31 December 2020: UAH 1,175,372 thousand) represents income taxes recoverable through future deductions from taxable profits. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the business plan under which the profit is expected to be generated during the next three years.

It is expected that profitable activities in 2022-2024 will be maintained driven by the Bank's balance sheet structure transformation (reduction of the share Ukrainian state bonds with simultaneous increase in credit portfolio, replacement of the Bank's external foreign currency liabilities with cheaper resources, sale of the Bank's non-core assets), reduction of the share of non-performing assets of the Bank, increase in customer base and increase in risk-free income, optimisation and limitation of operating costs increase. Taking into account planned future profits for 2022-2024 and the fact that current Ukrainian tax legislation does not place limits on the term of utilization of tax losses carried forward, management believes that it is appropriate to recognise the deferred tax asset.

**5. Segment information**

For management purposes, the Bank recognises the following operating segments (business units):

Corporate banking	Business unit that focuses on corporate customers and on selling the products that require an individual approach and are mainly offered to corporate clients.
Medium-sized business, municipalities and utilities sector	Business unit that focuses on servicing municipal and utilities sector, small and medium-sized businesses (including individual entrepreneurs) and selling products that are mainly in a standardised form (as per the tariffs approved and the standard procedures).
Retail banking	Business unit that focuses on servicing retail customers (except for individual entrepreneurs) on the full list of products, and on selling to individuals (population) of the products that are mainly in a standardised form (as per the tariffs approved and the standard procedures) and generally do not require any individual approach to be applied.
Interbank and investments business	Business unit that focuses on providing services to participants in the financial markets (money, currency, stock, etc.) and on selling the products related to transactions in the financial markets.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The segment performance, as explained in the table below, is measured taking into account the income and expenses from other segments.

Unallocated amounts include:

- ▶ Income tax receivables and payables, the share of assets and costs associated with the work of the Bank's top management, i.e. personnel performing general management functions at the level of the whole Bank's system and the Bank's staff, supporting directly the work of top management;
- ▶ The result of revaluation of an open currency position (except for the portion of the open currency position allocated by the Bank for carrying out operations on purchase/sale/conversion of cash foreign currency and precious metals and conversion of non-cash foreign currency);
- ▶ The difference between inter-segment revenues and costs of all business lines, obtained as a result of transfer rates.

For the purposes of segment reporting, interest is split on the basis of uniform transfer rates set by the Assets and Liabilities Committee based on the borrowing rate of the Bank.

During 2021, the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely: UAH 3,677,177 thousand (2020: UAH 2,916,168 thousand). Revenue from transactions with this external customer is reported in the segment “Interbank and investments business”.

Analysis of the Bank's revenue by banking products and services is presented in Note 25.

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The following table presents income and expenses, profit and loss, asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2021:

	<i>Corporate banking</i>	<i>Medium-sized business, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
<b>External</b>						
Interest income calculated using effective interest method	4,770,784	427,380	43,541	5,176,436	—	10,418,141
Other interest income	291,361	14,986	—	1,198,825	—	1,505,172
Fee income	571,002	229,464	316,530	65,599	—	1,182,595
Other income	37,443	11,636	14,725	12,722	60,164	136,690
Net increase from financial instruments at fair value through profit or loss	—	—	—	449,452	—	449,452
Net increase from operations with debt financial instruments at fair value through other comprehensive income	—	—	—	28,674	476	29,150
Net increase from trading in foreign currencies	296,407	71,676	27,202	381,498	—	776,783
Net increase from foreign exchange translation	1,588	—	39	55,077	899,484	956,188
Net increase from revaluation of investment property	33,283	3,904	—	—	—	37,187
Gains on initial recognition of financial assets at interest rates above or below market	—	—	—	462	—	462
Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	—	—	52,807	25,391	5,690	83,888
Impairment gain and reversal of impairment loss for non-financial assets	—	—	—	—	31,112	31,112
Gain arising from derecognition of financial assets measured at amortised cost	1,213,967	—	—	—	—	1,213,967
<b>Income from other segments</b>	<b>(3,620,296)</b>	<b>(298,118)</b>	<b>(31,744)</b>	<b>(6,116,307)</b>	<b>10,066,465</b>	<b>—</b>
<b>Total income</b>	<b>3,595,539</b>	<b>460,928</b>	<b>423,100</b>	<b>1,277,829</b>	<b>11,063,391</b>	<b>16,820,787</b>
Interest expense	(2,329,208)	(784,739)	(785,937)	(3,508,535)	(939)	(7,409,358)
Fee expense	(89,607)	(46,258)	(167,025)	(43,346)	(361)	(346,597)
Net loss from financial instruments at fair value through profit or loss	—	—	—	—	(2,316,452)	(2,316,452)
Impairment loss determined in accordance with IFRS 9	(1,177,145)	(97,958)	—	—	—	(1,275,103)
Net decrease from trading in foreign currencies	—	—	—	—	(19,536)	(19,536)
Net decrease from foreign exchange translation	—	(7)	—	—	—	(7)
Net decrease from revaluation of investment property	—	—	(198)	—	—	(198)
Employee benefits expense	(466,073)	(414,095)	(336,789)	(167,570)	(431,157)	(1,815,684)
Depreciation and amortisation expense	(25,431)	(29,608)	(29,077)	(8,490)	(20,946)	(113,552)
Other administrative and operating expenses	(160,514)	(122,547)	(334,066)	(52,048)	(138,322)	(807,497)
Impairment loss for non-financial assets	—	—	(7,172)	—	—	(7,172)
Loss arising from derecognition of financial assets measured at amortised cost	—	—	(315)	—	—	(315)
<b>Expenses from other segments</b>	<b>3,401,565</b>	<b>1,386,088</b>	<b>1,460,308</b>	<b>3,857,724</b>	<b>(10,105,685)</b>	<b>—</b>
<b>Segment results</b>	<b>2,749,126</b>	<b>351,804</b>	<b>222,829</b>	<b>1,355,564</b>	<b>(1,970,007)</b>	<b>2,709,316</b>
Income tax expense						(148)
<b>Profit for the period</b>						<b>2,709,168</b>
<b>Assets and liabilities as at 31 December 2021</b>						
Segment assets	65,221,785	6,256,048	1,386,107	117,172,073		190,036,013
Unallocated assets					2,057,519	2,057,519
<b>Total assets</b>						<b>192,093,532</b>
Segment liabilities	75,976,009	18,103,674	27,004,342	56,847,395		177,931,420
Unallocated liabilities					1,709,367	1,709,367
<b>Total liabilities</b>						<b>179,640,787</b>
<b>Other segment information</b>						
Capital expenditure	(18,546)	(21,152)	(22,296)	(6,043)	(15,111)	(83,148)



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The following table presents income and expenses, profit and loss, certain asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2020 (restated):

	<i>Corporate banking</i>	<i>Medium-sized business, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
<b>External</b>						
Interest income calculated using effective interest method	4,941,508	327,019	45,720	3,075,164	–	8,389,411
Other interest income	413,631	–	–	1,229,703	–	1,643,334
Fee income	361,418	196,092	274,526	45,016	–	877,052
Other income	78,510	22,482	26,827	6,669	37,869	172,357
Net increase from financial instruments at fair value through profit or loss	–	–	–	107,108	3,440,661	3,547,769
Net increase from operations with debt financial instruments at fair value through other comprehensive income	–	–	–	51	–	51
Net increase from trading in foreign currencies	180,452	70,369	43,177	71,635	887	366,520
Net increase from foreign exchange translation	–	–	597	201,239	–	201,836
Net increase from revaluation of investment property	59,352	45,449	1,064	–	1,147	107,012
Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	–	–	11,255	–	–	11,255
Impairment gain for non-financial assets	–	–	–	–	2,819	2,819
Gain arising from derecognition of financial assets measured at amortised cost	412,897	157	67	–	–	413,121
<b>Income from other segments</b>	<b>2,818,555</b>	<b>970,587</b>	<b>2,061,916</b>	<b>5,070,071</b>	<b>(10,921,129)</b>	<b>–</b>
<b>Total income</b>	<b>9,266,323</b>	<b>1,632,155</b>	<b>2,465,149</b>	<b>9,806,656</b>	<b>(7,437,746)</b>	<b>15,732,537</b>
Interest expense	(2,011,338)	(614,753)	(1,355,901)	(4,705,159)	(1,209)	(8,688,360)
Fee expense	(82,744)	(47,248)	(158,654)	(11,696)	(3,496)	(303,838)
Net decrease from operations with debt financial instruments at fair value through other comprehensive income	–	–	–	–	(34,164)	(34,164)
Net decrease from foreign exchange translation	(509)	–	–	–	(4,633,673)	(4,634,182)
Losses on initial recognition of financial assets at interest rates above or below market	–	–	–	(35,874)	–	(35,874)
Impairment loss determined in accordance with IFRS 9	(4,261,529)	(93,235)	–	(63,032)	(41)	(4,417,837)
Employee benefits expense	(446,980)	(318,358)	(324,543)	(91,709)	(315,142)	(1,496,732)
Depreciation and amortisation expense	(31,686)	(30,077)	(35,806)	(3,939)	(12,669)	(114,177)
Other administrative and operating expenses	(259,907)	(88,485)	(403,957)	(410,747)	(159,783)	(1,322,879)
<b>Expenses from other segments</b>	<b>(5,737,685)</b>	<b>(258,746)</b>	<b>(52,692)</b>	<b>(4,324,919)</b>	<b>10,374,042</b>	<b>–</b>
<b>Segment results</b>	<b>(3,566,055)</b>	<b>181,253</b>	<b>133,596</b>	<b>159,581</b>	<b>(2,223,881)</b>	<b>(5,315,506)</b>
Income tax expense						(275,861)
<b>Loss for the period</b>						<b>(5,591,367)</b>
<b>Assets and liabilities as at at 31 December 2020</b>						
Segment assets	48,254,952	2,836,174	2,487,268	137,409,991		190,988,385
Unallocated assets					1,886,890	1,886,890
<b>Total assets</b>						<b>192,875,275</b>
Segment liabilities	66,996,102	14,286,357	29,330,009	70,398,190		181,010,658
Unallocated liabilities					1,515,721	1,515,721
<b>Total liabilities</b>						<b>182,526,379</b>
<b>Other segment information</b>						
Capital expenditure	(17,792)	(17,097)	(25,894)	(2,293)	(7,368)	(70,444)

### Geographical information

Most revenues and capital expenditure relate to Ukraine. The Bank has no significant revenue from other countries. The analysis of assets and liabilities by the geographical principle is provided in Note 28.

**6. Cash and cash equivalents**

Cash and cash equivalents comprise:

	<i><b>31 December 2021</b></i>	<i><b>31 December 2020</b></i>
<b>Cash</b>		
Cash on hand	1,344,580	1,643,540
Current account with the National Bank of Ukraine	2,479,707	2,484,114
Correspondent accounts with banks	15,778,690	21,388,135
Overnight deposits and loans with banks	2,924,272	6,482,160
	<b>22,527,249</b>	<b>31,997,949</b>
<b>Cash equivalents</b>		
Deposit certificates issued by the National Bank of Ukraine	16,004,872	12,003,359
Short term deposits classified as cash equivalents	4,367,064	5,937,862
	<b>20,371,936</b>	<b>17,941,221</b>
Less: allowance for expected credit losses	(16,814)	(26,227)
<b>Cash and cash equivalents</b>	<b>42,882,371</b>	<b>49,912,943</b>

As at 31 December 2021, included in correspondent accounts with banks is UAH 11,627,933 thousand placed on current accounts with five OECD banks (31 December 2020: UAH 18,552,937 thousand). These banks are the main counterparties of the Bank in performing international settlements. The placements have been made under normal banking terms and conditions.

As at 31 December 2021, overnight deposits and loans in the amount of UAH 2,924,272 thousand were placed with one OECD bank under market interest rate (31 December 2020: UAH 6,482,160 thousand).

**7. Changes in liabilities in financial activities**

Changes in cash flows from financing activities in the statement of cash flows for 2020 and 2021 were as follows:

	<i><b>Other borrowed funds</b></i>	<i><b>Subordinated debt</b></i>	<i><b>Lease commitments</b></i>	<i><b>Total</b></i>
<b>Carrying amount at 1 January 2020</b>	<b>47,584,303</b>	<b>5,429,914</b>	<b>6,006</b>	<b>53,020,223</b>
Additions	6,088,340	—	—	6,088,340
Repayments	(19,797,614)	(1,838,315)	(5,242)	(21,641,171)
Translation differences	8,873,821	819,131	—	9,692,952
Other	360,144	(69,554)	6,527	297,117
<b>Carrying amount at 31 December 2020</b>	<b>43,108,994</b>	<b>4,341,176</b>	<b>7,291</b>	<b>47,457,461</b>
Additions	1,940,133	—	—	1,940,133
Repayments	(15,749,698)	(570,811)	(3,966)	(16,324,475)
Foreign currency revaluation	(1,838,115)	(154,340)	—	(1,992,455)
Other	1,358,690	(10,428)	2,774	1,351,036
<b>Carrying amount at 31 December 2021</b>	<b>28,820,004</b>	<b>3,605,597</b>	<b>6,099</b>	<b>32,431,700</b>

“Other” includes the effect of accrued but unpaid interest on borrowings from credit institutions, issued Eurobonds and subordinated debt. The Bank classifies the paid interest as cash flows from operating activities.

As at 31 December 2021, “Other borrowed funds” included funds in the amount of UAH 1,643,168 thousand belonging to non-resident banks, which were included in “Due to other banks” of the consolidated statement of financial position (31 December 2020: none, 31 December 2019: UAH 87,902 thousand).

As at 31 December 2021, “Other borrowed funds” did not include funds in the amount of UAH 60,818 thousand attracted from Ukrainian financial organisation, which were included in funds for operating activities of the consolidated statement of cash flows (31 December 2020: UAH 52,316 thousand, 31 December 2019: none).

**8. Expenses for expected credit losses**

The table below shows the amounts of impairment losses and reversal of impairment losses recorded in profit or loss.

<i>For 2021</i>	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	(8,182)	—	—	—	—	—	(8,182)
Loans and advances to banks	5,565	—	—	—	470	—	6,035
Loans and advances to customers	383,717	101,310	(133,341)	139,611	667,419	263,732	1,422,448
Recovery of previously written-off assets	—	—	—	(36,621)	(334,732)	—	(371,353)
Investment securities at fair value through other comprehensive income	(5,984)	—	(3,205)	—	—	—	(9,189)
Investment securities at amortised cost	(7,831)	—	—	—	—	—	(7,831)
Other financial assets	(6,287)	—	—	—	—	—	(6,287)
Financial guarantees	2,693	—	—	—	—	—	2,693
Undrawn loan commitments	178,258	(3,945)	—	(47,017)	—	—	127,296
Letters of credit	35,593	—	—	—	—	—	35,593
Avals on promissory notes	17	—	—	(25)	—	—	(8)
<b>(Impairment gain and reversal of impairment loss) impairment loss determined in accordance with IFRS 9</b>	<b>577,559</b>	<b>97,365</b>	<b>(136,546)</b>	<b>55,948</b>	<b>333,157</b>	<b>263,732</b>	<b>1,191,215</b>
<i>For 2020</i>	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	8,674	—	—	—	—	—	8,674
Loans and advances to banks	(2,666)	—	—	—	(42,856)	—	(45,522)
Loans and advances to customers	417,059	119,001	1,085,124	459,428	1,637,617	655,872	4,374,101
Recovery of previously written-off assets	—	—	—	(8,249)	(98,471)	—	(106,720)
Investment securities at fair value through other comprehensive income	18,919	—	17,272	—	—	—	36,191
Investment securities at amortised cost	54,705	—	—	—	—	—	54,705
Other financial assets	3,073	—	—	—	—	—	3,073
Financial guarantees	(111)	(282)	—	192	—	—	(201)
Undrawn loan commitments	103,816	(3,717)	—	(21,452)	—	—	78,647
Letters of credit	3,603	—	—	—	—	—	3,603
Avals on promissory notes	31	—	—	—	—	—	31
<b>Impairment loss determined in accordance with IFRS 9</b>	<b>607,103</b>	<b>115,002</b>	<b>1,102,396</b>	<b>429,919</b>	<b>1,496,290</b>	<b>655,872</b>	<b>4,406,582</b>

Expenses for expected credit losses on purchased and originated credit-impaired assets (“POCI”) recognised in profit or loss included the adjustment of the gross carrying amount of POCI financial assets in the amount of UAH 206,078 thousand (2020: UAH 151,640 thousand).

**9. Loans and advances to banks**

Loans and advances to banks include:

	<i>31 December 2021</i>	<i>31 December 2020</i>
<b>Loans and advances to banks</b>		
<b>Deposits in other banks</b>	<b>8,138,142</b>	<b>299,662</b>
- short-term	7,807,763	64,288
- long-term	330,379	235,374
<b>Loans to other banks</b>	<b>132,028</b>	<b>70,498</b>
- short-term	–	29,010
- long-term	132,028	41,488
<b>Loans and advances to banks</b>	<b>8,270,170</b>	<b>370,160</b>

As at 31 December 2021, loans and advances to banks included funds placed with the Ukrainian banks in the amount of UAH 8,209,543 thousand (31 December 2020: UAH 856,372 thousand), CIS and other banks in the amount of UAH 182,394 thousand (31 December 2020: UAH 54,217 thousand), OECD banks in the amount of UAH 216,803 thousand (31 December 2020: UAH 245,830 thousand).

As at 31 December 2021, loans and advances to banks include UAH 8,077,577 thousand of security deposits placed as security of refinancing loans of the National Bank of Ukraine, the customers' letters of credit and guarantees (31 December 2020: UAH 261,516 thousand).

As at 31 December 2021, loans and advances to banks are accounted for at amortised cost, excluding current accounts in precious metals in the amount of UAH 52,274 thousand (31 December 2020: UAH 38,539 thousand) that are accounted for at fair value through profit or loss.

During 2020, the Bank effected a repayment of loans issued to other banks through pledged property amounting to UAH 13,846 thousand, including through possession of pledged property amounting to UAH 12,633 thousand which is included in “Non-current assets held for sale” and through the sale of pledged property amounting to UAH 1,213 thousand.

The following tables show the analysis of changes in the gross carrying amount and the corresponding allowances for loans and advances to banks:

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2021</b>	<b>344,344</b>	<b>74,466</b>	<b>737,609</b>	<b>1,156,419</b>
New assets originated or purchased	11,098,289	–	–	11,098,289
Completed (repaid) assets	(2,372,432)	–	–	(2,372,432)
Transfers to Cash and cash equivalents	(2,476)	–	–	(2,476)
Change in carrying amount	(133,537)	–	(28,540)	(162,077)
Written-off assets	–	–	(450,925)	(450,925)
Translation differences	(655,698)	(31)	(2,329)	(658,058)
<b>Gross carrying amount at 31 December 2021</b>	<b>8,278,490</b>	<b>74,435</b>	<b>255,815</b>	<b>8,608,740</b>

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2020</b>	<b>260,715</b>	<b>74,390</b>	<b>743,757</b>	<b>1,078,862</b>
New assets originated or purchased	215,294	–	–	215,294
Completed (repaid) assets	(207,846)	–	–	(207,846)
Change in carrying amount	3,501	–	(13,846)	(10,345)
Translation differences	72,680	76	7,698	80,454
<b>Gross carrying amount at 31 December 2020</b>	<b>344,344</b>	<b>74,466</b>	<b>737,609</b>	<b>1,156,419</b>

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	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance at 1 January 2021</b>	<b>3,194</b>	<b>74,466</b>	<b>708,599</b>	<b>786,259</b>
New assets originated or purchased	62,882	—	—	62,882
Completed (repaid) assets	(52,140)	—	—	(52,140)
Transfers to Cash and cash equivalents	(1)	—	—	(1)
Modifications in allowance	(5,177)	—	470	(4,707)
Written-off assets	—	—	(450,925)	(450,925)
Translation differences	(438)	(31)	(2,329)	(2,798)
<b>Allowance at 31 December 2021</b>	<b>8,320</b>	<b>74,435</b>	<b>255,815</b>	<b>338,570</b>

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance at 1 January 2020</b>	<b>4,543</b>	<b>74,390</b>	<b>743,757</b>	<b>822,690</b>
New assets originated or purchased	14,110	—	—	14,110
Completed (repaid) assets	(14,322)	—	—	(14,322)
Modifications in allowance	(2,454)	—	(42,856)	(45,310)
Translation differences	1,317	76	7,698	9,091
<b>Allowance at 31 December 2020</b>	<b>3,194</b>	<b>74,466</b>	<b>708,599</b>	<b>786,259</b>

## 10. Loans and advances to customers

Loans and advances have been extended to the following types of customers:

	<i>31 December 2021</i>	<i>31 December 2020</i>
Legal entities	57,322,750	77,074,027
State entities	27,878,541	16,755,513
Individuals	1,455,413	2,164,120
	<b>86,656,704</b>	<b>95,993,660</b>

As at 31 December 2021, loans to state entities included loans to state administration authorities in the amount of UAH 5,520,379 thousand (31 December 2020: UAH 1,002,859 thousand).

### Legal entities

The following tables show the analysis of changes in the gross carrying amount and the corresponding provisions:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2021</b>	<b>11,154,969</b>	<b>2,439,157</b>	<b>7,204,818</b>	<b>1,001,714</b>	<b>46,482,601</b>	<b>8,790,768</b>	<b>77,074,027</b>
New assets originated or purchased	20,887,662	—	—	—	—	5,260,133	26,147,795
Completed (repaid) assets	(3,190,180)	(520,452)	(241,249)	(23,443)	(8,223,300)	(1,022,033)	(13,220,657)
Transfer to Stage 1	5,783,885	(2,748,001)	(3,035,884)	—	—	—	—
Transfer to Stage 2	(1,095,626)	2,523,219	(1,361,857)	(65,736)	—	—	—
Transfer to Stage 3	(44,532)	(496,846)	—	517,219	24,159	—	—
Adjustment of the carrying amount of POCI	—	—	—	—	—	204,892	204,892
Change in carrying amount	(2,553,813)	(553,317)	(641,590)	(66,838)	403,884	122,620	(3,289,054)
Loans written off	—	—	—	(223,680)	(25,800,611)	—	(26,024,291)
Translation differences	(849,413)	(160,323)	(412,716)	(4,152)	(2,028,915)	(114,443)	(3,569,962)
<b>Gross carrying amount at 31 December 2021</b>	<b>30,092,952</b>	<b>483,437</b>	<b>1,511,522</b>	<b>1,135,084</b>	<b>10,857,818</b>	<b>13,241,937</b>	<b>57,322,750</b>

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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2020</b>	<b>23,293,330</b>	<b>907,086</b>	<b>2,078,486</b>	<b>4,202,642</b>	<b>50,977,444</b>	<b>5,387,232</b>	<b>86,846,220</b>
New assets originated or purchased	11,559,308	–	–	–	–	2,540,097	14,099,405
Completed (repaid) assets	(4,385,874)	(384,730)	(344,193)	(263,622)	(5,244,379)	–	(10,622,798)
Transfer to Stage 1	515,900	(515,900)	–	–	–	–	–
Transfer to Stage 2	(11,237,486)	3,015,082	8,789,445	(42,697)	(524,344)	–	–
Transfer to Stage 3	–	(718,248)	(2,908,968)	482,097	3,145,119	–	–
Adjustment of the carrying amount of POCI	–	–	–	–	–	151,640	151,640
Change in carrying amount	(12,740,969)	(123,360)	(338,395)	(283,057)	351,947	529,418	(12,604,416)
Loans written off	–	–	–	(3,427,290)	(11,629,666)	–	(15,056,956)
Translation differences	4,150,760	259,227	(71,557)	333,641	9,406,480	182,381	14,260,932
<b>Gross carrying amount at 31 December 2020</b>	<b>11,154,969</b>	<b>2,439,157</b>	<b>7,204,818</b>	<b>1,001,714</b>	<b>46,482,601</b>	<b>8,790,768</b>	<b>77,074,027</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Allowance at 1 January 2021</b>	<b>386,156</b>	<b>259,790</b>	<b>470,962</b>	<b>760,031</b>	<b>39,015,410</b>	<b>3,555,997</b>	<b>44,448,346</b>
New assets originated or purchased	1,210,709	–	–	–	–	–	1,210,709
Completed (repaid) assets	(91,794)	(63,519)	(7,316)	(12,143)	(1,748)	–	(176,520)
Transfer to Stage 1	483,977	(342,652)	(141,325)	–	–	–	–
Transfer to Stage 2	(87,796)	151,019	(37,813)	(25,410)	–	–	–
Transfer to Stage 3	(9,801)	(77,221)	–	85,280	1,742	–	–
Transfer to POCI	–	–	–	–	(3,200,850)	(164,256)	(3,365,106)
Result from derecognition	–	–	–	–	(655,679)	(7,461)	(663,140)
Interest income adjustment	–	–	–	42,002	606,578	273,265	921,845
Written-off assets	–	–	–	(223,680)	(25,800,611)	–	(26,024,291)
Modifications in allowance	(570,158)	174,329	(118,657)	289,094	669,104	469,810	913,522
Modifications in macro-model inputs	(239,935)	(10,728)	–	–	–	–	(250,663)
Translation differences	(60,628)	(18,428)	(27,717)	(7,459)	(1,715,869)	(5,388)	(1,835,489)
<b>Allowance at 31 December 2021</b>	<b>1,020,730</b>	<b>72,590</b>	<b>138,134</b>	<b>907,715</b>	<b>8,918,077</b>	<b>4,121,967</b>	<b>15,179,213</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Allowance at 1 January 2020</b>	<b>351,162</b>	<b>49,358</b>	<b>173,965</b>	<b>3,874,493</b>	<b>42,555,468</b>	<b>2,333,605</b>	<b>49,338,051</b>
New assets originated or purchased	51,018	–	–	–	–	–	51,018
Completed (repaid) assets	(86,854)	(22,623)	(20,497)	(192,587)	(372,337)	–	(694,898)
Transfer to Stage 1	14,722	(14,722)	–	–	–	–	–
Transfer to Stage 2	(307,649)	142,418	201,045	(3,932)	(31,882)	–	–
Transfer to Stage 3	–	(54,781)	(406,055)	(331,887)	792,723	–	–
Transfer to POCI	–	–	–	(18,572)	(3,828,057)	–	(3,846,629)
Result from derecognition	–	–	–	(184,298)	(228,886)	–	(413,184)
Interest income adjustment	–	–	–	182,020	1,659,648	409,291	2,250,959
Written-off assets	–	–	–	(3,427,290)	(11,629,666)	–	(15,056,956)
Modifications in allowance	5,586	86,027	452,145	576,519	2,236,330	807,512	4,164,119
Modifications in macro-model inputs	295,367	55,802	–	–	–	–	351,169
Translation differences	62,804	18,311	70,359	285,565	7,862,069	5,589	8,304,697
<b>Allowance at 31 December 2020</b>	<b>386,156</b>	<b>259,790</b>	<b>470,962</b>	<b>760,031</b>	<b>39,015,410</b>	<b>3,555,997</b>	<b>44,448,346</b>

State entities

The following tables show the analysis of changes in the gross carrying amount and the corresponding provisions:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2021</b>	<b>8,857,736</b>	<b>93,999</b>	<b>7,533,488</b>	<b>270,234</b>	<b>56</b>	<b>16,755,513</b>
New assets originated or purchased	15,316,041	–	–	–	–	15,316,041
Completed (repaid) assets	(247,589)	–	–	(110,508)	(311)	(358,408)
Transfer to Stage 1	6,733,923	–	(6,733,923)	–	–	–
Transfer to Stage 2	(1,864,036)	10,085	1,853,951	–	–	–
Transfer to Stage 3	(96,856)	(93,418)	–	189,346	928	–
Change in carrying amount	(2,871,006)	6,050	(358,289)	(157,741)	(673)	(3,381,659)
Translation differences	(57,766)	–	(394,420)	(760)	–	(452,946)
<b>Gross carrying amount at 31 December 2021</b>	<b>25,770,447</b>	<b>16,716</b>	<b>1,900,807</b>	<b>190,571</b>	<b>–</b>	<b>27,878,541</b>

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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2020</b>	<b>14,441,065</b>	–	<b>538,683</b>	<b>538,123</b>	<b>2,228,431</b>	<b>17,746,302</b>
New assets originated or purchased	2,875,572	–	–	–	–	2,875,572
Completed (repaid) assets	(1,291,791)	-109,664	–	–	(888,205)	(2,289,660)
Transfer to Stage 2	(7,310,845)	858,815	6,452,030	–	–	–
Transfer to Stage 3	–	–	(273,525)	273,525	–	–
Change in carrying amount	(549,279)	(655,152)	(484,371)	(8,628)	56	(1,697,374)
Loans written off	–	–	–	(538,124)	(1,340,226)	(1,878,350)
Translation differences	693,014	–	1,300,671	5,338	–	1,999,023
<b>Gross carrying amount at 31 December 2020</b>	<b>8,857,736</b>	<b>93,999</b>	<b>7,533,488</b>	<b>270,234</b>	<b>56</b>	<b>16,755,513</b>
	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance at 1 January 2021</b>	<b>100,604</b>	<b>697</b>	<b>691,802</b>	<b>121,416</b>	<b>56</b>	<b>914,575</b>
New assets originated or purchased	530,325	–	–	–	–	530,325
Completed (repaid) assets	(9,508)	–	–	(17,405)	(64)	(26,977)
Transfer to Stage 1	382,714	–	(382,714)	–	–	–
Transfer to Stage 2	(64,055)	128	64,046	–	(119)	–
Transfer to Stage 3	(46,629)	(697)	–	47,326	–	–
Interest income adjustment	–	–	–	103	–	103
Modifications in allowance	(461,655)	36	(7,368)	(64,667)	127	(533,527)
Modifications in macro-model inputs	(745)	–	–	–	–	(745)
Translation differences	(5,959)	(1)	(23,721)	(367)	–	(30,048)
<b>Allowance at 31 December 2021</b>	<b>425,092</b>	<b>163</b>	<b>342,045</b>	<b>86,406</b>	<b>–</b>	<b>853,706</b>
	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance at 1 January 2020</b>	<b>84,533</b>	–	<b>125</b>	<b>534,914</b>	<b>1,539,306</b>	<b>2,158,878</b>
New assets originated or purchased	131,759	–	–	–	–	131,759
Completed (repaid) assets	(4,618)	–	–	(13,134)	(226,432)	(244,184)
Transfer to Stage 2	(32,992)	884	32,108	–	–	–
Transfer to Stage 3	(110,926)	–	(125)	111,051	–	–
Written-off assets	–	–	–	(538,124)	(1,340,226)	(1,878,350)
Modifications in allowance	29,380	(187)	653,476	10,274	56	692,999
Translation differences	3,468	–	6,218	16,435	27,352	53,473
<b>Allowance at 31 December 2020</b>	<b>100,604</b>	<b>697</b>	<b>691,802</b>	<b>121,416</b>	<b>56</b>	<b>914,575</b>

## Individuals

The following tables show the analysis of changes in the gross carrying amount and the corresponding provisions:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2021</b>	<b>133,338</b>	<b>9,359</b>	<b>2,019,488</b>	<b>1,935</b>	<b>2,164,120</b>
New assets originated or purchased	161,851	–	–	535	162,386
Completed (repaid) assets	(92,433)	(6,684)	(67,927)	(20)	(167,064)
Transfer to Stage 1	4,976	(4,976)	–	–	–
Transfer to Stage 2	(15,289)	17,495	(2,206)	–	–
Transfer to Stage 3	(16,155)	(7,915)	24,070	–	–
Adjustment of the carrying amount of POCI	–	–	–	1,186	1,186
Change in carrying amount	(13,810)	(1,584)	(21,314)	(1,191)	(37,899)
Loans written off	–	–	(609,220)	–	(609,220)
Translation differences	(449)	(166)	(57,481)	–	(58,096)
<b>Gross carrying amount at 31 December 2021</b>	<b>162,029</b>	<b>5,529</b>	<b>1,285,410</b>	<b>2,445</b>	<b>1,455,413</b>

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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2020</b>	<b>176,708</b>	<b>17,084</b>	<b>1,640,715</b>	–	<b>1,834,507</b>
New assets originated or purchased	60,173	–	–	1,935	62,108
Completed (repaid) assets	(75,414)	(1,851)	(16,050)	–	(93,315)
Transfer to Stage 1	6,456	(6,456)	–	–	–
Transfer to Stage 2	(3,898)	10,054	(6,156)	–	–
Transfer to Stage 3	(10,169)	(10,541)	20,710	–	–
Change in carrying amount	(23,386)	437	70,651	–	47,702
Translation differences	2,868	632	309,618	–	313,118
<b>Gross carrying amount at 31 December 2020</b>	<b>133,338</b>	<b>9,359</b>	<b>2,019,488</b>	<b>1,935</b>	<b>2,164,120</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Allowance at 1 January 2021</b>	<b>1,974</b>	<b>957</b>	<b>2,019,488</b>	<b>2,022,419</b>
New assets originated or purchased	17,490	–	–	17,490
Completed (repaid) assets	(1,423)	(859)	(37,271)	(39,553)
Transfer to Stage 1	2,890	(2,890)	–	–
Transfer to Stage 2	(2,950)	5,154	(2,204)	–
Transfer to Stage 3	(16,084)	(3,183)	19,267	–
Transfer to POCI	–	–	(24,642)	(24,642)
Result from derecognition	–	–	(584)	(584)
Interest income adjustment	–	–	1,777	1,777
Written-off assets	–	–	(609,220)	(609,220)
Modifications in allowance	(6)	1,888	(17,997)	(16,115)
Modifications in macro-model inputs	417	163	–	580
Translation differences	(3)	(21)	(63,205)	(63,229)
<b>Allowance at 31 December 2021</b>	<b>2,305</b>	<b>1,209</b>	<b>1,285,409</b>	<b>1,288,923</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Allowance at 1 January 2020</b>	<b>2,224</b>	<b>1,357</b>	<b>1,640,715</b>	<b>1,644,296</b>
New assets originated or purchased	2,379	–	–	2,379
Completed (repaid) assets	(666)	(302)	(13,412)	(14,380)
Transfer to Stage 1	5,994	(5,994)	–	–
Transfer to Stage 2	(332)	6,488	(6,156)	–
Transfer to Stage 3	(1,629)	(891)	2,520	–
Transfer to POCI	–	–	(7,261)	(7,261)
Modifications in allowance	(6,292)	284	91,768	85,760
Translation differences	296	15	311,314	311,625
<b>Allowance at 31 December 2020</b>	<b>1,974</b>	<b>957</b>	<b>2,019,488</b>	<b>2,022,419</b>

Undiscounted expected credit losses on initial recognition of POCI in 2021 amounted to UAH 4,170,242 thousand (2020: UAH 4,131,343 thousand).

All loans written off by the Bank during 2021 remain the subject to enforcement activity (2020: remain the subject to enforcement activity).

### Modified loans

The Bank derecognises a financial asset, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financial instrument, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in derecognition, then, based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes the Stage 2 and Stage 3 assets modified during the period, with the modification gain (loss):

	<i>2021</i>	<i>2020</i>
<b>Loans to customers modified during the period</b>		
Amortised cost before modification	6,553,686	14,612,044
Net modification loss	(32,097)	(119,021)



As at 31 December 2021, the gross carrying amount of the assets renegotiated since the initial recognition date and attributed to Stage 2 and Stage 3 at the time of such renegotiation and transferred to Stage 1 during the reporting period is UAH 3,539,755 thousand.

### Impact of the pandemic

Given the improvement in the macroeconomic situation in general and, consequently, the solvency of entities, in 2021, the Bank's borrowers did not undergo debt restructuring related to the impact of COVID-19. In 2021, the borrowers were adapted to carrying out business activity in the face of restrictions associated with the impact of COVID-19, optimised their own operations, taking into account the experience gained at the beginning of the pandemic. At the same time, entities that have been granted a “repayment holiday” on repayment of loan credit debts in 2020, during the peak period of quarantine restrictions, were able to resume operations in 2021, and in some industries the operating activity of entities exceeded pre-crisis levels of 2019. In 2021, the Bank did not recognise borrowers' default and did not increase the deduction to allowance for expected credit losses due to the impact of COVID-19”.

Information on the current situation regarding the impact of the pandemic on the macroeconomic situation in Ukraine is provided in Note 24.

### Collateral and other credit enhancements

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- ▶ For securities lending and reverse “repo” transactions - cash or securities;
- ▶ For commercial lending - charges over real estate properties, inventory and trade receivables;
- ▶ For retail lending - mortgages over residential properties and vehicles.

The Bank monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As at 31 December 2021, UAH 794,067 thousand of customer deposits are pledged as collateral for loans to customers (31 December 2020: UAH 397,135 thousand). (Note 21).

The analysis of collateral value for credit-impaired assets (stage 3) taken in to account by the Bank when assessing the impairment of assets is provided in Note 28.

During 2021, the Bank effected the repayment loans to customers through pledged property of amounting to UAH 782,069 thousand, including through possession of pledged property amounting to UAH 141,516 thousand, which is included in “Non-current assets classified as held for sale” and “Investment property” and through the sale of pledged property amounting to UAH 640,553 thousand (31 December 2020: through pledged property of amounting to UAH 716,669 thousand, including through possession of pledged property amounting to UAH 10,719 thousand, which is included in “Non-current assets classified as held for sale” and “Investment property” and through the sale of pledged property amounting to UAH 705,950 thousand

### Concentration of loans to customers

As at 31 December 2021, the Bank has a concentration of loans represented by UAH 34,049,030 thousand due from ten largest borrowers (39.29% of gross loan portfolio) (31 December 2020: UAH 46,228,321 thousand, or 48.12%). The allowance of UAH 5,044,832 thousand has been recognised against these loans (31 December 2020: UAH 30,303,992 thousand). Loans are made principally within Ukraine to companies of the following industry sectors:

	<i>31 December</i>		<i>31 December</i>	
	<i>2021</i>	<i>%</i>	<i>2020</i>	<i>%</i>
Agriculture and food industry	16,450,656	19.0	13,790,581	14.4
Power engineering	15,616,645	18.0	14,519,027	15.1
Trade	9,192,699	10.6	8,406,102	8.8
Extractive industry	7,453,336	8.6	4,910,270	5.1
Real estate	6,745,794	7.8	9,159,549	9.5

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	<i>31 December</i>		<i>31 December</i>	
	<i>2021</i>	<i>%</i>	<i>2020</i>	<i>%</i>
Road construction	6,318,863	7.3	1,281,164	1.3
Mechanical engineering	4,483,697	5.2	8,115,360	8.4
Transport and communications	4,030,339	4.7	4,046,174	4.2
Construction	3,380,837	3.9	1,925,260	2.0
Hotels and restaurants	2,659,440	3.1	4,369,451	4.6
Chemical industry	1,738,387	2.0	11,426,786	11.9
Individuals	1,455,413	1.7	2,164,120	2.3
Professional, scientific and technical activities	1,358,255	1.6	5,347	0.1
Metallurgy	1,263,515	1.5	8,140,737	8.5
Production of rubber and plastic goods	982,705	1.1	992,263	1.0
Financing activities	929,660	1.1	432,265	0.4
Production of construction materials	769,325	0.9	855,803	0.9
Light industry	455,334	0.5	353,805	0.4
Other processing activities	285,542	0.3	298,181	0.3
Pulp and paper industry	268,673	0.3	314,222	0.3
Personal services	183,233	0.2	173,560	0.2
Other	634,356	0.6	313,633	0.3
<b>Total</b>	<b>86,656,704</b>	<b>100</b>	<b>95,993,660</b>	<b>100</b>

Corporate lending portfolio includes finance lease receivables. They may be analysed as follows:

	<i>31 December 2021</i>	<i>31 December 2020</i>
Gross investment in finance leases, receivable:		
Within 1 year	671,268	784,247
From 1 to 5 years	1,544,525	2,178,613
	<b>2,215,793</b>	<b>2,962,860</b>
Unearned future finance income on finance leases	(470,804)	(941,285)
<b>Net investment in finance leases</b>	<b>1,744,989</b>	<b>2,021,575</b>

	<i>31 December 2021</i>	<i>31 December 2020</i>
Net investment in finance leases, receivable:		
Within 1 year	470,787	447,962
From 1 to 5 years	1,274,202	1,573,613
	<b>1,744,989</b>	<b>2,021,575</b>

## 11. Investments in securities

Investments in securities comprise:

	<i>31 December 2021</i>	<i>31 December 2020</i>
Investment securities at fair value through profit or loss	23,319,112	29,008,521
Investment securities at fair value through other comprehensive income	12,737,353	14,543,523
Investment securities at amortised cost	30,139,375	45,174,610
<b>Investments in securities</b>	<b>66,195,840</b>	<b>88,726,654</b>

### Investment securities at fair value through profit or loss

As at 31 December 2021, investment securities at FVPL with the carrying amount of UAH 23,319,112 thousand (31 December 2020: UAH 29,008,521 thousand) are represented by Ukrainian state bonds. The conditions of issuing those securities anticipate the indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of

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UAH to USD per month prior to the date of issue and per month prior to the maturity date. Coupon yield is not subject to indexation.

As at 31 December 2021, Ukrainian state bonds with carrying amount of UAH 11,290,760 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2020: UAH 15,902,090 thousand) (Note 19).

### Investment securities at fair value through other comprehensive income

	<i>31 December 2021</i>	<i>31 December 2020</i>
Ukrainian state bonds	12,430,319	13,877,469
Corporate bonds	283,786	341,329
Corporate shares	23,248	22,603
Municipal bonds	–	302,122
<b>Investment securities at fair value through other comprehensive income</b>	<b>12,737,353</b>	<b>14,543,523</b>

As at 31 December 2021, Ukrainian state bonds with carrying amount of UAH 7,529,195 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2020: UAH 8,094,665 thousand). (Note 19).

As at 31 December 2021, Ukrainian state bonds with carrying amount of UAH 86,548 thousand were pledged as collateral on loans received from credit institutions (31 December 2020: UAH 94,566 thousand) (Note 19).

As at 31 December 2021, Ukrainian state bonds with carrying amount of UAH 1,095,864 thousand were used to form a guarantee fund on interest rate swaps (31 December 2020: UAH 334,849 thousand) (Note 18).

The Bank at its own discretion has designated some of its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Such investments primarily include mandatory shares in exchanges and clearing houses, investments arising when the Bank received equity shares in exchange for debt settlement, and strategic investments in other banks.

The following tables show the analysis of changes in the gross carrying amount and the corresponding ECL on investment securities at fair value through other comprehensive income:

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2021</b>	<b>14,240,165</b>	<b>363,505</b>	<b>4,218,021</b>	<b>18,821,691</b>
New assets originated or purchased	18,145,451	–	–	18,145,451
Repaid assets	(5,054,636)	–	–	(5,054,636)
Change in carrying amount	(91,401)	486	–	(90,915)
Transfer to Stage 1	363,991	(363,991)	–	–
Written-off assets	–	–	(4,218,021)	(4,218,021)
Sold assets	(14,598,910)	–	–	(14,598,910)
Translation differences	(228,200)	–	–	(228,200)
<b>Gross carrying amount at 31 December 2021</b>	<b>12,776,460</b>	<b>–</b>	<b>–</b>	<b>12,776,460</b>

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	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2020</b>	<b>22,656,710</b>	–	<b>4,218,021</b>	<b>26,874,731</b>
New assets originated or purchased	4,768,169	–	–	4,768,169
Repaid assets	(13,987,180)	–	–	(13,987,180)
Change in carrying amount	6,924	16,455	–	23,379
Transfer to Stage 2	(347,050)	347,050	–	–
Sold assets	(229,829)	–	–	(229,829)
Translation differences	1,372,421	–	–	1,372,421
<b>Gross carrying amount at 31 December 2020</b>	<b>14,240,165</b>	<b>363,505</b>	<b>4,218,021</b>	<b>18,821,691</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance at 1 January 2021</b>	<b>37,972</b>	<b>22,175</b>	<b>4,218,021</b>	<b>4,278,168</b>
New assets originated or purchased	20,917	–	–	20,917
Repaid assets	(16,569)	–	–	(16,569)
Transfer to Stage 1	18,970	(18,970)	–	–
Modifications in allowance	(10,332)	(3,205)	–	(13,537)
Written-off assets	–	–	(4,218,021)	(4,218,021)
Sold assets	(11,462)	–	–	(11,462)
Translation differences	(388)	–	–	(388)
<b>Allowance at 31 December 2021</b>	<b>39,108</b>	–	–	<b>39,108</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance at 1 January 2020</b>	<b>22,811</b>	–	<b>4,218,021</b>	<b>4,240,832</b>
New assets originated or purchased	9,415	–	–	9,415
Repaid assets	(11,644)	–	–	(11,644)
Modifications in allowance	21,148	17,272	–	38,420
Transfer to Stage 2	(4,903)	4,903	–	–
Sold assets	(106)	–	–	(106)
Translation differences	1,251	–	–	1,251
<b>Allowance at 31 December 2020</b>	<b>37,972</b>	<b>22,175</b>	<b>4,218,021</b>	<b>4,278,168</b>

Investment securities at amortised cost

	<i>31 December 2021</i>	<i>31 December 2020</i>
Ukrainian state bonds	16,417,048	25,803,072
Corporate bonds	13,546,887	19,427,009
Municipal bonds	222,378	–
	<b>30,186,313</b>	<b>45,230,081</b>
Less: allowance for expected credit losses	(46,938)	(55,471)
<b>Investment securities at amortised cost</b>	<b>30,139,375</b>	<b>45,174,610</b>

As at 31 December 2021, Ukrainian state bonds with carrying amount of UAH 6,983,949 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2020: UAH 4,083,722 thousand). (Note 19).

As at 31 December 2020, corporate bonds with carrying amount of UAH 8,372,405 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2020: UAH 83,551 thousand) (Note 19).

The following tables show an analysis of changes in gross carrying amount and corresponding ECL on investment securities at amortised cost:

	<i>Stage 1 Collective</i>
<b>Gross carrying amount at 1 January 2021</b>	<b>45,230,081</b>
New assets originated or purchased	31,175,563
Repaid assets	(46,330,821)
Change in carrying amount	465,853
Translation differences	(354,363)
<b>Gross carrying amount at 31 December 2021</b>	<b>30,186,313</b>

	<i>Stage 1 Collective</i>
<b>Gross carrying amount at 1 January 2020</b>	<b>—</b>
New assets originated or purchased	46,359,469
Repaid assets	(2,471,967)
Change in carrying amount	373,221
Sold assets	—
Translation differences	969,358
<b>Gross carrying amount at 31 December 2020</b>	<b>45,230,081</b>

	<i>Stage 1 Collective</i>
<b>Allowance at 1 January 2021</b>	<b>55,471</b>
New assets originated or purchased	67,529
Repaid assets	(82,556)
Modifications in allowance	7,196
Translation differences	(702)
<b>Allowance at 31 December 2021</b>	<b>46,938</b>

	<i>Stage 1 Collective</i>
<b>Allowance at 1 January 2020</b>	<b>—</b>
New assets originated or purchased	21,784
Repaid assets	(1,518)
Modifications in allowance	34,439
Translation differences	766
<b>Allowance at 31 December 2020</b>	<b>55,471</b>

## 12. Investment property

The movements of investment property were as follows:

	<i>2021</i>	<i>2020</i>
<b>Investment property as at 1 January</b>	<b>1,143,451</b>	<b>1,035,586</b>
Additions	133,185	—
Net gain from fair value remeasurement	36,989	107,012
Transfer from Non-current assets classified as held for sale	12,633	853
Transfer to Property, plant and equipment	(6,804)	—
Sale of investment property items	(335,398)	—
<b>Investment property as at 31 December</b>	<b>984,056</b>	<b>1,143,451</b>

In 2021, the Bank sold investment property items with a gain of UAH 44,003 thousand (2020: none).

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In 2021, the Bank revalued its investment property. The valuation was performed by independent appraiser having appropriate professional qualifications and years of experience in valuation of properties of similar category and with similar location. The basic valuation approaches applied were the comparative approach and a combination of comparative and income approaches.

The Bank leased out a part of its investment property under operating lease agreements. As at 31 December 2021, the Bank has no non-cancellable operating lease agreements that cannot be terminated (31 December 2020, future minimum receivables under non-cancellable operating lease within 1 year under non-cancellable operating lease agreements that cannot be terminated were UAH 16,211 thousand).

In 2021, the Bank recognised rental income of UAH 8,859 thousand (2020: UAH 22,202 thousand) included in other income in the consolidated statement of profit and loss.

During 2021, direct operating expenses related to investment property generating rental income amounted to 2,278 thousand. (2020: UAH 5,717 thousand), direct operating expenses related to investment property not generating rental income amounted to UAH 32,183 thousand (2020: UAH 23,266 thousand).

### 13. Property, plant and equipment

The movements of property, plant and equipment were as follows:

	<i>Land</i>	<i>Buildings</i>	<i>Right-of-use assets Buildings/ Premises</i>	<i>Other property, plant and equipment</i>	<i>Computers and equipment</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
<b>Cost or revalued amount</b>									
<b>At 31 December 2020</b>	<b>3,857</b>	<b>1,751,403</b>	<b>17,689</b>	<b>5,034</b>	<b>613,637</b>	<b>263,355</b>	<b>20,356</b>	<b>55,558</b>	<b>2,730,889</b>
Additions	–	–	2,010	–	10,871	37,187	–	28,706	78,774
Disposals	–	–	(2,056)	(2,138)	(19,672)	(34,876)	–	(486)	(59,228)
Modification	–	–	1,479	–	–	–	–	–	1,479
Transfer from “Investment property”	600	6,204	–	–	–	–	–	–	6,804
Deduction of accumulated depreciation on revaluation	–	(9,009)	–	–	–	–	–	–	(9,009)
Revaluation of property, plant and equipment	–	(82,949)	–	–	–	–	–	–	(82,949)
Transfers	–	1,495	–	–	–	–	–	(1,495)	–
<b>At 31 December 2021</b>	<b>4,457</b>	<b>1,667,144</b>	<b>19,122</b>	<b>2,896</b>	<b>604,836</b>	<b>265,666</b>	<b>20,356</b>	<b>82,283</b>	<b>2,666,760</b>
<b>Accumulated amortisation</b>									
<b>At 31 December 2020</b>	<b>–</b>	<b>(3,077)</b>	<b>(10,584)</b>	<b>(4,890)</b>	<b>(504,478)</b>	<b>(219,933)</b>	<b>(20,168)</b>	<b>–</b>	<b>(763,130)</b>
Charge for the year	–	(31,841)	(4,260)	(28)	(43,396)	(11,525)	–	–	(91,050)
Derecognition	–	–	(645)	–	–	–	–	–	(645)
Write-off of accumulated depreciation on re-evaluation	–	9,009	–	–	–	–	–	–	9,009
Disposals	–	–	2,056	2,138	19,672	5,656	–	–	29,522
<b>At 31 December 2021</b>	<b>–</b>	<b>(25,909)</b>	<b>(13,433)</b>	<b>(2,780)</b>	<b>(528,202)</b>	<b>(225,802)</b>	<b>(20,168)</b>	<b>–</b>	<b>(816,294)</b>
<b>Net book value</b>									
<b>At 31 December 2020</b>	<b>3,857</b>	<b>1,748,326</b>	<b>7,105</b>	<b>144</b>	<b>109,159</b>	<b>43,422</b>	<b>188</b>	<b>55,558</b>	<b>1,967,759</b>
<b>At 31 December 2021</b>	<b>4,457</b>	<b>1,641,235</b>	<b>5,689</b>	<b>116</b>	<b>76,634</b>	<b>39,864</b>	<b>188</b>	<b>82,283</b>	<b>1,850,466</b>

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	<i>Land</i>	<i>Buildings</i>	<i>Right-of-use assets Buildings/ Premises</i>	<i>Other property, plant and equipment</i>	<i>Computers and equipment</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
<b>Cost or revalued amount</b>									
<b>At 31 December 2019</b>	<b>3,340</b>	<b>1,445,266</b>	<b>11,728</b>	<b>5,040</b>	<b>568,694</b>	<b>260,808</b>	<b>20,356</b>	<b>54,069</b>	<b>2,369,301</b>
Additions	–	–	55	–	47,999	3,566	–	6,728	58,348
Disposals	–	–	–	(6)	(3,056)	(1,019)	–	(51)	(4,132)
Modification	–	–	5,906	–	–	–	–	–	5,906
Deduction of accumulated depreciation on revaluation	–	(75,688)	–	–	–	–	–	–	(75,688)
Revaluation of property, plant and equipment	517	376,815	–	–	–	–	–	(178)	377,154
Transfers	–	5,010	–	–	–	–	–	(5,010)	–
<b>At 31 December 2020</b>	<b>3,857</b>	<b>1,751,403</b>	<b>17,689</b>	<b>5,034</b>	<b>613,637</b>	<b>263,355</b>	<b>20,356</b>	<b>55,558</b>	<b>2,730,889</b>
<b>Accumulated amortisation</b>									
<b>At 31 December 2019</b>	<b>–</b>	<b>(52,490)</b>	<b>(5,864)</b>	<b>(4,738)</b>	<b>(460,172)</b>	<b>(209,408)</b>	<b>(20,168)</b>	<b>–</b>	<b>(752,840)</b>
Charge for the year	–	(26,275)	(5,311)	(158)	(47,362)	(11,544)	–	–	(90,650)
Write-off of accumulated depreciation on re-evaluation	–	75,688	–	–	–	–	–	–	75,688
Disposals	–	–	591	6	3,056	1,019	–	–	4,672
<b>At 31 December 2020</b>	<b>–</b>	<b>(3,077)</b>	<b>(10,584)</b>	<b>(4,890)</b>	<b>(504,478)</b>	<b>(219,933)</b>	<b>(20,168)</b>	<b>–</b>	<b>(763,130)</b>
<b>Net book value</b>									
<b>At 31 December 2019</b>	<b>3,340</b>	<b>1,392,776</b>	<b>5,864</b>	<b>302</b>	<b>108,522</b>	<b>51,400</b>	<b>188</b>	<b>54,069</b>	<b>1,616,461</b>
<b>At 31 December 2020</b>	<b>3,857</b>	<b>1,748,326</b>	<b>7,105</b>	<b>144</b>	<b>109,159</b>	<b>43,422</b>	<b>188</b>	<b>55,558</b>	<b>1,967,759</b>

During 2021, the Bank recognised UAH 13,040 thousand of rent expense on short-term leases and leases of low-value assets (31 December 2020: UAH 12,232 thousand).

As at 31 December 2021, property, plant and equipment included assets (computers and furniture) with the cost of UAH 583,370 thousand which were fully depreciated (31 December 2020: UAH 561,002 thousand). These assets are still used by the Bank.

As at 31 December 2021, the Bank had capital commitments for the acquisition of property, plant and equipment of UAH 5,552 thousand (31 December 2020: UAH 2,380 thousand).

As at 1 August of each year, the Bank performs testing of fair value of buildings. On the basis of such testing the deviation between fair value of buildings and their carrying amount is calculated. The Bank analyses the calculated deviations for the significance of the impact on its financial statements and carries out a revaluation in case of significant deviation.

The latest valuation was performed as at 1 July 2021 by an independent appraiser and fair value was determined using comparative and income approaches based on market information.

Based on the results of buildings revaluation in 2021, the Bank recognised loss from decrease in fair value in the amount of UAH 82,949 thousand in the statement of other comprehensive income (31 December 2020: gain from the increase in fair value in the amount of UAH 34,676 thousand in the statement of profit and loss and in the amount of UAH 342,478 thousand in the statement of other comprehensive income).

If the buildings were reported at cost as at 31 December 2021, the carrying amount would be as follows:

	<i>31 December 2021 (revalued)</i>	<i>31 December 2021 (at cost)</i>	<i>31 December 2020 (revalued)</i>	<i>31 December 2020 (at cost)</i>
Cost	1,671,601	1,065,434	1,755,260	1,057,134
Accumulated amortisation	(25,909)	(226,305)	(3,077)	(213,457)
<b>Net book value</b>	<b>1,645,692</b>	<b>839,129</b>	<b>1,752,183</b>	<b>843,677</b>

**14. Intangible assets**

The movements in intangible assets were as follows:

	<i>Computer software</i>	<i>Licenses</i>	<i>Total</i>
<b>Cost</b>			
<b>At 31 December 2020</b>	<b>157,843</b>	<b>10,507</b>	<b>168,350</b>
Additions	44,440	541	44,981
Disposals	(595)	—	(595)
<b>At 31 December 2021</b>	<b>201,688</b>	<b>11,048</b>	<b>212,736</b>
<b>Accumulated amortisation</b>			
<b>At 31 December 2020</b>	<b>(110,135)</b>	<b>(6,231)</b>	<b>(116,366)</b>
Charge for the year	(21,054)	(1,448)	(22,502)
Disposals	595	—	595
<b>At 31 December 2021</b>	<b>(130,594)</b>	<b>(7,679)</b>	<b>(138,273)</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>47,708</b>	<b>4,276</b>	<b>51,984</b>
<b>At 31 December 2021</b>	<b>71,094</b>	<b>3,369</b>	<b>74,463</b>

	<i>Computer software</i>	<i>Licenses</i>	<i>Total</i>
<b>Cost</b>			
<b>At 31 December 2019</b>	<b>146,796</b>	<b>5,225</b>	<b>152,021</b>
Additions	11,056	5,282	16,338
Disposals	(9)	—	(9)
<b>At 31 December 2020</b>	<b>157,843</b>	<b>10,507</b>	<b>168,350</b>
<b>Accumulated amortisation</b>			
<b>At 31 December 2019</b>	<b>(87,950)</b>	<b>(4,898)</b>	<b>(92,848)</b>
Charge for the year	(22,194)	(1,333)	(23,527)
Disposals	9	—	9
<b>At 31 December 2020</b>	<b>(110,135)</b>	<b>(6,231)</b>	<b>(116,366)</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>58,846</b>	<b>327</b>	<b>59,173</b>
<b>At 31 December 2020</b>	<b>47,708</b>	<b>4,276</b>	<b>51,984</b>

As at 31 December 2021, intangible assets in the value of UAH 78,614 thousand were fully amortised (31 December 2020: UAH 63,075 thousand). These assets are still used by the Bank.

As at 31 December 2021, the Bank had capital commitments for the acquisition of intangible assets of UAH 18,766 thousand (31 December 2020: UAH 17,936 thousand).

**15. Income tax**

The income tax charge comprises:

	<i>31 December 2021</i>	<i>31 December 2020</i>
Current tax charge	(148)	—
Changes in deferred income tax	—	(275,861)
<b>Income tax expense</b>	<b>(148)</b>	<b>(275,861)</b>

As at 31 December 2021, Ukrainian corporate income tax was calculated as taxable income less allowable expenses at the rate of 18% (31 December 2020: 18%).



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Income tax assets and liabilities consist of the following:

	<i>31 December 2021</i>	<i>31 December 2020</i>
Current tax assets	250,048	250,331
Deferred tax assets	1,190,303	1,175,372
<b>Tax assets</b>	<b>1,440,351</b>	<b>1,425,703</b>

As at 31 December 2021, the main amount of current tax assets is the amount of advance payments of income tax in the amount of UAH 247,354 thousand paid by the Bank in 2018-2020 in connection with the allocation of part the Bank's profit for dividends, which will be taken into account in the reduction of income tax liabilities in future reporting periods.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax charge based on the statutory rate with the actual rate is as follows:

	<i>2021</i>	<i>2020</i>
<b>Profit before tax</b>	<b>2,709,316</b>	<b>(5,315,506)</b>
Statutory tax rate	18%	18%
<b>Income tax charge at the statutory rate</b>	<b>(487,677)</b>	<b>956,791</b>
Changes in unrecognised deferred tax asset	509,845	(1,230,069)
Non-deductible expenditures	(22,316)	(2,583)
<b>Income tax expense</b>	<b>(148)</b>	<b>(275,861)</b>

Deferred tax assets and liabilities include:

	<i>Origination and reversal of temporary differences</i>			<i>Origination and reversal of temporary differences</i>		
	<i>In the consolidated statement of profit and loss</i>	<i>In the consolidated statement of comprehensive income</i>		<i>In the consolidated statement of profit and loss</i>	<i>In the consolidated statement of comprehensive income</i>	
	<i>At 1 January 2020</i>		<i>31 December 2020</i>			<i>31 December 2021</i>
<b>Tax effect of deductible temporary differences</b>						
Allowances for impairment of assets and liabilities	38,621	14,946	–	53,567	27,353	80,920
Valuation of financial instruments	56,990	–	23,007	79,997	–	127,603
Unused tax losses carried forward	3,138,503	994,131	–	4,132,634	(537,433)	3,595,201
<b>Deferred tax assets</b>	<b>3,234,114</b>	<b>1,009,077</b>	<b>23,007</b>	<b>4,266,198</b>	<b>(510,080)</b>	<b>3,803,724</b>
Unrecognised deferred tax assets	(1,767,085)	(1,230,069)	(23,007)	(3,020,161)	509,845	(2,557,922)
<b>Recognised deferred tax assets</b>	<b>1,467,029</b>	<b>(220,992)</b>	<b>–</b>	<b>1,246,037</b>	<b>(235)</b>	<b>1,245,802</b>
<b>Tax effect of deductible temporary differences</b>						
Property, plant and equipment and intangible assets	(3,258)	(54,869)	(12,538)	(70,665)	235	14,931
<b>Deferred tax liabilities</b>	<b>(3,258)</b>	<b>(54,869)</b>	<b>(12,538)</b>	<b>(70,665)</b>	<b>235</b>	<b>(55,499)</b>
<b>Net deferred tax assets</b>	<b>1,463,771</b>	<b>(275,861)</b>	<b>(12,538)</b>	<b>1,175,372</b>	<b>–</b>	<b>1,190,303</b>

The information on the professional judgements applied by the management for the recognition of deferred tax assets is provided in Note 4.

**16. Other financial assets and other financial liabilities**

Other financial assets comprise:

	<i>31 December 2021</i>	<i>31 December 2020 (restated)</i>	<i>1 January 2020 (restated)</i>
Transit accounts on operations with payment cards	119,363	118,437	182,067
Accounts receivable on operations with customers	63,485	79,485	56,664
Other accrued income	62,812	33,707	29,997
Accrued service fee on guarantees issued	18,281	6,307	15,936
Other	121	125	105
	<b>264,062</b>	<b>238,061</b>	<b>284,769</b>
Less: allowance for expected credit losses	(86,466)	(97,061)	(85,165)
<b>Other financial assets</b>	<b>177,596</b>	<b>141,000</b>	<b>199,604</b>

Other financial liabilities comprise:

	<i>31 December 2021</i>	<i>31 December 2020 (restated)</i>	<i>1 January 2020 (restated)</i>
Transit accounts on operations with customers	496,093	1,410,832	536,782
Transit accounts on operations with payment cards	61,132	41,592	53,121
Liabilities on guarantees issued	22,264	19,492	4,964
Accrued expenses	10,430	8,959	5,655
Lease commitments	6,099	7,291	6,006
<b>Other financial liabilities</b>	<b>596,018</b>	<b>1,488,166</b>	<b>606,528</b>

The following table shows the analysis of changes in the gross carrying amount and the corresponding ECL on other financial assets (except for transit accounts on operations with payment cards):

	<i>Stage 1 Collective</i>
<b>Gross carrying amount at 1 January 2021</b>	<b>119,624</b>
New assets originated or purchased	130,336
Completed (repaid) assets	(121,305)
Change in carrying amount	20,315
Written-off assets	(1,118)
Translation differences	(3,153)
<b>Gross carrying amount at 31 December 2021</b>	<b>144,699</b>
	<i>Stage 1 Collective</i>
<b>Gross carrying amount at 1 January 2020</b>	<b>102,702</b>
New assets originated or purchased	149,802
Completed (repaid) assets	(144,522)
Change in carrying amount	2,739
Written-off assets	(381)
Translation differences	9,284
<b>Gross carrying amount at 31 December 2020</b>	<b>119,624</b>

	<i>Stage 1 Collective</i>
<b>Allowance at 1 January 2021</b>	<b>97,061</b>
New assets originated or purchased	14,206
Completed (repaid) assets	(31,889)
Modifications in allowance	11,396
Written-off assets	(1,118)
Translation differences	(3,190)
<b>Allowance at 31 December 2021</b>	<b>86,466</b>
	<i>Stage 1 Collective</i>
<b>Allowance at 1 January 2020</b>	<b>85,165</b>
New assets originated or purchased	29,052
Completed (repaid) assets	(27,433)
Modifications in allowance	1,454
Written-off assets	(381)
Translation differences	9,204
<b>Allowance at 31 December 2020</b>	<b>97,061</b>

**17. Other non-financial assets and other non-financial liabilities**

Other non-financial assets comprise:

	<i>31 December 2021</i>	<i>31 December 2020 (restated)</i>	<i>1 January 2020 (restated)</i>
Advance payments	133,060	137,927	111,311
Other tax assets, except those related to income tax	98,721	155,535	149,818
Cash, which availability is not confirmed	34,413	35,883	30,491
Reposessed pledged property	33,112	36,701	39,321
Inventories	30,845	27,090	35,597
Precious metals	29,979	89,616	70,919
Other	1,752	9,086	2,067
	<b>361,882</b>	<b>491,838</b>	<b>439,524</b>
Less: allowance for impairment	(69,599)	(95,009)	(92,436)
<b>Other non-financial assets</b>	<b>292,283</b>	<b>396,829</b>	<b>347,088</b>

Other non-financial liabilities comprise:

	<i>31 December 2021</i>	<i>31 December 2020 (restated)</i>	<i>1 January 2020 (restated)</i>
Accrued salary	209,423	31,981	60,427
Accrued unused vacations	135,812	102,573	125,469
Deferred income	51,449	36,976	34,702
Payables to the Individual Deposit Guarantee Fund	50,952	70,364	63,411
Payables on taxes and mandatory contributions, except for income tax	30,750	31,832	35,229
Payables on the Bank's business activities	16,664	36,442	11,416
Other	306	704	11,949
<b>Other non-financial liabilities</b>	<b>495,356</b>	<b>310,872</b>	<b>342,603</b>

The following tables show the analysis of impairment losses on other non-financial assets:

<b>Allowance at 1 January 2021</b>	<b>95,009</b>
Reversal	(23,940)
Translation differences	(1,470)
<b>Allowance at 31 December 2021</b>	<b>69,599</b>
<b>Allowance at 1 January 2020</b>	<b>92,436</b>
Reversal	(2,819)
Translation differences	5,392
<b>Allowance at 31 December 2020</b>	<b>95,009</b>

## 18. Derivative financial instruments

The Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange and capital markets, as well as interest rate swaps.

### *Forward transactions*

The Bank enters into agreements certifying the obligation to purchase (sell) foreign currency at a certain time and on certain terms in the future with the fixation of price of such sale (purchase) at the time of the agreement.

### *Currency swap*

The Bank enters into currency exchange operations whereby it is obliged to supply one currency in exchange for another under pre-determined exchange rates.

### *Interest rate swap*

The Bank enters into agreements with the NBU for the exchange of interest payments which are calculated at different rates, but with the consideration of one notional amount during the term of the agreement. The notional amount of loans (granted and borrowed) under the interest rate swap is used exclusively for interest calculations and is not transferred between the parties to the agreement.

As at 31 December 2021, the notional amounts are:

	<i>Notional amount</i>		<i>Fair value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Forward	62,420	62,295	125	–
Currency swap	417,496	417,496	205	7
Interest rate swap	8,647,406	–	582,412	–

As at 31 December 2020, the notional amounts are:

	<i>Notional amount</i>		<i>Fair value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Interest rate swap	6,762,406	60,000	108,231	1,123

To make a guarantee fund on interest rate swaps, the Bank used the investment securities – Ukrainian state bonds with the carrying amount of UAH 1,095,864 thousand (31 December 2020: UAH 334,849 thousand) (Note 11).

**19. Due to other banks**

Due to other banks comprise:

	<i>31 December 2021</i>	<i>31 December 2020 (restated)</i>	<i>01 January 2020 (restated)</i>
<b>Amounts due to the National Bank of Ukraine</b>			
Correspondent account with the National Bank of Ukraine	362	–	–
Loans from the National Bank of Ukraine	21,366,867	16,008,768	–
	<b>21,367,229</b>	<b>16,008,768</b>	<b>–</b>
<b>Amounts due to banks</b>			
Current accounts	2,418,887	942,205	708,317
Loans and deposits	1,754,600	552,590	174,119
Other amounts due to credit institutions	36,655	75	–
	<b>4,210,142</b>	<b>1,494,870</b>	<b>882,436</b>
<b>Due to other banks</b>	<b>25,577,371</b>	<b>17,503,638</b>	<b>882,436</b>

**Loans from the National Bank of Ukraine**

As at 31 December 2021, amounts due to the National Bank of Ukraine on refinancing loans comprise:

<i>Date of agreement</i>	<i>Maturity date</i>	<i>Interest rate type</i>	<i>Effective interest rate</i>	<i>Carrying amount</i>
14 August 2020	17 July 2023	Floating (NBU discount rate + margin)	9.38088%	2,898,009
11 September 2020	30 August 2024	Floating (NBU discount rate + margin)	9.38088%	514,999
9 October 2020	3 October 2025	Floating (NBU discount rate + margin)	9.38088%	337,989
13 November 2020	7 November 2025	Floating (NBU discount rate + margin)	9.38088%	10,757,793
11 December 2020	05 December 2025	Floating (NBU discount rate + margin)	9.38088%	999,998
15 January 2021	01 December 2025	Floating (NBU discount rate + margin)	9.38088%	18,089
09 April 2021	03 April 2026	Floating (NBU discount rate + margin)	9.38088%	299,999
14 May 2021	08 May 2025	Floating (NBU discount rate + margin)	9.38088%	80,000
11 June 2021	05 June 2026	Floating (NBU discount rate + margin)	9.38088%	4,519,986
09 July 2021	5 July 2024	Floating (NBU discount rate + margin)	9.38088%	940,005
<b>Amounts due to the NBU on loans</b>				<b>21,366,867</b>

As at 31 December 2020, amounts due to the National Bank of Ukraine on refinancing loans comprise:

<i>Date of agreement</i>	<i>Maturity date</i>	<i>Interest rate type</i>	<i>Effective interest rate</i>	<i>Carrying amount</i>
14 August 2020	17 July 2023	Floating (NBU discount rate + margin)	6.1682%	2,897,996
11 September 2020	30 August 2024	Floating (NBU discount rate + margin)	6.1676%	514,998
9 October 2020	3 October 2025	Floating (NBU discount rate + margin)	6.1676%	337,989
13 November 2020	7 November 2025	Floating (NBU discount rate + margin)	6.1676%	10,757,788

<i>Date of agreement</i>	<i>Maturity date</i>	<i>Interest rate type</i>	<i>Effective interest rate</i>	<i>Carrying amount</i>
4 December 2020	26 February 2021	Floating (NBU discount rate + margin)	6.1688%	500,000
11 December 2020	5 December 2025	Floating (NBU discount rate + margin)	6.1676%	999,997
<b>Amounts due to the NBU on loans</b>				<b>16,008,768</b>

As at 31 December 2021, the margin on NBU refinancing loans is 0.00% (31 December 2020: 0.00%).

As at 31 December 2021, amounts due to the NBU on refinancing loans were secured by the investment securities - Ukrainian state bonds with the carrying amount of UAH 25,803,903 thousand (31 December 2020: UAH 23,996,755 thousand). (Note 11).

#### Amounts due to banks

As at 31 December 2021, current accounts included UAH 1,682,644 thousand placed by five Ukrainian banks (31 December 2020: UAH 525,847 thousand placed by five Ukrainian banks). The placements have been made under normal banking terms and conditions.

As at 31 December 2021, deposits and loans attracted from non-resident banks amounted to UAH 1,681,011 thousand (31 December 2020: UAH 8,644 thousand).

For the purposes of presentation of the consolidated statement of cash flows, the Bank allocates funds due to other banks between operating and financing activities. Loans and deposits raised from non-resident banks were included in cash for financing activities, all other components of due to other banks were included in cash for operating activities.

## 20. Other borrowed funds

Other borrowed funds comprise:

	<i>31 December 2021</i>	<i>31 December 2020 (restated)</i>	<i>01 January 2020 (restated)</i>
Loans from international financial organisations	21,451,751	24,571,842	20,943,326
Loans from other financial organisations	60,818	52,316	—
Eurobonds issued	5,725,085	18,537,152	26,553,076
<b>Amounts due to credit institutions</b>	<b>27,237,654</b>	<b>43,161,310</b>	<b>47,496,402</b>

As at 31 December 2021, loans received from international financial organisations included UAH 649,720 thousand under the trade financing agreements (31 December 2020: UAH 881,260 thousand). These loans are denominated in EUR (31 December 2020: in EUR).

As at 31 December 2021, loans from international financial organisations include loans from the International Bank for Reconstruction and Development (IBRD) within the Second Project of Export Development and Additional Financing for the Second Project of Export Development with a carrying amount of UAH 4,611,060 thousand (31 December 2020: UAH 5,153,004 thousand). The loans are denominated in US dollars, bear interest rates LIBOR(6m)USD + spread EIB, which is reviewed twice a year, with the current interest rate: 0.68% and 0.96% p.a., respectively. Loans mature in 2026 and 2041.

Loans from international financial institutions include the loan from the IBRD under the Project on Energy Efficiency in the amount of UAH 3,904,767 thousand (31 December 2020: UAH 4,236,218 thousand). The loan is denominated in US dollars, bears interest rate LIBOR(6m)USD + spread IBRD, which is reviewed twice a year, with the current interest rate: 0.89% p.a. The loan matures in 2040.

Loans from international financial institutions include the loan from the IBRD under the Project on Access to Long Term Finance in the amount of UAH 3,243,106 thousand (31 December 2020: UAH 2,056,304 thousand). The total amount of these loans under the loan agreements is USD 150,000 thousand. The loan is denominated in US dollars, bears interest rate LIBOR(6m)USD + spread IBRD, which is reviewed twice a year, with the current interest rate: 1.18% p.a. The loan matures in 2052.

As at 31 December 2021, loans from international financial institutions include loans from the European Investment Bank (“EIB”) under the loan for SMEs and Mid-Caps and loan under the Deep and Comprehensive Free Trade Area (DCFTA) Initiative between EU and Ukraine totaling UAH 7,895,990 thousand (31 December 2020: UAH 9,844,925 thousand). The total amount of these loans under the loan agreements is EUR 400,000 thousand. Loan tranches are denominated in USD, EUR and UAH and mature in 2023, 2025 and 2026, bear fixed and floating interest rate for each tranche: LIBOR(6m)USD + spread EIB, floating interest rate are reviewed twice a year, and as at the current date the interest rates are: 5.027%, 3.66213%, 3.85638%, 1.431% and 7.7% p.a., respectively.

Loans from international financial institutions also include loans from the European Bank of Reconstruction and Development (“EBRD”) under the Program of loans to SMEs aimed at supporting the DCFTA with Ukraine for the amount of UAH 98,682 thousand (31 December 2020: UAH 569,199 thousand). The amount of loan under the Loan Agreement is equivalent to USD 10,000 thousand. The loan is denominated USD, loan tranche is accounted for by the Bank in UAH at the fixed interest rate of 15.05% p.a., and mature in 2022.

Loans from international financial institutions include A/B loan from the European Bank for Reconstruction and Development (EBRD) under the loan agreement of 16 August 2019 in the amount of EUR 80,000 thousand. As at 31 December 2021, the carrying amount of the loan was UAH 893,676 thousand. (31 December 2020: UAH 1,502,509 thousand). The interest rate is set at EURIBOR(6m) + margin of 4.25% per annum. Repayment is provided for in equal semi-annual installments with final repayment in 2023.

Loans from international financial institutions include a loan from the Nordic Environment Finance Corporation under Financing Energy Efficiency and Renewable Energy Project in the amount of UAH 154,751 thousand (31 December 2020: UAH 173,461 thousand). The amount of loan under the Loan Agreement is equivalent to EUR 5,000 thousand. The loan is denominated in EUR, the Bank accounts for loan tranches in EUR at the floating rate of 3.0%. The loan matures in 2025.

Loans from other financial organisations include a loan from the Entrepreneurship Development Fund (EDF) attracted under the lending program for micro, small and medium businesses (private entrepreneurs and legal entities of private ownership). Loan debt to the EDF is secured by investment securities (Note 11).

For the purposes of presentation of the consolidated statement of cash flows, the Bank allocates other borrowed funds between operating and financing activities. Funds raised from the Ukrainian banks were included in the funds for operating activities, and funds from international financial organisations were included in the funds for financing activities.

Loan agreements with international financial organisations provide for various covenants and restrictions (Note 24).

#### Eurobonds issued

	31 December 2021			31 December 2020		
	<i>Debt balance</i>		<i>Carrying</i>	<i>Debt balance</i>		<i>Carrying amount</i>
	<i>(‘000)</i>	<i>Currency</i>	<i>amount</i>	<i>(‘000)</i>	<i>Currency</i>	
April 2010 issue	22,928	USD	636,295	68,785	USD	1,980,940
January 2013 issue	139,764	USD	3,975,535	320,225	USD	9,415,079
October 2010 issue	11,464	USD	318,148	34,393	USD	990,470
April 2013 issue	27,953	USD	795,107	64,045	USD	1,883,016
March 2018 issue	—	—	—	4,051,000	UAH	4,267,647
<b>Eurobonds issued</b>			<b>5,725,085</b>			<b>18,537,152</b>

In April 2010, the Bank, through BIZ Finance PLC (structured company registered in the United Kingdom) issued Eurobonds in the form of loan participation notes with a par value of USD 500,000 thousand (UAH 3,996,500 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.375% p.a. and maturity in April 2015

In October 2010, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 250,000 thousand (UAH 1,998,250 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.375% p.a. and maturity in April 2015

and were consolidated and form a single series with the notes issued in April 2010.

Issued Eurobonds in the form of loan participation notes with a par value of USD 750,000 thousand and maturity in 2015 were reprofiled on 09 July 2015 on the following conditions:

- The coupon rate of 9.625% p.a.;

- Maturity date was rescheduled for 7 years, i.e. to 27 April 2022 with 50% of the principle amount payable on 27 April 2019 and the remaining part of the principle amount payable in six equal semi-annual payments from 27 October 2019 through 27 April 2022.

In January 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 500,000 thousand (UAH 3,996,500 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.75% p.a. and maturity in January 2018.

In April 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 100,000 thousand (UAH 799,300 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.75% p.a. and maturity in January 2018 and were consolidated and form a single series with the notes issued in January 2013.

Issued Eurobonds in the form of loan participation notes with a par value of USD 600,000 thousand and maturity in 2018 were reprofiled on 09 July 2015 on the following conditions:

- The coupon rate of 9.75% p.a.;
- Maturity date was rescheduled for 7 years, i.e. to 22 January 2025 with 50% of the principle amount payable on 22 January 2021 and the remaining part of the principle amount payable in eight equal payments from 22 July 2021 through 22 January 2025.

In March 2018, the Bank, through BIZ Finance PLC issued Eurobonds in the form of loan participation notes with a par value of UAH 4,051,000 thousand. The bonds had a fixed coupon rate of 16.5% p.a. and maturity in March 2021. The bonds were redeemed in accordance with the terms of issue.

On 10 November 2020, to optimize the balance sheet structure, the Bank made a partial redemption of Eurobonds in the form of loan participation notes issued through BIZ Finance PLC with the total par value of USD 299,995 thousand including:

- ▶ with a par value of USD 215,948 thousand with a coupon rate of 9.75% p.a. and final maturity in January 2021. The redemption price was 104.5% of the nominal value.
- ▶ with a par value of USD 84,047 thousand with a coupon rate of 9.625% p.a. and final maturity in April 2022. The redemption price was 103.75% of the nominal value.

As a result of the redemption in 2020, the Bank recognised a loss from derecognition of financial liabilities at amortised cost in the amount of UAH 387,397 thousand. The purpose of this transaction was to reduce interest expenses on Eurobonds issued in future periods.

## 21. Customer accounts

Customer accounts comprise:

	<i>31 December 2021</i>	<i>31 December 2020 (restated)</i>
Current accounts:		
- Legal entities	52,248,550	31,955,659
- Budget financed organisations	11,141,261	12,265,200
- Individuals	6,086,642	5,300,720
	<b>69,476,453</b>	<b>49,521,579</b>
Time deposits:		
- Legal entities	26,350,834	33,297,433
- Individuals	19,088,954	21,890,630
	<b>45,439,788</b>	<b>55,188,063</b>
Demand deposits:		
- Legal entities	5,380,130	9,079,191
- Individuals	1,540,865	1,792,275
	<b>6,920,995</b>	<b>10,871,466</b>



Translation from Ukrainian original

Joint Stock Company  
“The State Export-Import Bank of Ukraine”

Notes to annual consolidated financial statements  
for the year ended 31 December 2021

Customer accounts comprise:

	<i>31 December 2021</i>	<i>31 December 2020 (restated)</i>
<b>Customer accounts</b>	<b>121,837,236</b>	<b>115,581,108</b>
Held as security against guarantees and avals (Note 24)	3,149,849	584,524
Held as security against loans to customers (Note 10)	794,067	397,135
Held as security against letters of credit (Note 24)	570,403	88,524
Held as security against undrawn loan commitments (Note 24)	26,147	6,988

As at 31 December 2021, legal entities current accounts included funds of ten largest customers in the amount of UAH 21,693,955 thousand (41.5% of legal entities current accounts) (31 December 2020: UAH 11,616,712 thousand, or 36.4%).

As at 31 December 2021, individuals' current accounts included funds of ten largest customers in the amount of UAH 305,482 thousand (5.0% of individuals' current accounts) (31 December 2020: UAH 236,439 thousand, or 4.5%).

As at 31 December 2021, term deposits and demand deposits of legal entities included funds attracted from five customers in the amount of UAH 7,059,333 thousand (22.2% of deposits of legal entities) (31 December 2020: UAH 19,731,857 thousand, or 46.6%).

As at 31 December 2021, term deposits and demand deposits of individuals included funds attracted from ten customers in the amount of UAH 1,752,315 thousand (8.5% of deposits of individuals) (31 December 2020: UAH 1,473,358 thousand, or 6.2%).

As at 31 December 2021, deposits of legal entities included funds raised in gold, which are measured at fair value through profit or loss in the amount of UAH 20,745 thousand (31 December 2020: UAH 22,460 thousand). As at 31 December 2021, there is no change in fair value of funds raised in gold due to changes in credit risk (31 December 2020: none).

The return of term deposit on customer's request prior to the date of maturity or occurrence of other events specified in the agreement could be done only cases provided for by the deposit agreement.

An analysis of customer accounts by economic sector is as follows:

	<i>31 December 2021</i>	<i>%</i>	<i>31 December 2020</i>	<i>%</i>
Individuals	26,716,461	21.9	28,983,625	25.1
Power engineering	12,216,493	10.0	2,214,760	1.9
Budget financed organisations	11,141,261	9.1	12,265,200	10.6
Trade	10,469,679	8.6	9,272,977	8.0
Extractive industry	10,121,866	8.3	8,236,199	7.1
Transport and communications	7,234,153	5.9	14,478,438	12.5
Agriculture and food industry	6,904,045	5.7	10,839,611	9.4
Professional, scientific and technical activities	5,599,773	4.6	4,405,263	3.8
Construction	4,822,711	4.0	4,805,259	4.2
Mechanical engineering	4,707,094	3.9	5,331,007	4.6
Finance	4,639,444	3.8	4,330,899	3.7
Metallurgy	3,179,857	2.6	548,041	0.5
Chemical industry	2,305,964	1.9	1,212,731	1.0
Health protection	2,099,702	1.7	737,759	0.6
Information and telecommunications	1,629,688	1.3	1,013,353	0.9
Real estate	1,334,432	1.1	1,003,828	0.9
Production of construction materials	1,177,676	1.0	881,303	0.8
Metal processing	757,780	0.6	772,299	0.7
Education	543,357	0.4	506,028	0.4
Processing	500,658	0.4	473,337	0.4

	<i>31 December</i>		<i>31 December</i>	
	<i>2021</i>	<i>%</i>	<i>2020</i>	<i>%</i>
Personal services	317,647	0.3	352,972	0.3
Wood processing	268,970	0.2	327,578	0.3
Hotels and restaurants	247,099	0.2	22,922	0.1
Production of rubber and plastic goods	99,068	0.1	196,211	0.2
Pulp and paper industry	78,376	0.1	197,866	0.2
Light industry	66,577	0.1	146,960	0.1
Other	2,657,405	2.2	2,024,682	1.7
<b>Customer accounts</b>	<b>121,837,236</b>	<b>100.0</b>	<b>115,581,108</b>	<b>100.0</b>

## 22. Subordinated debt

In February 2006, the Bank obtained a loan of USD 95,000 thousand from Credit Suisse International. This loan was funded by 8.4% loan participation notes issued on a limited recourse basis by Credit Suisse International, for the sole purpose of funding a subordinated loan to the Bank. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2006.

In November 2006, the Bank obtained a further loan of USD 30,000 thousand from Credit Suisse International. This loan was funded by 8.4% loan participation notes, which were consolidated and form a single series with the securities issued in February 2006. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2006.

On 29 May 2015, the Bank as a borrower, the Credit Suisse International as a creditor and Biz Finance Plc as a new creditor signed the second supplementary loan agreement under which Credit Suisse International was replaced with Biz Finance Plc. from the date of its signing.

On 9 July 2015, the Bank and Biz Finance Plc. signed the Agreement on amendments and revisions to the loan agreement (the Agreement on funds borrowing under subordinated debt terms) of USD 125,000 thousand dated 7 February 2006 as amended by the Supplement loan agreement dated 9 November 2006 and the second Supplementary loan agreement dated 29 May 2015, as follows:

Starting 9 August 2015, the interest rate was changed to 7% p.a. + 6m Libor rate and as at 31 December 2021 comprises 7.1485%;

- Maturity date was rescheduled for 7 years, i.e. to 9 February 2023 with 50% of the principle amount payable on 9 February 2020 and the remaining part of the principle amount payable in six equal semi-annual payments from 9 August 2020 through 9 February 2023.

As at 31 December 2021, the carrying amount of the above mentioned loan was UAH 876,250 thousand. (31 December 2020: UAH 1,513,690 thousand).

In November 2019, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 100,000 thousand with a fixed coupon rate of 9.95% per annum and maturity in November 2029, with the possibility of early repayment in November 2024, solely for the purpose of financing the Bank's subordinated debt.

Interest payments are made semi-annually in arrears on 14 May and 14 November of each year, commencing on 14 May 2020.

As at 31 December 2021, the carrying amount of the above mentioned loan was UAH 2,729,347 thousand. (31 December 2020: UAH 2,827,486 thousand).

**23. Equity**

As at 31 December 2021, the Bank's authorised issued share capital comprised 31,168,806 (31 December 2020: 31,168,806 ordinary registered shares) with the nominal value of UAH 1,462.04 per share (31 December 2020: 1,462.04 per share). As at 31 December 2021, 31,168,806 ordinary registered shares were fully paid and registered (31 December 2020: 31,168,806 ordinary registered shares were fully paid and registered).

In June 2021, according to Resolution #392-p of the Cabinet of Ministers of Ukraine “*Some operational issues of Joint Stock Company “The State Export-Import Bank of Ukraine”*” of 28 April 2021, the Bank allocated the retained earnings of prior years, in the total of UAH 525,244 thousand, to the reserve fund and used the total balance of the reserve fund in the amount of UAH 732,702 thousand to recover the prior-year loss.

In September 2020, according to Resolution #881 of the Cabinet of Ministers of Ukraine “*On increase of the issued capital of the Joint-Stock Company “State Export-Import Bank of Ukraine”*” of 23 September 2020, the Bank's issued capital was increased by UAH 6,839,999 thousand through the issue of 4,678,394 additional shares with the nominal value of UAH 1,462.04 each with 100 percent of these shares held by the State.

In June 2020, according to Resolution #328 of the Cabinet of Ministers of Ukraine “*On approval of the basic standard for the deduction of a share of profit, which is allocated for distributions of dividends following the results of the 2019 financial and business activities of the companies whose authorised capital includes the participatory interest of the state*” of 24 April 2020, the Bank partially allocated its profit for dividend distributions in the amount of UAH 19,086 thousand. According to Article 57 of the Tax Code of Ukraine, the Bank accrued and paid to the budget the advance income tax payment in the amount of UAH 3,435 thousand.

**Movements in other reserves**

The movements in other reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Other reserves</i>
<b>At 1 January 2020</b>	<b>697,568</b>	<b>(291,706)</b>	<b>(68,083)</b>	<b>337,779</b>
Depreciation of revaluation reserve, net of tax	(14,221)	—	—	(14,221)
Revaluation of property, plant and equipment	342,478	—	—	342,478
Income tax related to components of other comprehensive income	(12,538)	—	—	(12,538)
Net (decrease)/increase on investment securities at fair value through other comprehensive income, including:	—	(132,477)	4,662	(127,815)
Expenses for expected credit losses of investment securities at fair value through other comprehensive income	—	(36,191)	—	(36,191)
Net realised losses from operations with debt financial instruments at fair value through other comprehensive income	—	34,113	—	34,113
Net unrealised (losses)/gains on investment securities at fair value through other comprehensive income	—	(130,399)	4662	(125,737)
Income tax related to components of other comprehensive income	—	—	—	—
<b>At 31 December 2020</b>	<b>1,013,287</b>	<b>(424,183)</b>	<b>(63,421)</b>	<b>525,683</b>
Depreciation of revaluation reserve, net of tax	(18,993)	—	—	(18,993)
Revaluation of property, plant and equipment	(82,949)	—	—	(82,949)
Income tax related to components of other comprehensive income	14,931	—	—	14,931
Net (decrease)/increase on investment securities at fair value through other comprehensive income, including:	—	(537,947)	646	(537,301)

	<i>Property revaluation reserve</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Other reserves</i>
Reversal of expenses for expected credit losses on investment securities at fair value through other comprehensive income	–	9,189	–	9,189
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	–	(29,150)	–	(29,150)
Net unrealised (losses)/gains on investment securities at fair value through other comprehensive income	–	(517,986)	646	(517,340)
Income tax related to components of other comprehensive income	–	–	–	–
<b>At 31 December 2021</b>	<b>926,276</b>	<b>(962,130)</b>	<b>(62,775)</b>	<b>(98,629)</b>

**Nature and purpose of reserves***Property revaluation reserve*

The revaluation reserve for property, plant and equipment is used to record increases in the fair value of buildings and land, as well as its decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

*Reserve of gains and losses on financial assets measured at fair value through other comprehensive income*

This reserve reflects changes in fair value of investment securities at fair value through other comprehensive income.

*Reserve of gains and losses from investments in equity instruments*

This reserve reflects changes in the fair value of investments in equity instruments.

*Reserves and other funds of the Bank*

The Bank's reserve fund is created under the Charter up to reaching 25 percent of regulatory capital at the beginning of each year. The amount of allocations to the reserve fund is not less than 5 percent of the annual income of the Bank. The reserve fund is created for unforeseen losses for all assets and off-balance sheet commitments.

The Bank's distributable reserves are determined by the amount of the reserves according to the Bank's accounts. As at 31 December 2021, the amount of non-distributable reserves was UAH (98,629) thousand (31 December 2020: UAH 733,141 thousand). The Bank's non-distributable reserves are represented by revaluation reserves and a general reserve fund, which is created to cover general banking risks, including future losses and other unforeseen risks or contingencies.

**24. Commitments and contingencies****Operating environment**

The Ukrainian economy is open, non-diversified, deemed to be a market one with some emerging market features, and has critical dependence on world commodity prices and low levels of liquidity in the international capital market. Under such circumstances, high risks not typical of mature markets are inherent in banking in Ukraine.

Further growth of the Ukrainian economy depends on foreign market conditions, international financial aid, coordinated policy and decisions of the Verkhovna Rada, the Government, the NBU and the Presidential Office designed to overcome the effects of the pandemic and the global economic crisis, including to control the COVID-19 proliferation, ensure health care of the population, stick to macroeconomic sustainability, save jobs, keep on with the required reforms, maintain the social and political stability, and trace the progress in the east of the country.

In 2021, the world economy and, in particular, the banking sector of Ukraine were affected by the pandemic caused by the spread of COVID-19. The spread of the new Omicron variant in a number of countries has held back global economic growth in 2021.

According to the results of 2021, the macroeconomic situation in Ukraine has significantly improved. Even with the partial retaining of quarantine restrictions COVID- 19, inflationary pressures, due to rising energy prices and government support programs, as well as devaluation expectations, the country's real GDP was positive. According to the results of 2021, the index of production of basic industries of Ukraine grew by 3.8% year on year, as expected, in 2021 the country's economy began to recover after the 2020 crisis. The main growth driver was agriculture (growth of the agricultural index by 14.4% in 2021) owing to the record harvest and rising prices in the global market.

According to the NBU's preliminary data, the current account in 2021 returned to a deficit of USD -2,088 billion, or 1.1% of GDP (in 2020 there was a record surplus of 3.4%) owing to significant amounts of reinvested earnings and dividend payments (USD -14 billion in 2021, which is much more than in 2020 in the amount of USD -3.1 billion. The deficit in trade in goods remained almost at the level of the previous year (USD 6.7 billion, despite the constant domestic demand. The widening current account deficit has also hampered remittances from migrant workers. They grew by 25% over the year amid the opening of borders and the recovery of recipient economies.

In 2021, the inflow of capital on the financial account (net borrowing) amounted to USD 2.6 billion and was due to both private and public sector operations (in 2020, the net outflow amounted to USD 3.3 billion).

In 2021, consumer price growth accelerated (from 5% in 2020) to 11% in September and slowed to 10% in December 2021. Significant price increases were observed in almost all sectors of the economy: the rise in prices of processed food products for the year made 13%; increase in the cost of services in 2021 made 10.4%; change in prices for raw food products for the year made 11.8%; rise in administratively regulated prices in 2021 made 13.6%; increase in the cost of fuel at the end of the year made 26.5%.

Assets (net) of the banking system of Ukraine increased to UAH 2,054 billion at the end of 2021 (by UAH 231.1 billion compared to December 2020) owing to the growth of the UAH loan portfolio by UAH 145.1 billion (including: UAH 86.4 billion of corporate loans, UAH 53.4 billion of loans to individuals). The growth of the UAH resource base (by UAH 219 billion in December 2021 compared to December 2020) provided for the increase in liabilities of Ukraine's banking system by UAH 185 billion to UAH 1,798 billion in December 2021: the main drivers of growth of UAH resources were funds of corporate customers (by UAH 112 billion) and funds of individuals (by UAH 60 billion).

The profitability of Ukraine's banking sector keeps high comprising UAH 77.5 billion for 2021, which is due to: a) decrease in the cost of resources (including on time deposits of individuals in the national currency by -1 percentage points, on time deposits of individuals in foreign currency by -1.1 percentage points, on time deposits legal entities in foreign currency by -1.2 percentage points in 2021), which contributed to the growth of net interest income by UAH 32.8 billion (or 39% compared to 2020) to UAH 117.6 billion in 2021; b) increase in net commission income by UAH 11.5 billion (or by 24.8% compared to 2020); c) high attention of banks to the of the loan portfolio quality: the amount of allocations to allowances in 2021 amounted to UAH 3.4 billion, which is UAH 27.6 billion less than for previous year. Improved solvency of entities in general has resulted in increase in the loan portfolio quality, which has reduced the level of expected losses under IFRS 9 and credit risk (prudential requirements) compared to the peak values of 2020 crisis year that generally indicates the reduced impact of COVID-19 on the risks associated with financial instruments.

The reduction in the impact of COVID-19 on the economy and the banking sector as a whole is also evidenced by gradual curtailment of anti-crisis monetary measures by the National Bank of Ukraine in 2021. In particular, starting from July 2021, the deadlines and amounts of long-term refinancing were reduced, and, in the Q4 of 2021, such operations were stopped all in all. In addition, interest rate swaps were cancelled and the maturity of deposit certificates was increased in order to stimulate the development of the interbank credit market. Also, due to the growing stability of the banking system, the regulator will introduce from 2022 additional requirements for capital coverage of operational risk and creation of additional buffers of capital, capital conservation and systemic importance.

In 2021, Ukreximbank goes on with the large-scale transformation of its business and operational models (as consistent with the development strategy approved for 2021-2024).

### Legal aspects

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

**Tax and other regulatory compliance**

Ukrainian legislation and regulations regarding taxation continue to evolve. The legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

At the same time, there is a risk that the transactions and interpretations not challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time. Assessment of amount and probability of negative consequences of possible unreported claims are unreasonable.

Since 1 September 2013 transfer pricing rules came into force. These rules provide that in the case of transactions with related parties (non-residents) and, in some cases with unrelated parties (controlled transactions) that are not at market value, entities should charge additional tax liabilities.

The Bank enters into controlled transactions solely at market prices. The Bank has implemented the necessary internal controls for compliance with the transfer pricing rules.

On 1 January 2022, new rules of recognising the negative value of the object of taxation of previous tax (reporting) years (“tax losses”) in determining the object of taxation of corporate income tax by large taxpayers came into force as introduced by Law of Ukraine “On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine to Ensure Balanced Budget Revenues” N1914-IX of 30 November 2021.

These rules stipulate that starting from the first tax (reporting) period of 2022 large taxpayers have the right to reduce the object of taxation by no more than 50 percent of the accumulated tax losses of previous tax (reporting) years outstanding as of 1 January 2022.

The Bank had a close look at and took into account new rules for adjusting the pre-tax financial result for part of the amount of negative value of the object of taxation of previous tax (reporting) years when calculating the deferred tax asset.

**Loan commitments and financial guarantee contracts**

Loan commitments and financial guarantee contracts of the Bank included:

	<i><b>31 December 2021</b></i>	<i><b>31 December 2020</b></i>
Undrawn loan commitments	14,028,060	11,487,832
Financial guarantees	1,566,433	273,167
Letters of credit	1,568,278	146,068
Avals on promissory notes	400,443	334,339
	<b>17,563,214</b>	<b>12,241,406</b>
Less: provisions	(290,987)	(135,531)
<b>Loan commitments and financial guarantee contracts (before deducting cash held as security)</b>	<b>17,272,227</b>	<b>12,105,875</b>
Less: cash held as security against letters of credit, avals, financial guarantees and undrawn loan commitments	(1,047,866)	(220,884)
<b>Loan commitments and financial guarantee contracts</b>	<b>16,224,361</b>	<b>11,884,991</b>

As at 31 December 2021, credit-related commitments amounted to UAH 14,028,060 thousand, including revocable credit-related commitments of UAH 13,316,079 thousand (31 December 2020: UAH 11,487,832 thousand, including revocable credit-related commitments of UAH 10,797,201 thousand).

As at 31 December 2021, the Bank issued letters of credit of UAH 1,526,494 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 531,059 thousand (31 December 2020: UAH 139,950 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 83,999 thousand).

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As at 31 December 2021, the Bank issued financial guarantees of UAH 1,202,616 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 277,311 thousand (31 December 2020: UAH 135,283 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 75,686 thousand).

As at 31 December 2021, the Bank's undrawn loan commitments for transactions with plastic cards amounted to UAH 598,955 thousand (31 December 2020: UAH 386,665 thousand).

The following tables show the analysis of changes in credit-related commitments and the corresponding provisions:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Credit-related commitments at 1 January 2021</b>	<b>11,419,717</b>	<b>45,261</b>	<b>21,866</b>	<b>977</b>	<b>11</b>	<b>11,487,832</b>
New liabilities originated or purchased	26,554,226	—	—	—	—	26,554,226
Completed (settled) liabilities	(17,168,954)	(113,257)	—	(58,853)	(11)	(17,341,075)
Transfer to Stage 1	61,304	(40,751)	(20,553)	—	—	—
Transfer to Stage 2	(70,080)	70,471	—	(391)	—	—
Transfer to Stage 3	(130,382)	(926)	—	131,308	—	—
Modifications in liabilities	(6,459,324)	49,177	—	(69,387)	—	(6,479,534)
Translation differences	(190,155)	257	(1,313)	(2,178)	—	(193,389)
<b>Credit-related commitments at 31 December 2021</b>	<b>14,016,352</b>	<b>10,232</b>	<b>—</b>	<b>1,476</b>	<b>—</b>	<b>14,028,060</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Credit-related commitments at 1 January 2020</b>	<b>8,164,028</b>	<b>12,358</b>	<b>—</b>	<b>2,520</b>	<b>627,969</b>	<b>8,806,875</b>
New liabilities originated or purchased	12,986,696	—	—	—	—	12,986,696
Completed (settled) liabilities	(10,236,848)	(160,767)	—	(61,735)	(594,735)	(11,054,085)
Transfer to Stage 1	47,404	(47,404)	—	—	—	—
Transfer to Stage 2	(304,356)	283,880	21,885	(1,409)	—	—
Transfer to Stage 3	(59,189)	(1,417)	—	60,606	—	—
Modifications in liabilities	383,436	(45,238)	—	933	(33,223)	305,908
Translation differences	438,546	3,849	(19)	62	—	442,438
<b>Credit-related commitments at 31 December 2020</b>	<b>11,419,717</b>	<b>45,261</b>	<b>21,866</b>	<b>977</b>	<b>11</b>	<b>11,487,832</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Provision for credit-related commitments at 1 January 2021</b>	<b>126,706</b>	<b>3,713</b>	<b>402</b>	<b>130,821</b>
New liabilities originated or purchased	877,831	—	—	877,831
Completed (settled) liabilities	(362,292)	(9,228)	(21,325)	(392,845)
Transfer to Stage 1	1,116	(1,116)	—	—
Transfer to Stage 2	(1,424)	1,611	(187)	—
Transfer to Stage 3	(47,923)	(168)	48,091	—
Modifications in allowance	(286,725)	5,277	(25,692)	(307,140)
Modifications in macro-model inputs	(50,556)	6	—	(50,550)
Translation differences	(8,486)	(19)	(696)	(9,201)
<b>Provision of credit-related commitments at 31 December 2021</b>	<b>248,247</b>	<b>76</b>	<b>593</b>	<b>248,916</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Provision of credit-related commitments at 1 January 2020</b>	<b>47,357</b>	<b>206</b>	<b>646</b>	<b>48,209</b>
New liabilities originated or purchased	153,395	—	—	153,395
Completed (settled) liabilities	(94,483)	(8,063)	(22,612)	(125,158)
Transfer to Stage 1	1,773	(1,773)	—	—
Transfer to Stage 2	(8,420)	9,116	(696)	—
Transfer to Stage 3	(21,758)	(272)	22,030	—
Modifications in allowance	(10,462)	2,646	1,160	(6,656)
Modifications in macro-model inputs	55,366	1,700	—	57,066

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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Translation differences	3,938	153	(126)	3,965
<b>Provision of credit-related commitments at 31 December 2020</b>	<b>126,706</b>	<b>3,713</b>	<b>402</b>	<b>130,821</b>

The following tables show the analysis of changes in financial guarantees and corresponding provisions:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Financial guarantees at 1 January 2021</b>	<b>219,394</b>	<b>33,930</b>	<b>19,843</b>	<b>–</b>	<b>273,167</b>
New financial guarantees originated or purchased	1,473,221	–	–	–	1,473,221
Completed (settled) financial guarantees	(194,949)	–	–	(589)	(195,538)
Transfer to Stage 1	17,696	–	(17,696)	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	(609)	–	–	609	–
Modifications in financial guarantees	25,461	–	–	–	25,461
Translation differences	(6,515)	(1,196)	(2,147)	(20)	(9,878)
<b>Financial guarantees at 31 December 2021</b>	<b>1,533,699</b>	<b>32,734</b>	<b>–</b>	<b>–</b>	<b>1,566,433</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Financial guarantees at 1 January 2020</b>	<b>818,197</b>	<b>12,611</b>	<b>–</b>	<b>–</b>	<b>830,808</b>
New financial guarantees originated or purchased	1,690,525	–	–	–	1,690,525
Completed (settled) financial guarantees	(2,128,381)	(68,359)	–	–	(2,196,740)
Transfer to Stage 1	28,178	(28,178)	–	–	–
Transfer to Stage 2	(138,582)	150,940	18,924	(31,282)	–
Transfer to Stage 3	–	(29,596)	–	29,596	–
Modifications in financial guarantees	(101,601)	–	–	–	(101,601)
Translation differences	51,058	(3,488)	919	1,686	50,175
<b>Financial guarantees at 31 December 2020</b>	<b>219,394</b>	<b>33,930</b>	<b>19,843</b>	<b>–</b>	<b>273,167</b>

	<i>Stage 1 Collective</i>
<b>Provision for financial guarantees at 1 January 2021</b>	<b>191</b>
New financial guarantees originated or purchased	647
Completed (settled) financial guarantees	(127)
Modifications in allowance	2,173
Translation differences	(2)
<b>Provision for financial guarantees at 31 January 2021</b>	<b>2,882</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Provision for financial guarantees at 1 January 2020</b>	<b>335</b>	<b>2</b>	<b>–</b>	<b>337</b>
New financial guarantees originated or purchased	138	–	–	138
Completed (settled) financial guarantees	(337)	(98)	–	(435)
Transfer to Stage 2	(42)	333	(291)	–
Transfer to Stage 3	–	(51)	51	–
Modifications in allowance	18	(184)	192	26
Modifications in macro-model inputs	70	–	–	70
Translation differences	9	(2)	48	55
<b>Provision for financial guarantees at 31 January 2020</b>	<b>191</b>	<b>–</b>	<b>–</b>	<b>191</b>



The following tables show the analysis of changes in the letters of credit (except for security accounts) and the corresponding provisions:

	<i>Stage 1 Collective</i>
<b>Letters of credit at 1 January 2021</b>	<b>57,544</b>
New letters of credit originated or purchased	2,504,051
Completed (settled) letters of credit	(1,424,790)
Modifications in letters of credit	(13,220)
Translation differences	(8,204)
<b>Letters of credit at 31 December 2021</b>	<b>1,115,381</b>

	<i>Stage 1 Collective</i>
<b>Letters of credit at 1 January 2020</b>	<b>48,009</b>
New letters of credit originated or purchased	80,826
Completed (settled) letters of credit	(63,482)
Modifications in letters of credit	(19,228)
Translation differences	11,419
<b>Letters of credit at 31 December 2020</b>	<b>57,544</b>

	<i>Stage 1 Collective</i>
<b>Provision for letters of credit at 1 January 2021</b>	<b>4,477</b>
New letters of credit originated or purchased	120,994
Completed (settled) letters of credit	(73,087)
Modifications in allowance	(12,314)
Translation differences	(915)
<b>Provision for letters of credit at 31 December 2021</b>	<b>39,155</b>

	<i>Stage 1 Collective</i>
<b>Provision for letters of credit at 1 January 2020</b>	<b>505</b>
New letters of credit originated or purchased	3,009
Completed (settled) letters of credit	(365)
Modifications in allowance	(1,602)
Modifications in macro-model inputs	2,561
Translation differences	369
<b>Provision for letters of credit at 31 December 2020</b>	<b>4,477</b>

The following tables show the analysis of modifications in avals and corresponding provisions:

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Avals at 1 January 2021</b>	<b>334,339</b>	–	<b>334,339</b>
New avals originated or purchased	3,726,077	–	3,726,077
Completed (settled) avals	(2,982,987)	(24,963)	(3,007,950)
Transfer to Stage 3	(24,963)	24,963	–
Modifications in avals	(652,023)	–	(652,023)
<b>Avals at 31 December 2021</b>	<b>400,443</b>	–	<b>400,443</b>

	<i>Stage 1 Collective</i>
<b>Avals at 1 January 2020</b>	<b>178,269</b>
New avals originated or purchased	1,953,480
Completed (settled) avals	(1,384,468)
Modifications in avals	(412,942)
<b>Avals at 31 December 2020</b>	<b>334,339</b>

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Provision for avals at 1 January 2021</b>	<b>42</b>	<b>–</b>	<b>42</b>
New avals originated or purchased	464	–	464
Completed (settled) avals	(334)	(25)	(359)
Transfer to Stage 3	(25)	25	–
Modifications in avals	(113)	–	(113)
<b>Provision for avals at 31 December 2021</b>	<b>34</b>	<b>–</b>	<b>34</b>

	<i>Stage 1 Collective</i>
<b>Provision for avals at 1 January 2020</b>	<b>11</b>
New avals originated or purchased	145
Completed (settled) avals	(84)
Modifications in avals	(50)
Modifications in macro-model inputs	20
<b>Provision for avals at 31 December 2020</b>	<b>42</b>

**Other provisions***Performance guarantees*

Performance guarantees are the arrangements to provide compensation where a counterparty fails to perform its contractual obligations. Performance guarantees are not exposed to credit risk. Risk related to the counterparty's possible failure to perform its contractual obligations.

	<i>31 December 2021</i>	<i>31 December 2020</i>
Performance guarantees	6,330,080	2,921,593
Less: provisions	(561)	(3,455)
<b>Commitments related to performance guarantees (before deducting cash held as security)</b>	<b>6,329,519</b>	<b>2,918,138</b>
Less: cash held as security for performance guarantees (Note 21)	(2,698,533)	(459,152)
<b>Commitments related to performance guarantees</b>	<b>3,630,986</b>	<b>2,458,986</b>

The provision for performance guarantees is recognised in “Other provisions” of the consolidated statement of financial position.

Movements in provisions for performance guarantees are provided in the tables below:

<b>Allowance at 1 January 2021</b>	<b>3,455</b>
Charge/(reversal)	(2,868)
Translation differences	(26)
<b>Allowance at 31 December 2021</b>	<b>561</b>

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<b>Allowance at 1 January 2020</b>	<b>244</b>
Charge/(reversal)	3,165
Translation differences	46
<b>Allowance at 31 December 2020</b>	<b>3,455</b>

### Financial covenants

The Bank is a party to various arrangements with other credit institutions, which contain financial covenants relating to the financial performance and general risk profile of the Bank (capital adequacy, liquidity, credit risks). The benchmarks for such covenants are specified by the agreements, other documents agreed upon by the parties to the agreements with reference to the international and local regulatory requirements.

These financial covenants may restrict the Bank's ability to execute certain business strategies and enter into other significant transactions in the future.

### Pledged assets

The Bank pledges as collateral the assets stated in the consolidated statement of financial position in terms of various current transactions carried out under the normal conditions applicable to such agreements.

As at 31 December 2021, the securities pledged by the Bank as collateral are:

	<i>2021</i>	<i>2020</i>		<i>2021</i>	<i>2020</i>
<i>Liability type</i>	<i>Liability amount</i>		<i>Asset type</i>	<i>Asset carrying amount</i>	
NBU refinancing loans	21,366,867	16,008,768	Ukrainian state bonds at fair value through profit or loss	11,290,760	15,902,090
			Ukrainian state bonds at fair value through other comprehensive income	7,529,194	8,094,665
			Ukrainian state bonds at amortised cost	6,983,949	4,083,722
			Corporate bonds	8,372,405	83,551
NBU interest rate swap (notional amount)	8,647,406	6,822,406	Ukrainian state bonds at fair value through other comprehensive income	1,095,864	334,849
Loan from the Entrepreneurship Development Fund	60,818	52,316	Ukrainian state bonds at fair value through other comprehensive income	86,548	94,566

## 25. Interest income and expense

	<i>2021</i>	<i>2020</i>
<b>Interest income calculated using effective interest method</b>		
Interest income on loans and advances to customers	5,242,212	5,314,246
Interest income on debt instruments held	4,080,182	2,615,489
Interest income on cash and bank balances in the National Bank of Ukraine	1,070,618	372,379
Interest income on cash and bank balances in other banks	13,299	35,852
Interest income on deposits to banks	7,211	48,251
Interest income on loans and advances to banks	4,619	3,194
	<b>10,418,141</b>	<b>8,389,411</b>

	<i>2021</i>	<i>2020</i>
<b>Other interest income</b>		
Interest income on debt instruments held	1,198,825	1,229,703
Interest income on finance lease	306,347	413,631
	<b>1,505,172</b>	<b>1,643,334</b>
<b>Interest expense</b>		
Interest expense on deposits from customers	(3,911,638)	(4,052,049)
Interest expense on liabilities due to central banks	(1,441,280)	(258,731)
Interest expense on borrowings	(1,108,093)	(1,501,252)
Interest expense on bonds	(834,139)	(2,843,033)
Interest expense on bank loans and overdrafts	(38,388)	(6,445)
Interest expense on deposits from banks	(39)	(827)
Other interest expenses	(75,781)	(26,023)
	<b>(7,409,358)</b>	<b>(8,688,360)</b>

**26. Fee and commission income and expense**

	<i>2021</i>	<i>2020</i>
<b>Fee income</b>		
Cash and settlement service	631,388	507,638
Guarantees and letters of credit	213,177	120,424
Transactions with banks	198,021	169,252
Credit servicing commission	83,532	32,081
Other	56,477	47,657
	<b>1,182,595</b>	<b>877,052</b>
<b>Fee expense</b>		
Cash and settlement service	(315,036)	(287,915)
Currency conversion	(20,617)	(10,646)
Guarantees and letters of credit	(3,314)	(1,962)
Other	(7,630)	(3,315)
	<b>(346,597)</b>	<b>(303,838)</b>

**27. Employee benefits expense and other administrative and operating expenses**

Employee benefits expense and other administrative and operating expenses comprise:

	<i>2021</i>	<i>2020</i> <i>(restated)</i>
Salaries and bonuses	1,570,685	1,274,862
Mandatory contributions to the state funds	244,999	221,870
<b>Employee benefits expense</b>	<b>1,815,684</b>	<b>1,496,732</b>
Payables to the Individual Deposit Guarantee Fund	213,979	270,563
Repair and maintenance of property, plant and equipment	114,448	146,046
Security	66,253	57,244
Legal and advisory services	50,126	58,603
Maintenance of premises	48,275	35,281
Operating taxes	47,348	67,046
Modifications of financial assets	44,252	119,021
Electronic and data processing costs	41,367	33,908
Expenses for cash collection	26,875	19,054
Marketing and advertising	23,966	7,384
Communication services	15,286	16,323
Rent of premises	13,040	12,231
Administrative expenses	12,831	15,745

	<i>2021</i>	<i>2020</i> <i>(restated)</i>
Business travel and related expenses	4,380	3,101
Charity	3,500	1,144
Representative offices expenses	2,966	2,805
Losses/(reversal of losses) on impairment of performance guarantees	(2,868)	3,167
Modifications of financial liabilities	–	384,396
Other	81,473	69,817
<b>Other administrative and operating expenses</b>	<b>807,497</b>	<b>1,322,879</b>

Expenses for payment to the non-state pension fund in 2021 amounted to UAH 916 thousand (2020: UAH 17,820 thousand).

## 28. Risk management

### Introduction

The risk management system is key to ensuring the Bank's sustainable operations, it provides for proper identification and unbiased assessment of the Bank's risks, and for continuous risk analysis, monitoring and control, and for the preparation of the relevant information, to make timely and adequate management decisions.

The system of the Bank's risk management is complex and relies on the law of Ukraine, with due consideration of the Bank's systemic importance and the recommendations by the Basel Committee on Banking Supervision (BCBS) on how to manage risks. The Bank and its governing bodies constantly ensure the measures for the sustainable development of a risk management culture and the effective functioning of the Bank's risk management system.

The Bank's risk management system covers all significant types of risks that the Bank is exposed to during its operations, namely:

- Credit risk;
- Liquidity risk;
- Interest risk in the banking book;
- Market risk;
- Operational risk;
- Compliance risk.

and includes the following components:

- Organisational structure;
- the Bank's risk management culture and code of conduct (ethics);
- Internal regulatory documents of the Bank on risk management;
- Tools for effective risk management in the Bank;
- Information systems that provide for risk management and reporting instruments.

### *Risk management structure*

The Bank's risk management system (“RMS”) is based on a segregation of responsibilities between all stand-alone structural and separate units of the Bank using the three line protection model.

The Bank's RMS bodies are: Supervisory Board, Risk Committee of the Supervisory Board, Management Board; Management Board committees, namely Credit Committee, Small Credit Committee, Assets and Liabilities Committee (ALCO), Operational and Compliance Risk Management Committee; other Bank's collegial bodies; Internal Audit Department (third line of protection); Chief Risk Officer (CRO) and Risk Management Department (second line of protection); Chief Compliance Officer (CCO) and Compliance Control Department (second line of protection); business units and support units (first line of protection).

The Supervisory Board is ultimately responsible for setting and approving the objectives in risk and capital management and for approving the risk management strategy. The composition of the Bank's Supervisory Board was formed in accordance with Ukraine's legal requirements for governing bodies of state-owned banks.

Units of the second and third lines of protection, the Chief Risk Officer (CRO) and the Chief Compliance Officer (CCO) are accountable to the Supervisory Board. These units are staffed with duly qualified employees who ensure the effective performance of the appropriate roles and tasks.

The risk management is carried out at the Bank's all organisational levels, including by involving every employee of the Bank in the risk management process.

The Bank's risk management system is regulated by a number of the Bank's risk management regulations, including the regulation of the entire risk management process (from risk identification to risk reporting) and both defining the general requirements (including the organisational structure, strategic objectives of risk management, risk appetite level etc.) and detailing the methodological approaches and procedures for risk management. The Bank's risk management regulations (Risk Management Strategy, Risk Appetite Statement, Business Recovery Plan, policies, methodologies, provisions/rules/procedures, etc.) are prepared and updated by the Bank with due regard to the requirements of Resolution #64 of the Board of the National Bank of Ukraine of 11 June 2018 (as amended).

Risk management at the Bank is carried out by way of risk identification and assessment; continuous and qualitative risk analysis; identifying and setting an acceptable level of risk; risk forecasts; capital estimation based on the results of risk assessment and/or forecasting (including stress testing); continuous monitoring and control of risks, including of the amounts of the applicable indicators/ limits, preparation and implementation, where required, of measures to mitigate/reduce the level of risks; and risk reporting to the Bank's management, including to the Supervisory Board, Risk Committee of the Supervisory Board, Management Board and other collegial bodies of the Bank (on a daily, monthly and quarterly basis).

The Bank uses effective tools and models for risk management, including risk assessment tools and models, in particular, limiting, statistical and mathematical models, analysis of actual values of indicators and the reasons for their significant changes, forecasting, etc. The Bank ensures constant monitoring of risks, their levels, as well as actual implementation of measures aimed at mitigating risks and their effectiveness.

#### *Risk measurement and reporting systems*

The tools and models, which are used to assess a particular type of risk, are determined based on the nature of this type of risk, the requirements of the NBU regulations and the banking practice of assessing/managing this type of risk, as well as with due consideration of the current situation and (where relevant) actual values and forecasts for the macroeconomic indicators.

The Bank's risks are measured using methods, which reflect both the expected loss under normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment, including with due consideration of macro factors. The Bank also runs worse case scenarios reflecting the impact of emergency events with a low probability of occurrence. The Bank also carries out back-testing of the models and checks their adequacy.

Risks are monitored and controlled primarily based on the amounts/limits established by the Bank, which reflect the level of risk acceptable to the Bank. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Risk reporting at regular intervals is provided to the Bank's Supervisory Board and the Risk Committee of the Bank's Supervisory Board (quarterly), the Bank's Management Board and dedicated committees of the Bank's Management Board (monthly), as well as other users. Risk reporting is made in such a way as to reflect accurate, complete, reliable, timely information on all significant risks of the Bank, the ongoing situation and the dynamics of their changes. The risk reporting shall include all necessary information to enable the appropriate collegial and management bodies of the Bank to assess, from the managerial point of view, the significant risks of the Bank and the effectiveness of their management, to make the appropriate conclusions and, if necessary, to take the adequate management decisions. Cases of violation of risk limits/amounts and significant increase in risk (at approximation of the actual risk levels to the established risk appetite limits) should be communicated to the authorised collegial bodies of the Bank, including the Management Board and Supervisory Board.

#### *Risk concentration*

Concentration arises when a number of counterparts are engaged in similar business activities, or activities in the same geographic region, or have similar economic characteristics, which determine their ability to meet contractual obligations that are equally affected by the changes in economic, political or other environment. Concentration indicates the relative sensitivity of the Bank's performance to the developments affecting a particular segment.

To avoid excessive concentrations of risks, the regulatory documents that outline the approaches to the Bank's activities and procedures include specific guidelines to focus on maintaining a diversified portfolio. The identified concentration of risks is duly controlled and managed.

### **Credit risk**

The Bank takes on the exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk management is primarily aimed at ensuring the fulfilment of liabilities by the Bank's debtors/ counterparties in the form, amount and within the time periods adequate for maintaining liquidity, yield and capital adequacy ratios within the limits fixed in the Bank.

The credit risk management includes the following:

- comprehensive and complete analysis of a debtor and a credit project, process of making conclusions by the dedicated departments of the Bank and considering them in the process of taking decisions to issue a loan / assume a credit-related commitment;
- proper support of the system of credit proxies, with the proxy levels being differentiated depending on the level of credit risk: the higher the risk, the higher the level of proxy at which the decision is taken to make a loan transaction / assume a credit-related commitment;
- providing loans or assuming credit-related commitments solely in accordance with the law, the approved credit policy and other regulations of the Bank;
- setting credit risk amounts/limits and continuous control of their observation;
- assessing credit risk within the established credit risk level in accordance with the requirements of the National Bank of Ukraine, and measuring the impairment of financial assets and charging allowances for active bank operations in accordance with IFRS and in adequate amounts;
- continuous monitoring of credit risk at the level of both individual loans/commitments and sub-portfolios and total credit portfolio, including over time with identification of significant changes and analysis of their causes;
- maintaining and regular updating of the Bank's credit risk management methodology;
- support of the system of comprehensive and complete credit risk reporting with the frequency as required by law, including of the system for monitoring and escalation of any identified violations of credit risk limits with further decisions to be taken on measures to eliminate such violations and with control of their implementation in place.

### *Individual credit risk*

Individual credit risk is the risk associated with a particular loan transaction or a debtor and the probability that the debtor will not be able to timely and fully meet its obligations to the Bank to repay the debt under the terms of the loan agreement. It can also be defined as the probability that the Bank will incur losses from the debtor's failure to comply with the terms of the loan transaction.

The Bank manages its individual credit risk throughout the life cycle of the loan transaction, from assessing the risk acceptability in the analysis of the debtor and the credit project, which precedes the loan transaction, to full debtor's performance under the loan transaction.

Individual credit risk management includes the following:

- proper analysis of a debtor, including the assessment of the debtor's financial position and creditworthiness, due consideration of the group influence (if any) and assessment of the probability of the debtor's default according to the system of the internal credit rating, which is based on the financial data (quantitative parameters) and non-financial data (qualitative parameters) on the Bank's debtors / counterparties;
- proper analysis of a loan transaction, including comprehensive consideration of the risk factors attributable to this loan transaction, assessment of the possibility of its being carried out, structuring of the loan transaction agreement in accordance with the Bank's regulations;
- fixing and monitoring of the individual credit limits;
- assessment and monitoring of the loan transaction collateral and checking it for acceptability;
- continuous monitoring of the debtor's fulfilment of its obligations to the Bank, including continuous monitoring of the credit risk factors (“CRF”) within the early response system and further work with the debtors, for which CRF is identified, making operational decisions on plans for further work with such debtors and control over the execution of those plans;
- regular credit review;

- charge of a sufficient allowance for impairment of financial assets on loan transactions of debtors;
- continuous provision of effective work with non-performing debts of debtors by the Bank's dedicated renegotiation and recovery unit (reclassification of a debt into a non-performing one, if this debt has the evidence of a non-performing debt) for full repayment of debts on loan transactions (including the debts recorded off-balance), including the measures to repay the debt at the expense of collateral and other enforcement activity under the legal collection in progress.

#### *Portfolio credit risk*

Portfolio credit risk is the risk originating from the total debt on the Bank's loan transactions. It is inherent in the group of loan transactions or debtors with similar credit profiles, in the sub-portfolio (in particular, portfolio of loans, securities, receivables, etc.) or in the total loan portfolio of the Bank (for all loan transactions).

The Bank manages its portfolio credit risk by performing the components of individual credit risk management, and this also includes:

- diversification of the loan portfolio and setting concentration limits to avoid the risk of portfolio deterioration in the quality of loan transactions;
- setting other limits and indicators of credit risk related to the portfolio / sub-portfolios to control the Bank's credit risk;
- comprehensive monitoring of the loan portfolio, including the monitoring of the loan portfolio structure, control of credit risk limits and indicators and escalation in case of any violations in order to make decisions on mitigation / elimination of negative factors, as well as control and evaluation of their use;
- comprehensive, entire and regular credit risk reporting in accordance with law (including by sub-portfolio, group and category of a borrower, etc., in movement and with the identification and analysis of significant changes).

#### *Credit-related commitment risks*

The Bank issues financial guarantees to its customers, under which the Bank may be required to make payments on behalf of the relevant customers. These guarantees expose the Bank to risks similar to credit risks which are mitigated by similar control procedures and principles.

The Bank undertakes to effect payment against presentation of complying documents under letters of credit. Uncovered letters of credit expose the Bank to risks similar to credit risks which are mitigated by similar control procedures and principles.

Where financial instruments are recorded at fair value, the carrying amount represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in value.

For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

### **Impairment of financial assets**

#### *Assessment of expected credit losses*

The Bank recognises an allowance for expected credit losses (ECL) on all of its debt financial assets at amortised cost or FVOCI, as well as credit-related commitments and financial guarantees (collectively “financial instruments”). Equity instruments are not subject to impairment.

The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. The 12 months ECL is the portion of the life time ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both the life time ECL and the 12 months ECL are calculated on either an individual basis or a collective basis.

Assessment of whether the credit risk has increased significantly by considering the change in the risk of default occurring over the remaining life of the financial instrument, identification of default events and calculation of allowance is made by the Bank at the end of each reporting period (monthly).



The Bank groups its financial instruments, for which ECL is measured, as described below:

Stage 1	When financial instruments are first recognised, the Bank recognises an allowance based on the 12 months ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from other Stages.
Stage 2	When a financial instrument has shown a significant increase in credit risk since origination, the Bank records an allowance for the life time ECL. Stage 2 financial instruments also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3	Financial instruments considered credit-impaired. For such financial instruments, the Bank records an allowance for the life time ECL.
POCI	Purchased or originated credit impaired financial assets are assets that are credit impaired on initial recognition. POCI financial assets are recorded at fair value at initial recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

#### *Calculation of expected credit losses*

To identify whether the credit risk has increased significantly from the moment of the initial recognition of a financial instrument, the Bank uses the defined lists of the events that have the signs of the increased credit risk. Irrespective of whether or not the events that have the signs of the increased credit risk occur, it is deemed that the performance of financial liabilities delayed for more than 30 days is the evidence that the credit risk has increased significantly from the moment of the initial recognition of a financial instrument.

The Bank considers that the event of default has occurred in relation to a financial instrument and, respectively, allocates such asset to Stage 3 (credit-impaired asset) where the borrower has delayed the performance of its financial liabilities for more than 90 days and where the interest due dates have been restructured (for more than 90 days) or where the borrower has been declared bankrupt. Where the conditions for a credit-impaired asset are revised and the modification does not result in derecognition of financial assets, such assets remain in Stage 3 until the below criteria of absence of default are met.

If the borrower's financial position is improved and its solvency is restored, the asset may be excluded from default when the following major criteria are met:

- ▶ Repayment of liabilities overdue more than 90 days that resulted in the recognition of a default and the absence of overdue payments more than 7 days during the last six consecutive months as at the reporting date;
- ▶ Settlement of payments postponed as part of their restructuring (with respect to the accrued interest payment) or payment of income in the amount bigger than the amount of income that was restructured;
- ▶ Repayment of debt in the amount not less than 50% of debt at the date of restructuring.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD)	The <i>Probability of Default</i> is an estimate of the likelihood of default over a given time horizon.
Exposure at Default (EAD)	The Exposure at Default is an estimate of the exposure at default. In the ECL calculation for the entire lifetime of a financial instrument, its expected changes after the reporting date are considered, including the provision/repayment of the debt principal, accrual and payment of interest.
Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs. LGD is based on the difference between the contractual cash flows due and the one that the Bank would expect to receive, including from the realisation of any collateral.

Depending on the qualities of a financial instrument, the Bank calculates ECL either on an individual basis (scenario analysis) or a collective (portfolio) basis.

The Bank calculates ECLs on an individual basis for all Stage 2 or Stage 3 assets of the borrowers whose debt to the Bank is significant (equivalent to over UAH 300,000 thousand), of bank borrowers, and the assets, which, at the moment of derecognition of an initial instrument and recognition of a new one, were classified as POCI. As part of the scenario analysis, the Bank calculates ECL based on the forecast of the cash flows discounted using effective interest rate with due consideration of the period of cash flow proceeds. During calculation, the likelihood that the scenario will be implemented in an upside case, base and downside cases is considered.

The Bank calculates ECL on a collective (portfolio) basis for all other assets grouped by the respective features, including by the credit risk profile, and uses the models for calculation, which are relevant for the respective group, and relies on a broad range of forward looking information as economic inputs.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

For the off-balance sheet financial instruments, the allowance is calculated similar to that for the balance-sheet financial instruments, with due consideration of a conversion rate.

*Debt instruments at fair value through other comprehensive income*

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

*Purchased or originated credit impaired financial assets*

For purchased or originated credit impaired assets, only changes in ECL accumulated from the initial recognition for the entire term are recognised by the Bank as the estimated ECL allowance.

*Internal rating and probability of default assessment process*

The *Probability of Default* (PD) is one of the credit risk components. The Bank applies an approach to assess of probability of default (PD) for corporate borrowers, which involves the calculation of probability of default (PD) and internal rating class (PD-Rate) ranging from 1 to 17 (17 grades). Rating class 1-14 corresponds to not default, rating class 15-17 corresponds to default (probability of default is 100%).

The following information is used to calculate the borrowers/Group rating:

- ▶ Financial statements data;
- ▶ Answers to non-financial issues;
- ▶ Warning signals in respect of the borrower (high risk factors);
- ▶ Information on the level of support from the Group (parent company support level, if any).

The estimated probability of default (PD) and rating class (PD-Rate) are determined on the basis of the quantitative (financial model) and qualitative (non-financial model) factors, the weight of the model factors is 80% and 20%, respectively. The estimated rating is modified (decreased) using the warning signals and taking into account the parent company support (increased or decreased), if any.

The rating system is revised (validation and adjustment, if required) on an annual basis.

The Bank uses the following levels of internal credit rating (rating class) to assess the assets of corporate borrowers.

***Internal rating class***

<b><i>(PD-Rate)</i></b>	<b><i>Probability of default(PD)</i></b>	<b><i>Internal rating description</i></b>
From 1 to 7	Up to 3.47%	High rating
From 8 to 9	From 3.48% to 8.01%	Standard rating
From 10 to 14	From 8.02% to 99.9%	Low rating
From 15 to 17	100%	Credit-impaired assets (default)

In the following table, for the exposures of foreign credit institutions, high rating is equal to or higher than BBB- rating by Fitch, standard rating is below BBB-, but higher than CCC+, substandard rating is equal to or lower than CCC+ by Fitch. The probability of default (PD) for the respective rating levels is calculated as the average of the actual defaults over the past five years according to Standard & Poor's, an international rating agency, statistics. In case of a zero value of actual defaults for the respective ratings, the nearest non-zero value of the default level is used. The statistics are reviewed on an annual basis.

The Bank uses the following external credit ratings to assess foreign credit institutions

<i>Rating of international rating agency</i> <i>Standard &amp; Poor's</i>	<i>Probability of default (PD), average level for the last five years</i>	<i>Rating description</i>
From AAA to BBB-	Up to 0.076%	High rating
From BB+ to B-	From 0.077% to 5.18%	Standard rating
From CCC+ to C	From 5.19% to 99.9%	Low rating
R; SD; D	100%	Credit-impaired assets (default)

#### *Exposure at Default (EAD)*

For Stage 1, the exposure at default (EAD) is equal to the gross carrying amount of a financial instrument at the calculation date.

For Stages 2 and 3, EAD is calculated for the entire lifetime of the asset, with the principal, future interest and accumulated depreciation determined on the basis of the debt repayment schedule.

For credit products having no repayment schedules (such as revolving credit lines, credit cards), the EAD is constant in time and is equal to the current gross carrying amount of the loan.

The EAD for credit-related commitments and other financial liabilities is calculated based on a credit conversion factor (CCF).

#### *Loss Given Default (LGD)*

Loss given default (LGD) is one of credit risk components on the basis of which the expected credit losses are estimated and shows a share of current loan debt which the bank would lose irrevocably in the event of default of a borrower with regard to the existing collateral for the loan and other characteristics of loan and borrower. The main acceptable repayment sources are as follows: repayment through enforcement of collateral (by types of collateral) and cash repayment (by business lines of the borrowers' activities), less the coefficient of expenses for work with the Bank's non-performing portfolio. The LGD coefficients are calculated based on the bank's own statistics for the period of at least 7 years. The statistics and coefficients are reviewed and updated on an annual basis.

#### *Impact of macroeconomic indicators*

Under IFRS 9, the Bank takes into account in its estimates of expected credit losses the forecasts of future economic conditions with regard to the link between macroeconomic factors and an integral index of the credit portfolio quality. The actual rate of defaults for the year (by segments) calculated as the ratio of the number of loans that became defaulted during the year to the number of loans that were not defaulted at the beginning of the year, is taken as an integral indicator of the loan portfolio quality. The following indicators and their modifications (change for the year, quarter, time lag) can be taken as macroeconomic factors: Consumer Price Index, GDP growth, export/import growth, etc. The following data serve as the sources of information on the actual and projected macroeconomic indicators: inflation report and other statistical reports of the NBU, the State Statistics Service of Ukraine, IMF and World Bank data, etc. The statistics and macro coefficients are reviewed and updated at least once every six months. Upon the results of review, the macro model coefficients (probability of default adjustment indicators) are determined.

The table below shows the current coefficients of the macro model with regard to segments (business units).

<i>Segment</i>	<i>2022</i>	<i>2023</i>	<i>2024 and subsequent years</i>
Corporate banking	0.97	0.97	1.53
Small and medium-sized business	0.83	0.79	0.76
Retail banking	1.19	1.14	1.12
State-financed institutions	0.97	0.97	1.53
<i>Credit quality by category of financial assets</i>			

The Bank uses its internal credit ratings to manage the credit quality of financial assets, as described above. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Bank's credit rating system.

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<i>At 31 December 2021</i>	<i>Note</i>	<i>Stage</i>	<i>High rating</i>	<i>Standard rating</i>	<i>Low rating</i>	<i>Credit-impaired</i>	<i>Total</i>
<b>Financial assets</b>							
Cash and cash equivalents (except for cash on hand)	6	1	38,833,575	2,721,030	—	—	41,554,605
Loans and advances to banks	9	1	375,112	7,903,364	14	—	8,278,490
		3	—	—	—	330,250	330,250
Loans and advances to customers	10						
Legal entities		1	11,813,998	11,292,886	6,986,068	—	30,092,952
		2	5,427	131,622	1,857,910	—	1,994,959
		3	—	—	—	11,992,902	11,992,902
		POCI	—	—	—	13,241,937	13,241,937
Individuals		1	157,378	—	4,651	—	162,029
		2	2,753	—	2,776	—	5,529
		3	—	—	—	1,285,410	1,285,410
		POCI	—	—	—	2,445	2,445
State entities		1	12,322,576	7,233,682	6,214,189	—	25,770,447
		2	16,717	—	1,900,806	—	1,917,523
		3	—	—	—	190,571	190,571
Investments in securities	11						
- at fair value through other comprehensive income		1	12,776,460	—	—	—	12,776,460
- at amortised cost		1	30,186,313	—	—	—	30,186,313
Other financial assets (except for transit accounts on transactions with payment cards)	16	1	—	30,053	34,226	—	64,279
		3	—	—	—	79,064	79,064
		POCI	—	—	—	1,356	1,356
<b>Total financial assets</b>			<b>106,490,309</b>	<b>29,312,637</b>	<b>17,000,640</b>	<b>27,123,935</b>	<b>179,927,521</b>
<b>Loan commitments and financial guarantee contracts</b>							
Financial guarantees	22	1	1,000,196	184,771	348,732	—	1,533,699
		2	2,728	30,006	—	—	32,734
Undrawn loan commitments		1	7,781,951	4,346,240	1,888,161	—	14,016,352
		2	9,503	472	257	—	10,232
		3	—	—	—	1,476	1,476
Letters of credit (except for coverage accounts)		1	2,439	1,112,942	—	—	1,115,381
Avals on promissory notes		1	85,173	315,270	—	—	400,443
<b>Total loan commitments and financial guarantee contracts</b>			<b>8,881,990</b>	<b>5,989,701</b>	<b>2,237,150</b>	<b>1,476</b>	<b>17,110,317</b>
<b>Total</b>			<b>115,372,299</b>	<b>35,302,338</b>	<b>19,237,790</b>	<b>27,125,411</b>	<b>197,037,838</b>

<i>At 31 December 2020</i>	<i>Note</i>	<i>Stage</i>	<i>High rating</i>	<i>Standard rating</i>	<i>Low rating</i>	<i>Credit-impaired</i>	<i>Total</i>
<b>Financial assets</b>							
Cash and cash equivalents (except for cash on hand)	6	1	45,493,614	2,802,016	—	—	48,295,630
Loans and advances to banks	9	1	275,083	69,261	—	—	344,344
		3	—	—	—	812,075	812,075
Loans and advances to customers	10						
Legal entities		1	6,373,459	3,815,170	966,340	—	11,154,969
		2	612,250	4,491,580	4,540,145	—	9,643,975
		3	—	—	—	47,484,315	47,484,315
		POCI	—	—	—	8,790,768	8,790,768
Individuals		1	130,831	539	1,968	—	133,338
		2	7,004	528	1,827	—	9,359
		3	—	—	—	2,019,488	2,019,488
		POCI	—	—	—	1,935	1,935
State entities		1	6,743,686	—	2,114,050	—	8,857,736
		2	—	5,474,608	2,152,879	—	7,627,487
		3	—	—	—	270,290	270,290
Investments in securities	11						
- at fair value through other comprehensive income		1	13,930,353	309,812	—	—	14,240,165
		2	—	363,505	—	—	363,505
		3	—	—	—	4,218,021	4,218,021

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<i>At 31 December 2020</i>	<i>Note</i>	<i>Stage</i>	<i>High rating</i>	<i>Standard rating</i>	<i>Low rating</i>	<i>Credit-impaired</i>	<i>Total</i>
- at amortised cost		1	45,230,081	—	—	—	45,230,081
Other financial assets (except for transit accounts on transactions with payment cards)	16	1	—	21,294	2,087	—	23,381
		3	—	—	—	95,666	95,666
		POCI	—	—	—	577	577
<b>Total financial assets</b>			<b>118,796,361</b>	<b>17,348,313</b>	<b>9,779,296</b>	<b>63,693,135</b>	<b>209,617,105</b>
<b>Loan commitments and financial guarantee contracts</b>	22						
Financial guarantees		1	100,895	90,794	27,705	—	219,394
		2	2,827	50,946	—	—	53,773
Undrawn loan commitments		1	9,550,663	1,228,344	640,710	—	11,419,717
		2	7,194	34,366	25,567	—	67,127
		3	—	—	—	988	988
Letters of credit (except for coverage accounts)		1	1,593	21,211	34,740	—	57,544
Avals on promissory notes		1	139,270	195,069	—	—	334,339
<b>Total loan commitments and financial guarantee contracts</b>			<b>9,802,442</b>	<b>1,620,730</b>	<b>728,722</b>	<b>988</b>	<b>12,152,882</b>
<b>Total</b>			<b>128,598,803</b>	<b>18,969,043</b>	<b>10,508,018</b>	<b>63,694,123</b>	<b>221,769,987</b>

The Bank’s internal rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. The attributable risk ratings are assessed and updated regularly.

### Analysis of collateral

#### *Collateral valuation*

To mitigate its credit risks on financial assets, the Bank seeks to use collateral. The collateral comes in various forms, such as cash, securities, real estate, inventories, etc. The Bank’s accounting policy for collateral assigned to it through its lending arrangements did not change during the reporting year. Collateral, unless repossessed, is not stated in the Bank’s consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. The fair value of collateral received is valued at inception with subsequent revaluation: real estate, land, vehicles, equipment are revalued at least once every twelve months, other property is revalued not less than once every six months.

The Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

#### *Collateral repossessed*

The Bank’s accounting policy for repossessed collateral remained the same during the reporting year. The Bank’s policy is to determine whether a repossessed asset can be best used for its internal operations, obtaining lease payments, or should be sold. Assets determined to be useful for the internal operations are transferred to the property, plant and equipment category, assets determined to be held for obtaining lease payments are transferred to investment property category and are recognised at fair value. Assets being repossessed for sale are accounted for in “Non-current assets held for sale” or “Repossessed pledged property”.

#### *Write-off*

The Bank’s accounting policy for write-offs remained the same during the reporting year. In accordance with the Ukrainian law, loans may only be written off with the approval of the Bank’s Management Board or Supervisory Board. The Bank does not use any partial write-offs of assets. Financial assets are written off in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

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The table below provides the analysis of the market value of collateral for credit-impaired assets (Stage 3), which is taken into account by the Bank for the purpose of asset impairment assessment in the amount not exceeding the carrying amount of the loan.

<i>At 31 December 2021</i>	<i>Maximum exposure at risk</i>	<i>Collateral market value</i>							<i>Goods / other movable property</i>	<i>Excessive collateral</i>	<i>Total collateral</i>	<i>Net exposure at risk</i>	<i>Relevant ECL</i>
		<i>Cash/ deposits</i>	<i>Real estate</i>	<i>Land</i>	<i>Vehicles</i>	<i>Equipment</i>							
Loans to legal entities	25,234,839	21,034	9,654,218	431,920	44,661	3,716,128	601,757	(3,966,073)	10,503,645	14,731,194	13,947,759		
Loans to individuals	1,287,855	–	–	–	–	–	–	–	–	1,287,855	1,285,409		
Loans to state entities	190,571	–	–	–	–	–	–	–	–	190,571	86,406		
<b>Total</b>	<b>26,713,265</b>	<b>21,034</b>	<b>9,654,218</b>	<b>431,920</b>	<b>44,661</b>	<b>3,716,128</b>	<b>601,757</b>	<b>(3,966,073)</b>	<b>10,503,645</b>	<b>16,209,620</b>	<b>15,319,574</b>		

<i>At 31 December 2020</i>	<i>Collateral market value</i>							<i>Goods / other movable property</i>	<i>Collateral surplus</i>	<i>Total collateral</i>	<i>Net exposure at risk</i>	<i>Relevant ECLs</i>
	<i>Maximum exposure at risk</i>	<i>Cash/ deposits</i>	<i>CMU/Investment banks' guarantees</i>	<i>Real estate</i>	<i>Land</i>	<i>Vehicles</i>	<i>Equipment</i>					
Loans to legal entities	56,275,083	303	12,634	12,591,785	730,084	136,490	4,856,946	751,987	(3,824,506)	15,255,723	41,019,360	43,331,438
Loans to individuals	2,021,423	–	–	–	–	–	–	–	–	–	2,021,423	2,019,488
Loans to state entities	270,290	–	–	–	–	–	–	–	–	–	270,290	121,472
<b>Total</b>	<b>58,566,796</b>	<b>303</b>	<b>12,634</b>	<b>12,591,785</b>	<b>730,084</b>	<b>136,490</b>	<b>4,856,946</b>	<b>751,987</b>	<b>(3,824,506)</b>	<b>15,255,723</b>	<b>43,311,073</b>	<b>45,472,398</b>

### Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. The Bank considers the loan restructured if the modifications made as a result of existing or expected financial difficulties of the borrower are those that the Bank would not agree in the event of the borrower's financial solvency. Restructuring may include extending repayment terms and agreeing on new loan terms. Once the terms of loan have been renegotiated, the loan is no longer considered overdue. Management continually analyses the renegotiated loans to ensure that all criteria and options for future payments are met.

### Geographical concentration

Geographical concentration of the Bank's financial assets and liabilities is provided below:

	<i>31 December 2021</i>			
	<i>Ukraine</i>	<i>OECD countries</i>	<i>Other non-OECD countries</i>	<i>Total</i>
<b>Assets</b>				
Cash and cash equivalents	19,988,984	22,886,471	6,916	42,882,371
Loans and advances to banks	7,871,463	216,738	181,969	8,270,170
Loans and advances to customers	69,024,757	310,105	–	69,334,862
Investments in securities	66,195,840	–	–	66,195,840
Derivative financial assets	582,742	–	–	582,742
Other financial assets	177,026	393	177	177,596
	<b>163,840,812</b>	<b>23,413,707</b>	<b>189,062</b>	<b>187,443,581</b>
<b>Liabilities</b>				
Due to other banks	23,896,360	1,643,168	37,843	25,577,371
Customer accounts	120,578,729	733,873	524,634	121,837,236
Derivative financial liabilities	7	–	–	7
Other borrowed funds	60,818	27,176,836	–	27,237,654
Subordinated debt	–	3,605,597	–	3,605,597
Other financial liabilities	455,115	140,902	1	596,018
	<b>144,991,029</b>	<b>33,300,376</b>	<b>562,478</b>	<b>178,853,883</b>
<b>Net position</b>	<b>18,849,783</b>	<b>(9,886,669)</b>	<b>(373,416)</b>	<b>8,589,698</b>
<b>Loan commitments and financial guarantee contracts (Note 24)</b>	<b>16,222,617</b>	<b>1,744</b>	<b>–</b>	<b>16,224,361</b>

	<i>31 December 2020</i>			
	<i>Ukraine</i>	<i>OECD countries</i>	<i>CIS countries and other non-OECD countries</i>	<i>Total</i>
<b>Assets</b>				
Cash and cash equivalents	16,369,070	33,537,967	5,906	49,912,943
Loans and advances to banks	70,517	245,756	53,887	370,160
Loans and advances to customers	48,608,320	–	–	48,608,320
Investments in securities	88,726,654	–	–	88,726,654
Derivative financial assets	108,231	–	–	108,231
Other financial assets	140,380	308	312	141,000
	<b>154,023,172</b>	<b>33,784,031</b>	<b>60,105</b>	<b>187,867,308</b>
<b>Liabilities</b>				
Due to other banks	17,494,994	8,471	173	17,503,638
Customer accounts	114,678,268	265,330	637,510	115,581,108
Derivative financial liabilities	1,123	–	–	1,123
Other borrowed funds	52,316	43,108,994	–	43,161,310
Subordinated debt	–	4,341,176	–	4,341,176
Other financial liabilities	1,411,478	75,695	993	1,488,166
	<b>133,638,179</b>	<b>47,799,666</b>	<b>638,676</b>	<b>182,076,521</b>
<b>Net position</b>	<b>20,384,993</b>	<b>(14,015,635)</b>	<b>(578,571)</b>	<b>5,790,787</b>
<b>Loan commitments and financial guarantee contracts (Note 24)</b>	<b>11,884,487</b>	<b>504</b>	<b>–</b>	<b>11,884,991</b>

### Liquidity risk

Liquidity risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in the expected profit as a result of its failure to finance the increase of assets and/or to discharge its obligations in due time.

The main purpose of liquidity risk management is to ensure the ability of the Bank to fulfil its obligations when they fall due by maintaining acceptable (manageable) liquidity gaps.

The key task of the liquidity risk management is as follows:

- determination and observance by the Bank of an acceptable level of liquidity risk in accordance with the Bank's strategic objectives;
- making a sufficient amount of highly liquid assets for the Bank to meet its obligations;
- thorough assessment of inflows and outflows of funds by contractual and expected maturities (including with due consideration of using different behavioral models);
- assessment of how the implementation of various stress case scenarios impacts the inflow and outflow of funds;
- planning, making timely decisions to prevent the occurrence and implementation of measures to mitigate the liquidity risk;
- compliance with liquidity ratios and liquidity risk limits.

Liquidity risk management is performed:

- ▶ Either on the long-term basis that is focused on ensuring appropriate liquidity levels in the short and long-term time horizon;
- ▶ Or on the short-term basis that is focused on ensuring appropriate level of instant and current liquidity taking into consideration estimated and unpredictable cash flow changes.

Liquidity risk management includes determination of acceptable levels of maturity gaps (by currency) and also:

- ▶ Setting target (most appropriate and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key liquidity risk indicators;
- ▶ Permanent monitoring of actual key liquidity risk indicators;
- ▶ Undertaking adequate corrective actions if actual key liquidity risk indicators approach their critical and/or threshold levels.

In addition, the Bank assesses liquidity based on certain liquidity ratios established by the NBU.

	<i>31 December 2021, %</i>	<i>31 December 2020, %</i>
N6 “Short-Term Liquidity Ratio” (cash on hand, balances on nostro accounts with banks, precious metals, claims on bank with residual maturity of up to 1 year and unpledged Ukrainian state bonds / balances on customers’ current accounts, term deposits, debt obligations and commitments with residual maturity of up to 1 year) (minimum required by the NBU – 60%)	85.58	84.32
LCR “Liquidity coverage ratio” on all currencies (AC) and in foreign currency (FC) (high-quality liquid assets/ net estimated cash outflow within 30 calendar days: difference of aggregate expected cash outflows and aggregate expected cash inflows where aggregate expected inflows are taken at the amount not more than 75 percent of the total expected outflows using the expected outflow and expected inflow rates established by the National Bank of Ukraine)		
Minimum required by the NBU:		
LCRAC – 100% on all currencies	193.21	342.83
LCRFC – 100% in foreign currency	163.38	370.85
NSFR “Net Stable Funding Ratio” (liquidity ratio, which sets the minimum required level of stable funding sufficient to finance the bank’s operations on the horizon of one year).		
The Net Stable Funding Ratio (NSFR) introduced on 01 April 2021 is calculated as the ratio of the available stable funding (ASF) to the required stable funding (RSF).		
The Bank calculates the amounts of the:		
1) available stable funding (ASF) as the sum of the ASF components (regulatory capital and liabilities) weighted by the ASF ratios set by the National Bank of Ukraine, which show the level of their stability on the horizon of one year;		
2) required stable funding (RSF) as the sum of the RSF components (assets and off-balance sheet liabilities) weighted by the RSF ratios set by the National Bank of Ukraine, which show their liquidity on the horizon of one year.		
Minimum required by the NBU:		
90% - starting from 01 October 2021;	122.01	
100% - starting from 01 April 2022.		

## IBOR reform

To implement the decision of international regulators to move away from IBOR rates and replace them with alternative interest rates, the Bank is taking steps to move from IBOR rates to other reference interest rates, and most of its agreements have detailed plans of how to move to the new reference rates.

The IBOR reform may expose the Bank to a variety of risks, which are managed and closely monitored in the transition process. Such risks include, but are not limited to:

- the risk that may arise in the discussion of the changes with customers and counterparties, which took place in the terms and conditions of the existing agreements and which are required to implement the IBOR reform;
- the risk of possible lack of market information, if the liquidity of IBOR rates decreases and the alternative risk-free rates prove illiquid and unobservable;
- the operational risk arising from changes in the Bank’s IT systems and processes, as well as the risk of payment failures if the IBOR rates become unavailable.

The table below shows the Bank’s year-end risks broken down into significant IBOR rates, which are affected by the reform and which should be replaced by risk-free rates. These risks will persist until the IBOR rates cease to apply and are therefore replaced in the future. For example, the table does not include the IBOR-based instruments that expire before the transition is required.



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31 December 2021	Non-derivative financial assets - carrying amount	Non-derivative financial liabilities - carrying amount
LIBOR(6m)USD	3,133	11,758,932
LIBOR(12m)USD	1,566	–
LIBOR(12m)CHF	429	–

**Analysis of financial liabilities by remaining contractual maturities**

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations. Less than 3 month liabilities are those that are due on the earliest date. However, the Bank expects that many customers will not demand repayment on the earliest date when the Bank could be required to make a respective repayment and the table does not reflect the expected cash flows calculated by the Bank on the basis of information on deposit repayment in previous periods.

<i>Financial liabilities As at 31 December 2021</i>	<i>Less than 3 months</i>	<i>From 3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
Due to other banks	3,979,896	2,154,006	26,331,577	–	32,465,479
Customer accounts	100,829,482	19,771,663	1,735,818	72,620	122,409,583
Other borrowed funds	1,496,388	6,364,531	13,821,951	8,985,874	30,668,744
Subordinated debt	314,616	593,588	1,448,021	3,590,382	5,946,607
Derivative financial liabilities	20,863	61,698	108,734	–	191,295
Other financial liabilities	583,799	474	5,625	–	589,898
Including:					
- lease commitments	–	474	5,625	–	6,099
Loan commitments and financial guarantee contracts	1,178,632	2,305,387	722,199	–	4,206,218
<b>Total undiscounted financial liabilities</b>	<b>108,403,676</b>	<b>31,251,347</b>	<b>44,173,925</b>	<b>12,648,876</b>	<b>196,477,824</b>

<i>Financial liabilities As at 31 December 2020</i>	<i>Less than 3 months</i>	<i>From 3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
Due to other banks	2,140,645	766,256	18,655,063	–	21,561,964
Customer accounts	87,955,143	27,622,453	922,748	39,627	116,539,971
Derivative financial liabilities	25,164	85,095	277,359	–	387,618
Other borrowed funds	10,837,202	7,131,062	21,108,502	8,856,259	47,933,025
Subordinated debt	348,199	637,174	2,144,648	4,020,550	7,150,571
Other financial liabilities	1,482,092	445	6,752	–	1,489,289
Including:					
- lease commitments	94	445	6,752	–	7,291
Loan commitments and financial guarantee contracts	1,128,760	82,673	91,399	–	1,302,832
<b>Total undiscounted financial liabilities</b>	<b>103,917,205</b>	<b>36,325,158</b>	<b>43,206,471</b>	<b>12,916,436</b>	<b>196,365,270</b>

The above table shows the timing of expiry dates of commitments and contingent financial liabilities of the Bank according to the respective agreements. The Bank expects that not all of the contingent liabilities or commitments will be drawn before their expiry. To limit the liquidity risk arising from asymmetric prepayment and early repayment of the term assets and liabilities, the Bank incorporates such conditions in standard client agreements that motivate customers not to use the options of prepayment and early repayment.

**Market risk**

The Bank considers market risk as the aggregate of interest rate risk and currency risk, i.e. inability to secure excess of income (including interest income) over expenses (including interest expenses) by currency in volumes required to fulfil the Bank's obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank.

**Interest rate risk**

Interest rate risk is considered by the Bank as the inability to secure excess of interest income over interest expenses in volumes required to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the mismatch of interest receipts and interest payments by volumes or dates to be the main source of interest rate risk.

The Bank considers interest rate risk management as an integral part of the Bank's operations including the effect of negative impact by internal and external factors.

Interest rate risk management is aimed at securing the excess of interest income over interest expenses in volumes sufficient to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. Interest rate risk management is performed via:

- ▶ Setting target (most appropriate and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) key interest rate risk indicators;
- ▶ Permanent monitoring of actual key interest rate risk indicators;
- ▶ Taking efficient measures if the actual key interest rate risk indicators approach their critical and/or threshold levels.

The key tasks of the interest rate risk management are as follows:

- determination and observance by the Bank of an acceptable level of interest rate risk in accordance with the Bank's strategic objectives;
- ensuring the most acceptable interest rate gap based on the risk appetite;
- assessment of the interest rate gaps and sensitivity of the Bank to changes in interest rates;
- planning, making timely decisions to prevent the occurrence of the interest rate risk, implementation of measures to mitigate the interest rate risk;
- assessment of how the implementation of various stress case scenarios impacts the Bank's sensitivity to changes in interest rates.

The sensitivity of the consolidated statement of profit and loss reflects the effect of the acceptable changes in interest rates on the Bank's net interest income for one year determined based on the floating rate on non-trading financial assets and financial liabilities held at reporting date.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's consolidated statement of profit and loss.

<i>31 December 2021</i>					
<i>Currency</i>	<i>Interest rate basis</i>	<i>Increase in basis points</i>	<i>Effect on profit before tax</i>	<i>Decrease in basis points</i>	<i>Effect on profit before tax</i>
UAH	NBU	+100	(62,169)	-100	62,169
UAH	UIRD	+100	36,571	-100	(36,571)
USD	LIBOR	+75	(76,721)	-75	75,044
USD	UIRD	+75	58,733	-75	(58,733)
EUR	LIBOR	+75	9,633	-75	(9,633)
EUR	Euribor	+75	14,500	-75	(14,500)
Other	LIBOR	+75	2	-75	(2)
<b>Total</b>			<b>(19,451)</b>		<b>17,774</b>

<i>31 December 2020</i>					
<i>Currency</i>	<i>Interest rate basis</i>	<i>Increase in basis points</i>	<i>Effect on profit before tax</i>	<i>Decrease in basis points</i>	<i>Effect on profit before tax</i>
UAH	NBU	+100	(76,179)	-100	76,179
UAH	UIRD	+100	3,216	-100	(3,216)
USD	LIBOR	+75	(105,428)	-75	105,225
USD	UIRD	+75	3,284	-75	(3,284)
EUR	LIBOR	+75	—	-75	—
EUR	Euribor	+75	8,489	-75	(8,489)

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<i>Currency</i>	<i>Interest rate basis</i>	<i>Increase in basis points</i>	<i>Effect on profit before tax</i>	<i>Decrease in basis points</i>	<i>Effect on profit before tax</i>
Other	LIBOR	+75	135	-75	(135)
<b>Total</b>			<b>(166,483)</b>		<b>166,280</b>

To assess the possible effects of the acceptable changes in interest rates, the equity sensitivity on investment securities with fixed rate measured at fair value through other comprehensive income and classified at the 1 and 2 levels of the fair value hierarchy of the asset, the method of modified duration is used with the following assumptions: +/-200 b.p. for corporate bonds, +/-200 b.p. for Ukrainian state bonds denominated in local currency, +/-100 b.p. for Ukrainian state bonds in foreign currencies. As at 31 December 2021, the total effect of changes on the Bank's equity is: UAH (2,323,542) thousand / UAH 2,323,542 thousand (31 December 2020: UAH (2,699,437) thousand / UAH 2,699,437 thousand).

Sensitivity of net gain/(loss) on investment securities designated at fair value through profit or loss is calculated by the revaluation of financial instruments, which have a fixed interest rate and are revalued through profit/(loss), as at 31 December 2020 in terms of effects of acceptable changes in interest rates using the method of modified duration. The effect of changes in interest rate of +/-100 b.p. for Ukrainian state bonds on the Bank's income is UAH (542,687) thousand / UAH 542,687 thousand (31 December 2020: UAH (660,921) thousand / UAH 660,921 thousand).

### Currency risk

The Bank considers currency risk as the inability to secure excess of foreign currency cash inflow over foreign currency cash outflow (by currency) in amounts required to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the inconsistency of fluctuations in foreign currency exchange rates to be the main source of currency risk.

Currency risk management is aimed at securing an excess of foreign currency cash inflow over foreign currency cash outflow at the level acceptable for the Bank and necessary for maintaining liquidity and capital adequacy risks within the range acceptable to the Bank, and is performed via:

- ▶ Setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) key credit risk indicators;
- ▶ Permanent monitoring of actual key currency risk indicators;
- ▶ Taking efficient measures if the actual key currency risk indicators approach their critical and/or threshold levels.

The key task of the currency risk management is as follows:

- determination and observance by the Bank of an acceptable level of currency risk in accordance with the Bank's strategic objectives;
- assessment of the Bank's sensitivity to currency risk (of the impact of changes in foreign exchange rates);
- assessment of how the implementation of various stress case scenarios impacts the level of the Bank's currency risk;
- planning, making timely decisions to prevent the occurrence of the currency risk, implementation of measures to mitigate the currency risk;
- observance of the currency risk limits, including the regulatory ones.

The tables below indicate the currencies to which the Bank has significant exposure at 31 December 2021 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against Hryvnia, with all other variables held constant on the consolidated statement of profit and loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated statement of profit and loss. A negative amount in the table reflects a potential net reduction in consolidated statement of profit and loss or equity, while a positive amount reflects a net potential increase.

<i>Currency</i>		<i>31 December 2021</i>		<i>31 December 2020</i>	
		<i>Change in currency rate, %</i>	<i>Effect on profit before tax</i>	<i>Change in currency rate, %</i>	<i>Effect on profit before tax</i>
UAH/ USD		+11.50%	247,402	+9.50%	64,896
UAH/EUR		+11.50%	12,958	+11.50%	(1,007)
<b>Total</b>			<b>260,360</b>		<b>63,889</b>

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<i>Currency</i>	<i>31 December 2021</i>		<i>31 December 2020</i>	
	<i>Change in currency rate, %</i>	<i>Effect on profit before tax</i>	<i>Change in currency rate, %</i>	<i>Effect on profit before tax</i>
UAH/ USD	-11.50%	320,296	-9.50%	115,983
UAH/EUR	-11.50%	(12,958)	-11.50%	1,007
<b>Total</b>		<b>307,338</b>		<b>116,990</b>

### Operational risk

The Bank creates an effective operational risk management system to ensure stable and continuous operation of the Bank, interaction of the Bank's divisions at all organisational levels on operational risk management and implementation of operational risk management culture.

To build an effective operational risk management system, the Bank's organisational structure is set up based on “three protection lines” model.

The Bank ensures the implementation and continuous support of the processes of operational risk identification, assessment, monitoring, reporting, control and minimisation. To identify and assess the operational risk, the Bank uses mandatory and additional tools in accordance with the requirements of the National Bank of Ukraine and best practices on operational risk management. The Bank assesses operational risk with regard to its interrelation and impact on other risks inherent in the Bank's activities.

The Bank manages the uninterrupted activities to reduce the risks of violations of the Bank's stable operation, its processes, IT resources, personnel and engineering infrastructure systems to an acceptable level, plans measures to restore their functioning in case of unforeseen circumstances.

To ensure the implementation of operational risk management culture at all organisational levels, the Bank continuously trains employees and provides consulting support so that they obtain sufficient risk management related knowledge, including for correct and timely identification, analysis, taking measures and reporting on operational risk management.

The Bank is constantly working on improving the operational risk management system, including the implementation/compliance with regulations of the National Bank of Ukraine, with regard to international standards and recommendations for operational risk management.

## 29. Fair value of assets and liabilities

### Levels of the fair value hierarchy

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as shown below:

31 December 2021					
Fair value measurement applied					
Valuation date	Quoted market prices (Level 1)	Valuation based on assumptions confirmed by observable data (Level 2)	Valuation based on assumptions not confirmed by observable data (Level 3)	Total	
Assets carried at fair value					
Loans and advances to banks in precious metals	31 December 2021	—	52,274	—	52,274
Investment securities at fair value through profit or loss:					
Ukrainian state bonds	31 December 2021	—	—	23,319,112	23,319,112
Investment securities at fair value through other comprehensive income:					
Ukrainian state bonds	31 December 2021	—	12,430,319	—	12,430,319
Corporate bonds	31 December 2021	—	283,786	—	283,786
Corporate shares	31 December 2021	—	—	23,248	23,248
Derivative financial assets	31 December 2021	—	582,742	—	582,742
Investment property	31 December 2021	—	—	984,056	984,056
Buildings	1 July 2021	—	—	1,641,235	1,641,235
Land	1 December 2020	—	—	4,457	4,457

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31 December 2021					
Fair value measurement applied					
Valuation date	Quoted market prices (Level 1)	Valuation based on assumptions confirmed by observable data (Level 2)	Valuation based on assumptions not confirmed by observable data (Level 3)	Total	
Liabilities carried at fair value					
Customer accounts in precious metals	31 December 2021	—	45,321	—	45,321
Derivative financial liabilities	31 December 2021	—	7	—	7
Assets for which fair value is disclosed					
Cash and cash equivalents	31 December 2021	3,824,287	39,058,084	—	42,882,371
Loans and advances to banks	31 December 2021	—	8,217,896	—	8,217,896
Loans and advances to customers	31 December 2021	—	—	68,384,011	68,384,011
Investment securities at amortised cost	31 December 2021	—	29,517,124	—	29,517,124
Other financial assets	31 December 2021	—	177,596	—	177,596
Liabilities for which fair value is disclosed					
Due to other banks	31 December 2021	—	25,577,371	—	25,577,371
Customer accounts	31 December 2021	—	121,766,497	—	121,766,497
Other borrowed funds	31 December 2021	5,845,459	21,512,569	—	27,358,028
including Eurobonds issued	31 December 2021	5,845,459	—	—	5,845,459
Subordinated debt	31 December 2021	3,719,327	—	—	3,719,327
Other financial liabilities	31 December 2021	—	595,997	—	595,997
31 December 2020					
Fair value measurement applied					
Valuation date	Quoted market prices (Level 1)	Valuation based on assumptions confirmed by observable data (Level 2)	Valuation based on assumptions not confirmed by observable data (Level 3)	Total	
Assets carried at fair value					
Loans and advances to banks in precious metals	31 December 2020	—	38,539	—	38,539
Investment securities at fair value through profit or loss:					
Ukrainian state bonds	31 December 2020	—	—	29,008,521	29,008,521
Investment securities at fair value through other comprehensive income:					
Ukrainian state bonds	31 December 2020	—	13,877,469	—	13,877,469
Corporate bonds	31 December 2020	—	341,329	—	341,329
Municipal bonds	31 December 2020	—	302,122	—	302,122
Corporate shares	31 December 2020	—	—	22,603	22,603
Derivative financial assets	31 December 2020	—	108,231	—	108,231
Investment property	1 December 2020	—	—	1,143,451	1,143,451
Buildings	1 December 2020	—	—	1,748,326	1,748,326
Land	1 December 2020	—	—	3,857	3,857
Liabilities carried at fair value					
Customer accounts in precious metals	31 December 2020	—	81,219	—	81,219
Derivative financial liabilities	31 December 2020	—	1,123	—	1,123
Assets for which fair value is disclosed					
Cash and cash equivalents	31 December 2020	4,127,654	45,785,289	—	49,912,943
Loans and advances to banks	31 December 2020	—	331,621	—	331,621
Loans and advances to customers	31 December 2020	—	—	47,897,910	47,897,910
Investment securities at amortised cost	31 December 2020	—	45,122,082	—	45,122,082
Other financial assets	31 December 2020	—	141,000	—	141,000
Liabilities for which fair value is disclosed					
Due to other banks	31 December 2020	—	17,503,638	—	17,503,638
Customer accounts	31 December 2020	—	115,497,652	—	115,497,652
Other borrowed funds	31 December 2020	19,391,412	24,624,158	—	44,015,570
including Eurobonds issued	31 December 2020	19,391,412	—	—	19,391,412
Subordinated debt	31 December 2020	4,488,981	—	—	4,488,981
Other financial liabilities	31 December 2020	—	1,488,166	—	1,488,166

**Investment securities at fair value through profit or loss and investment securities at fair value through other comprehensive income**

The fair value of investment securities at fair value through profit or loss is determined using the valuation model, which inputs are both observable in the market (exchange rate, coefficients of zero coupon yield curve on Ukrainian state bonds in UAH (Nelson-Siegel model), interest rates) and unobservable in the market (historical exchange rate volatility).

The fair value of investment securities at fair value through other comprehensive income (excluding shares) is determined by quotations in the securities market or in accordance with the internal method of measuring the fair value of securities.

The value of shares is determined using the models that include only unobservable market inputs, including the assumptions about the future financial performance of an investee.

**Derivative financial instruments**

The fair value of derivative financial instruments is determined in accordance with the internal method of measuring the fair value of derivative financial instruments.

**Fair value of financial assets and financial liabilities not carried at fair value**

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>31 December 2021</i>			<i>31 December 2020</i>		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/ (loss)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/ (loss)</i>
<b>Financial assets</b>						
Cash and cash equivalents	42,882,371	42,882,371	—	49,912,943	49,912,943	—
Loans and advances to banks	8,217,896	8,217,896	—	331,621	331,621	—
Loans and advances to customers	69,334,862	68,384,011	(950,851)	48,608,320	47,897,910	(710,410)
Investment securities at amortised cost	30,139,375	29,517,124	(622,251)	45,174,610	45,122,082	(52,528)
Other financial assets	177,596	177,596	—	141,000	141,000	—
<b>Financial liabilities</b>						
Due to other banks	25,577,371	25,577,371	—	17,503,638	17,503,638	—
Customer accounts	121,791,915	121,766,497	25,418	115,499,889	115,497,652	2,237
Other borrowed funds	27,237,654	27,358,028	(120,374)	43,161,310	44,015,570	(854,260)
<i>including Eurobonds issued</i>	<i>5,725,085</i>	<i>5,845,459</i>	<i>(120,374)</i>	<i>18,537,152</i>	<i>19,391,412</i>	<i>(854,260)</i>
Subordinated debt	3,605,597	3,719,327	(113,730)	4,341,176	4,488,981	(147,805)
Other financial liabilities	596,018	596,018	—	1,488,166	1,488,166	—
<b>Total unrecognised change in unrealised fair value</b>			<b>(1,781,788)</b>			<b>(1,762,766)</b>

The following describes the methodologies and assumptions used to determine fair values for the financial instruments that are not recorded at fair value in the annual consolidated financial statements.

**Assets, which fair value approximates their carrying amount**

For the financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that their carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

**Fixed rate financial instruments**

The fair values of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing the market interest rates at the date when they were first recognised with the current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money-market interest rates for debts with similar credit risk and maturity. For listed debt issued, the fair values are based on

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quoted market prices. For listed securities issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

**Movements in level 3 assets measured at fair value**

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded at fair value:

	<i>At 1 January 2021</i>	<i>Gain/ (loss) recognised in the consolidated statement of profit and loss</i>	<i>Gain/ (loss) recognised in the consolidated statement of comprehend- sive income</i>	<i>Purchases</i>	<i>Transfers</i>	<i>Settlements</i>	<i>At 31 December 2021</i>
Investment securities at fair value through profit or loss	29,008,521	(1,117,628) <sup>(a)</sup>	–	–	–	(4,571,780) <sup>(a)</sup>	23,319,113
Investment securities at fair value through other comprehensive income	22,603	933 <sup>(b)</sup>	645	–	–	(933) <sup>(b)</sup>	23,248
Investment property	1,143,451	(36,989) <sup>(c)</sup>	–	145,818 <sup>(e)</sup>	(6,804)	(335,398) <sup>(b)</sup>	984,056
Buildings	1,748,326	(31,841) <sup>(d)</sup>	(82,949)	1,495 <sup>(f)</sup>	6,204	–	1,641,235
Land	3,857	–	–	–	600	–	4,457
<b>Total assets</b>	<b>31,926,758</b>	<b>(1,111,547)</b>	<b>(82,304)</b>	<b>147,313</b>	<b>–</b>	<b>(4,908,111)</b>	<b>25,972,109</b>

	<i>At 1 January 2020</i>	<i>Gain/ (loss) recognised in the consolidated statement of profit and loss</i>	<i>Gain recognised in the consolidated statement of comprehend- sive income</i>	<i>Transfer from Level 2 to Level 3</i>	<i>Purchases</i>	<i>Settlements</i>	<i>At 31 December 2020</i>
Investment securities at fair value through profit or loss	–	(63,771) <sup>(a)</sup>	–	29,342,952	–	(270,660) <sup>(a)</sup>	29,008,521
Investment securities at fair value through other comprehensive income	17,940	699 <sup>(b)</sup>	4,663	–	–	(699) <sup>(b)</sup>	22,603
Investment property	1,035,586	(107,012) <sup>(c)</sup>	–	–	853 <sup>(e)</sup>	–	1,143,451
Buildings	1,392,776	(8,579) <sup>(d)</sup>	341,961	–	5,010 <sup>(f)</sup>	–	1,748,326
Land	3,340	–	517	–	–	–	3,857
<b>Total assets</b>	<b>2,449,642</b>	<b>52,519</b>	<b>347,141</b>	<b>29,342,952</b>	<b>5,863</b>	<b>(271,359)</b>	<b>31,926,758</b>

(a) Losses in the amount of UAH (1,117,628) thousand include: UAH (2,316,452) thousand of revaluation of investment securities at fair value through profit or loss included in “Net gain/(loss) from investment securities at fair value through profit or loss” and UAH 1,198,825 thousand of accrued interest income included in “Interest income” (2020: losses in the amount of UAH (63,771) thousand include: UAH (372,944) thousand of revaluation of investment securities at fair value through profit or loss included in “Net gain/(loss) on transactions with financial instruments at fair value through profit or loss” and UAH 309,173 thousand of accrued interest income included in “Interest income”).

(b) Accrued dividends in the amount of UAH 933 thousand included in “Other income” (2020: accrued dividends in the amount of UAH 699 thousand are included in “Other income”).

(c) Gain from revaluation of investment property in the amount of UAH 36,989 thousand is included in “Other income” (2020: gain from revaluation of investment property in the amount of UAH 107,012 thousand included in “Other income”).

(d) Loss in the amount of UAH 31,841 thousand included in “Depreciation and amortisation” (2020: gain in the amount of UAH 8,579 thousand includes: gain from revaluation of buildings in the amount of UAH 34,854 thousand included in “Other income” and expenses in the amount of UAH 26 275 thousand included in “Depreciation and amortisation”).

(e) UAH 145,818 thousand of purchases comprise: UAH 133,185 thousand of additions and UAH 12,633 thousand of transfers from non-current assets classified as held for sale to investment property (2020: purchases in the amount of UAH 853 thousand include transfers from repossessed pledged property to investment property).

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- (f) Purchases in the amount of UAH 1,495 thousand include: UAH 1,495 thousand of transfers from capital investments to property and equipment (2020: purchases in the amount of UAH 5,010 thousand include transfers from capital investments to property and equipment).
- (g) Redemption in the amount of UAH 4,571,780 thousand includes: coupon payment in the amount of UAH 1,222,960 thousand and redemption of securities in the amount of UAH 3,348,820 thousand (2020: coupon payment in the amount of UAH 270,660 thousand).
- (h) Dividend payments in the amount of UAH 933 thousand (2020: dividend payments in the amount of UAH 699 thousand).
- (i) UAH 335,398 thousand of disposals (2020: none).

Gains or losses on level 3 assets at fair value included in the profit or loss for the reporting period comprise:

	<b>2021</b>		
	<b>Realised gains</b>	<b>Unrealised gains/ (losses)</b>	<b>Total</b>
Investment securities at fair value through profit or loss	732,145	(1,849,773)	(1,117,628)
Investment securities at fair value through other comprehensive income	933	–	933
Investment property	–	36,989	36,989
Buildings	–	(31,841)	(31,841)
<b>Total</b>	<b>733,078</b>	<b>(1,844,625)</b>	<b>(1,111,547)</b>

	<b>2020</b>		
	<b>Realised gains</b>	<b>Unrealised gains/ (losses)</b>	<b>Total</b>
Investment securities at fair value through profit or loss	270,660	(334,431)	(63,771)
Investment securities at fair value through other comprehensive income	699	–	699
Investment property	–	107,012	107,012
Buildings	–	8,579	8,579
<b>Total</b>	<b>271,359</b>	<b>(218,840)</b>	<b>52,519</b>

The tables below show the quantitative information as at 31 December 2021 and 31 December 2020 about significant unobservable inputs used for the fair valuation of assets classified as those of Level 3 of the fair value hierarchy:

<b>At 31 December 2021</b>	<b>Carrying amount</b>	<b>Valuation technique</b>	<b>Unobservable parameter</b>	<b>Range of parameter values</b>
Investment securities at fair value through other comprehensive income	23,248	Discounted cash flows	Expected profitability	12.0%
Investment securities at fair value through profit or loss	23,319,112	Garman - Kohlhagen model	Historical UAH/USD exchange rate volatility	25.754%
<i>Investment property</i>				
- real estate	482,028	Comparative, combination with income approach	sqm	UAH 0.1 thousand - UAH 50.5 thousand
- land	502,028	Comparative, comparing the sale prices of similar land plots	are	UAH 1.8 thousand - UAH 1,876.7 thousand
Buildings	1,641,235	Comparative, income approach	sqm	UAH 1 thousand - UAH 30 thousand
Land	4,457	Comparative	are	UAH 48 thousand - UAH 352 thousand



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<i>At 31 December 2020</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Investment securities at fair value through other comprehensive income	22,603	Discounted cash flows	Expected profitability	12.5%
Investment securities at fair value through profit or loss	29,008,521	Garman - Kohlhagen model	Historical UAH/USD exchange rate volatility	26.41%
<i>Investment property</i>				
- real estate	618,978	Comparative, combination with income approach	sqm	UAH 1.1 thousand - UAH 52.8 thousand
- land	524,473	Comparative, comparing the sale prices of similar land plots	arc	UAH 1.7 thousand - UAH 1,969.8 thousand
Buildings	1,748,326	Comparative, income approach	sqm	UAH 1 thousand - UAH 30 thousand
Land	3,857	Comparative	arc	UAH 48 thousand - UAH 352 thousand

### Sensitivity of fair value measurement for Level 3 to possible changes in the inputs used

If the historical exchange rate volatility increases/decreases by 1 percentage point the fair value of investment securities at fair value through profit or loss would increase by UAH 16,607 thousand / decrease by UAH 16,361 thousand (31 December 2020: increase by UAH 69,050 thousand / decrease by UAH 66,516 thousand).

The Bank assumes the impact of changes in exchange rate volatility as at 31 December 2021 when measuring the fair value of investment securities at fair value through profit or loss at +11.44 percentage points. The effect of such changes in the exchange rate volatility on Ukrainian state bonds with indexed value is UAH 197,647 thousand and will result in the profit increase. (31 December 2020: the Bank assumed the impact of changes in exchange rate volatility as at 31 December 2020 when measuring the fair value of investment securities at fair value through profit or loss at +1.8 percentage points. The effect of such changes in the exchange rate volatility on Ukrainian state bonds with indexed value was UAH 126,369 thousand and will result in the profit increase.)

As at 31 December 2021, if the market value of 1 sqm of real estate / 1 hectare of land plot increases/decreases by 10 percentage points, the fair value of buildings and investment property would increase/decrease by UAH 164,569 thousand and UAH 98,406 thousand, respectively (31 December 2020: if the market value of 1 sqm of real estate / 1 hectare of land plot increases/decreases by 10 percentage points, the fair value of buildings, land and investment property would increase/decrease by UAH 175,218 thousand and UAH 114,345 thousand, respectively).

### 30. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 28 for the Bank's contractual undiscounted repayment obligations.

	<i>31 December 2021</i>			<i>31 December 2020</i>		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
<b>Assets</b>						
Cash and cash equivalents	42,882,371	—	42,882,371	49,912,943	—	49,912,943
Loans and advances to banks	7,807,763	462,407	8,270,170	93,298	276,862	370,160
Loans and advances to customers	22,651,040	46,683,822	69,334,862	14,965,888	33,642,432	48,608,320
Investments in securities:						
- at fair value through profit or loss	224,983	23,094,129	23,319,112	3,840,599	25,167,922	29,008,521
- at fair value through other comprehensive income	3,402,069	9,335,284	12,737,353	4,966,932	9,576,591	14,543,523
- at amortised cost	14,760,550	15,378,825	30,139,375	24,868,503	20,306,107	45,174,610
Current tax assets	—	250,048	250,048	—	250,331	250,331
Derivative financial assets	582,742	—	582,742	108,231	—	108,231
Non-current assets classified as held for sale	8,332	—	8,332	22,241	—	22,241
Investment property	—	984,056	984,056	—	1,143,451	1,143,451
Property, plant and equipment	—	1,850,466	1,850,466	—	1,967,759	1,967,759

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	31 December 2021			31 December 2020		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Intangible assets	–	74,463	74,463	–	51,984	51,984
Deferred tax asset	–	1,190,303	1,190,303	–	1,175,372	1,175,372
Other financial assets	177,596	–	177,596	141,000	–	141,000
Other non-financial assets	292,283	–	292,283	396,829	–	396,829
<b>Total</b>	<b>92,789,729</b>	<b>99,303,803</b>	<b>192,093,532</b>	<b>99,316,464</b>	<b>93,558,811</b>	<b>192,875,275</b>
<b>Liabilities</b>						
Due to other banks	4,206,821	21,370,550	25,577,371	1,994,870	15,508,768	17,503,638
Customer accounts	121,208,953	628,283	121,837,236	114,991,367	589,741	115,581,108
Derivative financial liabilities	7	–	7	1,123	–	1,123
Other borrowed funds	2,016,045	25,221,609	27,237,654	5,455,108	37,706,202	43,161,310
Subordinated debt	83,843	3,521,754	3,605,597	108,057	4,233,119	4,341,176
Provisions for loan commitments and financial guarantee contracts	290,987	–	290,987	135,531	–	135,531
Other provisions	561	–	561	3,455	–	3,455
Other financial liabilities	590,393	5,625	596,018	1,481,414	6,752	1,488,166
Including lease commitments	474	5,625	6,099	539	6,752	7,291
Other non-financial liabilities	495,356	–	495,356	310,872	–	310,872
<b>Total</b>	<b>128,892,966</b>	<b>50,747,821</b>	<b>179,640,787</b>	<b>124,481,797</b>	<b>58,044,582</b>	<b>182,526,379</b>
<b>Net amount</b>	<b>(36,103,237)</b>	<b>48,555,982</b>	<b>12,452,745</b>	<b>(25,165,333)</b>	<b>35,514,229</b>	<b>10,348,896</b>

The maturity analysis does not reflect the historical stability of current accounts. Such accounts are closed during longer period than one specified in the tables above. These balances are included to amounts payable within one year.

Amounts due to customers include term deposits of individuals. In accordance with the Ukrainian law, the Bank is obliged to return term deposit on maturity date specified in the deposit agreement. The return of term deposit on customer's request prior to the date of maturity or occurrence of other events specified in the agreement could be done only cases provided for by the deposit agreement. The Bank expects that customers will not request term deposits early, thus these balances are included in disclosures above in accordance with their contractual maturities.

### 31. Presentation of financial instruments by measurement category

Assets by measurement categories as at 31 December 2021:

	Assets at fair value through other comprehensive income	Assets at fair value through profit or loss	Assets at amortised cost	Total
Cash and cash equivalents	–	–	42,882,371	42,882,371
Loans and advances to banks	–	52,274	8,217,896	8,270,170
Loans and advances to customers	–	–	69,334,862	69,334,862
Investments in securities	12,737,353	23,319,112	30,139,375	66,195,840
Derivative financial assets	–	582,742	–	582,742
Other financial assets	–	–	177,596	177,596
<b>Total</b>	<b>12,737,353</b>	<b>23,954,128</b>	<b>150,752,100</b>	<b>187,443,581</b>

Assets by measurement categories as at 31 December 2020:

	<i>Assets at fair value through other comprehensive income</i>	<i>Assets at fair value through profit or loss</i>	<i>Assets at amortised cost</i>	<i>Total</i>
Cash and cash equivalents	–	–	49,912,943	49,912,943
Loans and advances to banks	–	38,539	331,621	370,160
Loans and advances to customers	–	–	48,608,320	48,608,320
Investments in securities	14,543,523	29,008,521	45,174,610	88,726,654
Derivative financial assets	–	108,231	–	108,231
Other financial assets	–	–	141,000	141,000
<b>Total</b>	<b>14,543,523</b>	<b>29,155,291</b>	<b>144,168,494</b>	<b>187,867,308</b>

As at 31 December 2021, all financial liabilities of the Bank were accounted for at amortised cost, except the attracted gold-denominated deposits and derivative financial liabilities accounted for at FVPL. (31 December 2020: all financial liabilities of the Bank were accounted for at amortised cost, except the attracted gold-denominated deposits and derivative financial liabilities accounted for at FVPL).

### 32. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if they are under common control, or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

Related parties may enter into the transactions, which unrelated parties might not. The terms and conditions of such transactions may differ from those between unrelated parties.

Transactions and balances with related parties comprise transactions with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government and with the key management personnel.

The outstanding balances as at 31 December 2021 and 2020 and related income and expense for the years ended 31 December 2021 and 2020, are as follows:

	<i>Key management personnel</i>	
	<i>31 December 2021</i>	<i>31 December 2020</i>
<b>Loans to and advances to customers, gross</b>	<b>1,683</b>	<b>1,491</b>
Less: Allowance for impairment	(25)	(20)
<b>Loans and advances to customers, net</b>	<b>1,658</b>	<b>1,471</b>
Other financial assets	1	–
Current accounts	4,690	7
Time deposits	4,092	1,006
<b>Customer accounts</b>	<b>8,783</b>	<b>1,013</b>
Other non-financial liabilities	14	10

	<i>Key management personnel</i>	
	<i>2021</i>	<i>2020</i>
Interest income on loans	124	98
Interest expense on customer deposits	(123)	(338)
Fee income	100	13
Net increase/(decrease) from foreign exchange translation	50	(1,838)

Translation from Ukrainian original

Joint Stock Company  
“The State Export-Import Bank of Ukraine”

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In 2021, the aggregate remuneration and other benefits paid to key management personnel amount to UAH 117,603 thousand (UAH 47 thousand of payments to the non-state pension fund) (2020: UAH 77,069 thousand (UAH 167 thousand of payments to the non-state pension fund)).

In the normal course of business, the Bank enters into contractual agreements with the Government of Ukraine and entities controlled, either directly or indirectly, or significantly influenced by the state. The Bank provides the government-related entities with a full range of banking service including, but not limited to, lending, deposit-taking, issue of guarantees, transactions with securities, cash and settlement transactions.

Balances with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government, which are individually significant in terms of the carrying amount as at 31 December 2021 are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to banks</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Guarantees issued</i>
Client 1	State entities	–	–	–	–	–	5,691,258	–
Client 2	State entities	–	–	–	–	–	1,250,579	–
Client 3	Finance	18,484,579	7,730,670	–	582,412	21,366,867	–	–
Client 4	Power engineering	–	–	4,051,434	–	–	6,242,309	–
Client 5	Power engineering	–	–	5,197,528	–	–	2,240,595	–
Client 6	Extractive industry	–	–	4,051,597	–	–	6,453,998	–
Client 7	Extractive industry	–	–	2,662,001	–	–	–	–
Client 8	Transport and communications	–	–	–	–	–	2,470,606	–
Client 9	Transport and communications	–	–	–	–	–	1,701,797	–
Client 10	Transport and communications	–	–	1,434,684	–	–	–	–
Client 11	Road construction	–	–	5,520,379	–	–	–	–
Client 12	Mechanical engineering	–	–	1,558,761	–	–	–	604,096
Client 13	Mechanical engineering	–	–	–	–	–	1,387,990	–
Client 14	Trade	–	–	–	–	–	–	1,689,619
Client 15	Trade	–	–	–	–	–	–	1,594,114
Client 16	Professional, scientific and technical activities	–	–	763,216	–	–	1,393,203	–
Other		–	–	1,785,234	–	–	15,750,876	97,208

Balances with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government, which are individually significant in terms of the carrying amount as at 31 December 2020 are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Guarantees issued</i>
Client 1	State entities	–	–	–	–	6,850,351	–
Client 2	State entities	–	–	–	–	1,634,972	–
Client 3	Finance	14,487,474	–	108,231	16,008,768	–	–
Client 4	Extractive industry	–	4,262,727	–	–	5,419,423	–
Client 5	Extractive industry	–	505,223	–	–	–	–
Client 19	Agriculture and food industry	–	–	–	–	5,610,690	–
Client 5	Power engineering	–	5,045,250	–	–	–	–
Client 12	Mechanical engineering	–	1,796,436	–	–	1,419,874	479,268
Client 17	Mechanical engineering	–	–	–	–	–	111,966
Client 10	Transport and communications	–	1,896,652	–	–	–	–
Client 9	Transport and communications	–	–	–	–	1,607,746	–
Client 15	Trade	–	895,351	–	–	–	478,703
Client 14	Trade	–	–	–	–	–	892,093
Client 11	Road construction	–	1,002,859	–	–	–	–
Client 18	Professional, scientific and technical activities	–	–	–	–	890,637	–
Other	–	–	–	–	–	11,825,344	36,745

During the year ended 31 December 2021, the Bank recorded UAH 3,201,590 thousand of interest income under significant transactions with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government (2020: UAH 1,711,023 thousand), including the interest income of UAH 1,070,618 thousand under transactions with the NBU

deposit certificates with maturity up to 90 days (2020: UAH 372,379 thousand) of interest income and UAH 3,145,353 thousand (2020: UAH 798,540 thousand) of interest expenses.

As at 31 December 2021, the Bank's investments in securities issued by the Ukrainian Government or by entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government amounted to UAH 65,972,073 thousand (31 December 2020: UAH 88,418,578 thousand) and included the following:

	<i>31 December 2021</i>	<i>31 December 2020</i>
Investment securities at fair value through profit or loss	23,319,113	29,008,521
Investment securities at fair value through other comprehensive income	12,734,480	14,235,447
Investment securities at amortised cost	29,918,480	45,174,610

Carrying amount of Ukrainian state bonds included into investment securities at fair value through profit or loss and investment securities at fair value through other comprehensive income is disclosed in Note 11.

During the year 2021, the Bank recognised UAH 3,677,177 thousand of interest income on transactions with Ukrainian state bonds (2020: UAH 2,916,168 thousand) and UAH 1,590,683 thousand of interest income on transactions with other investment securities (2020: UAH 899,756 thousand).

### 33. Capital adequacy

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. This also takes into account the capital level impact on the amount of dividend payments, therefore the Bank recognises the need for a balance between increasing profitability, which is possible as a result of increasing borrowed funds and equity ratio, and benefits and stability provided for by financial position stability.

The Bank manages its exposures to ensure that it maintains an adequate capital level to cover the external risks inherent in its business. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with the externally imposed capital requirements and maintains strong credit ratings and proper capital ratios in order to support its business activities and maximise the value to the shareholder.

As at 31 December 2021 and 31 December 2020, the Bank has fully complied with all external capital requirements.

The Bank manages its capital structure and adjusts its total assets to provide for observed and expected changes in the business environment and the risk profile of its business activities. There have been no changes in capital management objectives, policies and procedures compared to previous years.

#### NBU capital adequacy ratio

The Bank's regulatory capital adequacy ratio was as follows:

	<i>31 December 2021</i>	<i>31 December 2020</i>
Main capital	8,589,984	10,515,081
Additional capital, calculated	5,225,345	4,534,514
Additional capital included in calculation of total capital (limited to main capital)	5,225,345	4,534,514
<b>Total regulatory capital</b>	<b>13,815,329</b>	<b>15,049,595</b>
<b>Risk weighted assets</b>	<b>76,062,721</b>	<b>64,669,917</b>
<b>Main capital adequacy ratio</b>	<b>11.29%</b>	<b>16.26%</b>
<b>Regulatory capital adequacy ratio</b>	<b>18.16%</b>	<b>23.27%</b>

Regulatory capital comprises Tier 1 capital (Main capital) consisting of paid-in registered issued capital plus reserve funds less losses and portion of the carrying amount of the assets (non-current assets classified as held for sale; repossessed pledged

property; property, plant and equipment), which are not used by the bank at the time of executing the types of activities described in Article 47 of the Law of Ukraine “On Banks and Banking”, investment property, and Tier 2 capital (Additional capital) consisting of asset revaluation reserve, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes, the qualifying Tier 2 capital amount is limited to 100% of Tier 1 capital.

#### Capital adequacy ratio under Basel Capital Accord 1988

The Bank’s capital adequacy ratios computed in accordance with the Basel Capital Accord 1988 were as follows:

	<i>31 December 2021</i>	<i>31 December 2020</i>
Tier 1 capital	11,916,270	9,188,109
Tier 2 capital, calculated	3,434,784	4,577,301
Tier 2 capital, included in calculation of total capital	3,434,784	4,577,301
<b>Total capital</b>	<b>15,351,054</b>	<b>13,765,410</b>
<b>Risk weighted assets</b>	<b>86,350,562</b>	<b>64,466,993</b>
<b>Tier 1 capital adequacy ratio</b>	<b>13.8%</b>	<b>14.3%</b>
<b>Total capital adequacy ratio</b>	<b>17.8%</b>	<b>21.4%</b>

#### 34. Subsequent events

Due to the military aggression of the Russian Federation against Ukraine, which began on 24 February 2022, the President of Ukraine issued Decree #64/2022 “On the imposition of martial law in Ukraine” of 24 February 2022 approved by Law of Ukraine “On approval of the Decree of the President of Ukraine “On the imposition of martial law in Ukraine” #2102-IX of 24 February 2022.

To ensure the banking system reliability and stability, the National Bank of Ukraine has implemented a number of measures for the smooth operation of the banking system of Ukraine and made anti-crisis decisions, including: suspension/restriction of the currency and stock markets operation, introduction of restrictions on cash withdrawals, ensuring replenishment of banks with cash, expansion of available refinancing of banks by providing for a possibility of unsecured lending in the amount of up to 30% of the bank’s individual deposits portfolio as at 23 February 2022, extension of currently available refinancing loans up to 1 year, etc.

The National Bank of Ukraine has specified Ukreximbank as a critical infrastructure entity in the Ukrainian banking system and included in the list of systemically important banks (the NBU’s Decision #120-rsh of 9 February 2022), which operation ensures the banking system stability, is essential for the economy and security of the state. Ukreximbank has been also included in the list of authorised Ukrainian banks involved in the work (operations) under special period terms and conditions.

On 24 February 2022, the Management Board of the Bank has activated the Operational Plan of the Bank’s Response in Case of Complication of Situation in the Regions of Ukraine, which provides for, in particular:

- determining the list of branches with a high risk of complication of situation;
- measures to minimize cash on hand balances;
- work with clients on valuables in deposit boxes;
- moving legally significant documents;
- destruction of valuables and documents, if necessary.

To reassess and review the Bank’s activities in response to the change in business trends in terms of liquidity situation, credit risk assessment and current priorities, the majority of lending projects previously planned and processed by the Bank’s services, were suspended. However, in the near future, the Bank does not plan to change the business model due to martial law and will continue to operate as a universal bank with a full range of banking services to all categories of customers.

The Supervisory Board, the Management Board of the Bank and the Committees of the Supervisory Board and the Management Board continue to perform their functions. The Bank’s personnel were relocated to safe locations and their functions were expanded without losing control and suspension of vital processes. As at 1 April 2022, about 40% of employees have been relocated and work in remote access mode.

As at 1 April 2022, 21 outlets of the Bank (in the northern, eastern and south-eastern regions of Ukraine) worked and served customers remotely. 30 out of 51 outlets of the Bank carried out their activities and customer service on a full-time basis. At the same time, from the beginning of April 2022, the work of 4 outlets was completely resumed in Kyiv, Sumy and Chernihiv. Subject to the security of customers and employees, certain separate divisions of the Bank, which operate remotely, provide customers with access to depository services by prior arrangement. As of today, the assets of outlets located in high-risk areas (Kherson and Kharkiv regions, Mariupol) that may be lost due to destruction or looting (real estate and other property, plant and equipment, cash on hand) are less than 0.1% of the Bank's assets.

The Bank's liquidity remains rather adequate the Bank complies with all standards, ratios and liquidity ratios set by the National Bank of Ukraine, as well as the mandatory reserve requirements.

As at 1 April 2022, the balances of funds on correspondent accounts with investment banks amounted to USD 242 million and EUR 472 million. The liquidity coverage ratio (LCR) in all currencies was 156.67% with a minimum established level of 100%, LCR in foreign currency amounted to 137.15% with a minimum established level of 100%, net stable funding ratio (NSFR) amounted to 117.3% with a minimum established level of 90%. For the period from 11 March through 10 April 2022, the regulatory amount of the mandatory reserve on the correspondent account with the National Bank of Ukraine amounted to UAH 6,522 million (for the period from 11 April through 10 May 2022 comprises UAH 6,429 million), the actual average amount of mandatory reserve for the period from 11 March through 10 April 2022 amounted to UAH 6,611 million.

The status of the state bank with specialization in financing export-import operations imposes a special role on the Bank during martial law in meeting the state's needs in financing the supply of critical imports and lending to strategic sectors of the economy for the country's defence, food supply and humanitarian purposes, including to preserve the sovereignty of Ukraine. Currently, the Bank has updated its credit policy, taking into account the beginning of the armed aggression of the Russian Federation against Ukraine. The Bank made a list of sectors of the economy that will be provided with priority credit support, namely: military-industrial complex, critical imports, agricultural sector, fuel and energy sector, infrastructure projects, export-oriented industries, humanitarian and social projects. As of today, the Bank has restricted foreign currency lending and will continue to provide credit support mostly in local currency. The credit support in foreign currency will be provided under the programs of international financial organizations (IBRD, EBRD, EIB), both current and new programs. To support customers, the Bank made a public decision to provide repayment holiday for all borrowers - legal entities and individuals, namely postponed to 30 June 2022 the deadline for payment of principal amount, interest and fees, which were accrued as at 23 February 2022 and in the period from 24 February 2022 through 31 May 2022. Borrowers - legal entities whose assets have not been damaged as a result of hostilities and which are able to carry out operating activities with income, continue to service debt to the Bank, by paying interest. As of 31 March 2022, 34% of borrowers - legal entities, whose debt is not does classifies as bed debt, continue to service debt to the Bank. The total amount of payments made ensured the repayment of accrued interest for February 2022 at 61%. In March 2022, the Bank formed an allowance of UAH 2,171 million, including to cover the negative consequences of hostilities in the territory of Ukraine.

Since the beginning of war, there have been changes in the balances and structure of individuals' funds: redistribution from term to current (card) accounts. From 24 February through 31 March 2022, the amount of retail deposits decreased by UAH 1,655 million, current accounts increased by UAH 2,154 million (excluding translation differences). For the above period, amounts due to corporate customers (excluding funds of budgetary organisations) on deposit and current accounts decreased by UAH 10,613 million, which was covered by the available stock of highly liquid assets and NBU's refinancing. Coverage of outflows was partially provided by redemption of certain assets: deposit certificates; interbank loans placed with investment grade banks.

As at 1 April 2022, UAH 5,500 million of NBU's refinancing loans was attracted to increase the ability to withstand possible outflows of amounts due to customers, as well as to support the Bank's ability to finance loan projects during this period. Today, the Bank's ability to obtain additional refinancing loans, taking into account the value of assets that can be transferred to the National Bank to secure liabilities in the prescribed manner, as well as the amount of unsecured loan that can be raised by the Bank in accordance with decisions of the National Bank, amounts to about UAH 16,100 million. The Bank is taking preventive measures aimed at further expanding the available amount of NBU refinancing loans in case of such a need.