

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

Interim condensed consolidated financial statements

For three months ended March 31, 2022

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at March 31, 2022

(UAH, thousand)

	<i>Notes</i>	<i>March 31, 2022 (unaudited)</i>	<i>December 31, 2021</i>
Assets			
Cash and cash equivalents	4	33 073 624	42 882 371
Loans and advances to banks	7	613 489	8 270 170
Loans and advances to customers	8	77 818 051	69 334 862
Investment in securities	9	69 557 431	66 195 840
Current tax assets		1 859 986	250 048
Derivative financial assets	12	620 394	582 742
Non-current assets classified as held for sale		8 332	8 332
Investment property		928 892	984 056
Property, plant and equipment		1 835 636	1 850 466
Intangible assets		67 606	74 463
Deferred tax assets		1 190 303	1 190 303
Other financial assets	10	162 010	177 596
Other non-financial assets	11	249 151	292 283
Total assets		187 984 905	192 093 532
Liabilities			
Due to other banks	13	30 090 929	25 577 371
Customer accounts	15	115 542 310	121 837 236
Derivative financial liabilities	12	—	7
Other borrowed funds	14	27 089 329	27 237 654
Subordinated debt		3 620 653	3 605 597
Provisions for loan commitments and financial guarantee contracts	17	362 430	290 987
Other provisions		561	561
Other financial liabilities	10	537 243	596 018
Other non-financial liabilities	11	437 702	495 356
Total liabilities		177 681 157	179 640 787
Equity	16		
Issued capital		45 570 041	45 570 041
Other reserves		(230 957)	(98 629)
Result from transactions with the shareholder		635 104	635 104
Retained earnings		(35 670 440)	(33 653 771)
Total equity		10 303 748	12 452 745
Total equity and liabilities		187 984 905	192 093 532

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June 22, 2022

Chairman of the Management Board

S.O. Iermakov

Chief Accountant

N.A. Potemska

V. M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
for three months ended March 31, 2022

(UAH, thousand)

		2022		2021	
		For the three months ended March 31	cumulative total from the beginning of the reporting year	For the three months ended March 31 (recalculated)	cumulative total from the beginning of the reporting year (recalculated)
Notes		(unaudited)			
Interest income calculated using effective interest method		2 746 190	2 746 190	2 350 779	2 350 779
Other interest income		337 319	337 319	380 114	380 114
Interest expense		(1 741 325)	(1 741 325)	(1 947 559)	(1 947 559)
Fee income		284 151	284 151	221 673	221 673
Fee expense		(85 991)	(85 991)	(69 971)	(69 971)
Other income		18 464	18 464	33 663	33 663
Net increase/(decrease) from financial instruments at fair value through profit or loss		325 951	325 951	(406 881)	(406 881)
Net increase/(decrease) from operations with debt financial instruments at fair value through other comprehensive income		12 461	12 461	5 339	5 339
Net increase/(decrease) from trading in foreign currencies		129 328	129 328	114 785	114 785
Net increase/(decrease) from foreign exchange translation		(1 221 230)	(1 221 230)	346 451	346 451
Gains/(losses) on initial recognition of financial assets at interest rates above or below market		(317)	(317)	290	290
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	6	(2 002 337)	(2 002 337)	(110 134)	(110 134)
Employee benefits expense	18	(613 493)	(613 493)	(432 806)	(432 806)
Depreciation and amortisation expense		(28 586)	(28 586)	(29 139)	(29 139)
Other administrative and operating expenses	18	(173 189)	(173 189)	(162 745)	(162 745)
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	11	(28 368)	(28 368)	10 153	10 153
Gain (loss) arising from derecognition of financial assets at amortised cost		19 690	19 690	—	—
Profit / (loss) before tax		(2 021 282)	(2 021 282)	304 012	304 012
Income tax expense		48	48	—	—
Profit/ (loss) for the period		(2 021 234)	(2 021 234)	304 012	304 012

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Chief Accountant

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V. M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for three months ended March 31, 2022

(UAH, thousand)

	2022		2021	
	<i>For the three months ended March 31</i>	<i>cumulative total from the beginning of the reporting year</i>	<i>For the three months ended March 31</i>	<i>cumulative total from the beginning of the reporting year</i>
	(unaudited)			
Profit/ (loss) for the period	(2 021 234)	(2 021 234)	304 012	304 012
Other comprehensive income				
<i>Components of other comprehensive income to be reclassified to profit or loss before tax</i>				
Gains (losses) on financial assets measured at fair value through other comprehensive income, before tax	(127 763)	(127 763)	(314 618)	(314 618)
<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 at fair value through other comprehensive income	—	—	—	—
Total amount of other comprehensive income	(127 763)	(127 763)	(314 618)	(314 618)
Total amount of comprehensive income	(2 148 997)	(2 148 997)	(10 606)	(10 606)

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Chief Accountant

N.A. Potemskaya

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for three months ended March 31, 2022

(UAH, thousand)

					<i>Other reserves</i>			
					<i>Reserve for profit or loss on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve for profit and loss from investments in equity instruments</i>		
	<i>Share capital</i>	<i>Result from transactions with the shareholder</i>	<i>Reserve and other funds of the bank</i>	<i>Revaluation</i>			<i>Undivided profit</i>	<i>Equity</i>
As at January 1, 2021 (recalculated)	45 570 041	635 104	207 458	1 013 287	(424 183)	(63 421)	(36 589 390)	10 348 896
Profit for the period	–	–	–	–	–	–	304 012	304 012
Other comprehensive income for the period (Note 16)	–	–	–	–	(314 391)	(227)	–	(314 618)
Total comprehensive income for the period	–	–	–	–	(314 391)	(227)	304 012	(10 606)
Increase (decrease) through transfers and other changes, equity (Note 16)	–	–	–	(4 930)	–	–	4 930	–
As at March 31, 2021 (unaudited) (recalculated)	45 570 041	635 104	207 458	1 008 357	(738 574)	(63 648)	(36 280 448)	10 338 290
As at January 1, 2022	45 570 041	635 104	–	926 276	(962 130)	(62 775)	(33 653 771)	12 452 745
Loss for the period	–	–	–	–	–	–	(2 021 234)	(2 021 234)
Other comprehensive income for the period (Note 16)	–	–	–	–	(126 679)	(1 084)	–	(127 763)
Total comprehensive income for the period	–	–	–	–	(126 679)	(1 084)	(2 021 234)	(2 148 997)
Increase (decrease) through transfers and other changes, equity (Note 16)	–	–	–	(4 565)	–	–	4 565	–
As at March 31, 2022 (unaudited)	45 570 041	635 104	–	921 711	(1 088 809)	(63 859)	(35 670 440)	10 303 748

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Chief Accountant

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)
for three months ended March 31, 2022

(UAH, thousand)

	<i>For the period ended March 31</i>	
	<i>2021</i>	
	<i>2022</i>	<i>(recalculated)</i>
<i>Notes</i>	<i>(unaudited)</i>	
Cash flows from (used in) operating activities		
Interest received	2 711 705	2 802 407
Commission income received	273 615	221 878
Net (increase) / decrease from transactions in financial instruments at fair value through profit or loss	29 264	(23 961)
Net (increase) / decrease from trading in foreign currency	129 328	114 785
Other cash receipts from operating activities	15 354	33 662
Interest paid	(1 737 331)	(2 207 582)
Commission expenses paid	(85 991)	(89 535)
Payments to and on behalf of employees	(641 602)	(310 351)
Administrative expenses and other paid operating expenses	(164 408)	(178 758)
Net (increase)/decrease in loans and advances to banks	8 170 051	(87 853)
Net (increase)/decrease in loans and advances to customers	(8 764 171)	(2 668 129)
Net (increase)/decrease in other financial assets	21 846	(52 470)
Net (increase)/ decrease in other assets	(12 140)	68 420
Net increase/(decrease) in due to other banks	5 363 520	(1 258 798)
Net increase/(decrease) in customer accounts	(8 848 640)	10 933 696
Net increase/(decrease) in other financial liabilities	(73 904)	(885 647)
Net increase/(decrease) in other liabilities	(29 588)	2 085
Income taxes (paid) refund	(245 681)	—
Cash flows from (used in) operating activities	(3 888 773)	6 413 849
Cash flows from (used in) investing activities		
Purchase of securities	(11 392 090)	(11 400 717)
Proceeds from sale of investment in securities	8 677 821	16 551 780
Purchase of of property, plant and equipment	(69 431)	(2 236)
Purchase of intangible assets	(128)	(4 157)
Proceeds from sale of investment property	58 322	—
Cash flows from (used in) investing activities	(2 725 506)	5 144 670
Cash flows from (used in) financing activities		
Receipt of other debt	—	873 681
Return of subordinated debt	(293 196)	(290 505)
Return of other debt	(2 860 884)	(9 879 756)
Payments of lease liabilities	(1 140)	(890)
Dividends paid	(1 364 209)	—
Cash flows from (used in) financing activities	(4 519 429)	(9 297 470)
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	(11 133 708)	2 261 049
Effect of exchange rate changes on cash and cash equivalents	1 322 279	(881 066)
Impact of expected credit losses on cash and cash equivalents	2 682	9 143
Increase (decrease) in cash and cash equivalents	(9 808 747)	1 389 126
Cash and cash equivalents at the beginning of the period	42 882 371	49 912 943
Cash and cash equivalents at the end of the period	33 073 624	51 302 069

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June 22, 2022

Chairman of the Management Board

S.O. Iermakov

Chief Accountant

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(UAH thousand, unless otherwise stated)

1. Principal activities

Joint Stock Company “The State Export-Import Bank of Ukraine” (hereinafter – “Ukreximbank” or the Bank) was founded in 1992. Ukreximbank operates under banking licence No. 2 dated August 7, 2019.

As at March 31, 2022 and December 31, 2021, 100% of Ukreximbank’s shares were owned by the state represented by the Cabinet of Ministers of Ukraine.

Ukreximbank’s head office is located in Kyiv at 127 Antonovycha Str. It has 22 branches and 29 sub-branches (December 31, 2021: 22 branches and 38 sub-branches) 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 settlement and cash service to customers, and renders other banking services.

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 favourable 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 favour of the Bank and its shareholder.

Ukreximbank prepares interim condensed financial statements and interim condensed consolidated financial statements that comprise the consolidated performance indicators of the Bank and its subsidiaries “Lease Company “Ukreximleasing” and “Eximleasing” LLC.

“Lease Company “Ukreximleasing”, Ukreximbank’s 100% owned subsidiary, was founded in 1997 and is registered and operates in Ukraine in the trading and leasing business.

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

2. Basis of preparation and summary of significant accounting policies

Basis of preparation

These interim condensed consolidated financial statements for the three months ended March 31, 2022, have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements do not include all information and data subject to disclosure in the annual financial statements and should be read in conjunction with the Bank’s annual consolidated financial statements as at 31 December 2021, which have been prepared in accordance with IFRS and posted on the Bank’s website at <https://www.eximb.com/ua/bank/financial-information/financial-report/financial-report-2021.html>.

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

Going concern

These interim condensed consolidated financial statements for the three months ended March 31, 2022 have been prepared on a going concern basis. In preparing the financial statements for the 1st quarter of 2022, the Bank’s management assessed

(UAH thousand, unless otherwise stated)

the Bank's ability to continue its activities in the future, taking into account the ongoing hostilities in Ukraine that have already caused significant negative consequences for the economy of the country as a whole and on the customers of the Bank. The Bank's management believes that over the next 12 months the Bank will meet its obligations on time and in full. Besides, the Bank plans additional lending to strategic corporate customers. The source of repayment of liabilities and increase in lending will be accumulated liquidity, redemption of Ukrainian state bonds and government-guaranteed corporate bonds, as well as, if necessary, attracting the NBU's refinancing loans.

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 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 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 forecast liquidity, capital adequacy ratios, expected credit losses, and the possibility of additional capitalization, 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 the 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 2021 in these interim condensed consolidated financial statements for the three months ended March 31, 2022, to bring it in line with the new reporting format.

Specifically, the following reclassifications were made in Interim Condensed Consolidated Statement of Profit and Loss:

- ▶ (a) net (losses)/ gains on investment securities at fair value through profit or loss and net gains / (losses) from transactions with derivatives were presented by separate item "Net gains / (losses) from transactions with financial instruments at fair value through profit or loss";
- ▶ (b) net gains / (losses) from dealing in foreign currencies and net gains / (losses) from dealing in precious metals were presented by separate item "Net gains / (losses) from dealing in foreign currency";
- ▶ (c) net gains / (losses) from translation differences on trading in foreign currencies and net gains / (losses) from revaluation of precious metals were presented by separate item "Net gains / (losses) from foreign exchange translation";
- ▶ (d) expenses for expected credit losses and expenses for expected credit losses on credit-related commitments were presented by separate item "Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9";
- ▶ (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 rate above or below market;
- ▶ (f) net gains / (losses) on modification 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.

(UAH thousand, unless otherwise stated)

The table below shows the effect of respective reclassifications on disclosures in the Interim Condensed Consolidated Statement of Profit and Loss for the three months ended March 31, 2021:

	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Net (losses)/ gains on investment securities at fair value through gains or losses	(990 975)	990 975 ^(a)	—
Net gains / (losses) from transactions with derivatives	584 094	(584 094) ^(a)	—
Net gains / (losses) from transactions with financial instruments at fair value through gains or losses	—	(406 881) ^(a)	(406 881)
Net gains / (losses) from trading in foreign currencies	114 536	(114 536) ^(a)	—
Net gains / (losses) from trading in precious metals	249	(249) ^(a)	—
Net gains / (losses) from dealing in foreign currencies	—	114 785 ^(a)	114 785
Net gains / (losses) from translation differences on trading in foreign currencies	347 311	(347 311) ^(a)	—
Net gains / (losses) from revaluation of precious metals	(860)	860 ^(a)	—
Net gains / (losses) from revaluation of foreign currency	—	346 451 ^(a)	346 451
Expenses for expected credit losses	(10 047)	10 047 ^(a)	—
Expenses for expected credit losses on credit-related commitments	(100 087)	100 087 ^(a)	—
Impairment profit and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	—	(110 134) ^(a)	(110 134)
Other income	34 015	(352) ^(a)	33 663
Net gains / (losses) on modification of financial assets at amortised cost	319	(319) ^(a)	—
Other operating expenses	(152 973)	152 973 ^{(a), (e)}	—
Other administrative and operating expenses	—	(162 745) ^(a)	(162 745)
Gains / (losses) on initial recognition of financial assets at interest rates above or below market	—	290 ^(a)	290
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	—	10 153 ^(a)	10 153
Gains for the period	304 012	—	304 012

In addition, the Bank decided to reclassify the expense 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 Interim Condensed Consolidated Statement of Profit and Loss for the three months ended March 31, 2021:

	<i>As previously reported</i>	<i>Effect of reclassification</i>	<i>Restated</i>
Interest expense	(1 927 995)	(19 564)	(1 947 559)
Fee expense	(89 535)	19 564	(69 971)
Gains for the period	304 012	—	304 012

In the interim condensed consolidated statement of changes in equity, revaluation, the reserve for gains and losses on financial assets measured at fair value through other comprehensive income and the reserve for gains and losses on investments in equity instruments were presented by separate items.

The table below shows the effect of respective reclassifications on disclosures in Interim Condensed Consolidated Statement of Changes in Equity for the three months ended March 31, 2021:

(UAH thousand, unless otherwise stated)

	<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>
January 01, 2021				
(as previously reported)	525 683	–	–	–
Effect of bringing in new format	(525 683)	1 013 287	(424 183)	(63 421)
January 01, 2021 (restated)	–	1 013 287	(424 183)	(63 421)
March 31, 2021				
(as previously reported)	206 135	–	–	–
Effect of bringing in new format	(206 135)	1 008 357	(738 574)	(63 648)
March 31, 2021 (restated)	–	1 008 357	(738 574)	(63 648)

In Interim Condensed Consolidated Statement of Cash Flows, the following reclassifications were implemented:

- ▶ (a) indebtedness to the National Bank of Ukraine is combined with indebtedness to credit institutions;
- ▶ (b) redemption of issued Eurobonds is combined with repayment of loans received from credit institutions;
- ▶ (c) net increase / (decrease) in other financial assets and net increase / (decrease) in other non-financial assets were presented by separate items;
- ▶ (d) net increase / (decrease) in other financial liabilities and net increase / (decrease) in other non-financial liabilities were presented by separate items.

The table below shows the effect of respective reclassifications on disclosures in Interim Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2021:

	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Indebtedness to the National Bank of Ukraine	(481 911)	481 911 ^(a)	–
Indebtedness to credit institutions	(776 887)	776 887 ^(a)	–
Net increase / (decrease) in the bank funds	–	(1 258 798) ^(a)	(1 258 798)
Redemption of issued Eurobonds	(9 473 372)	9 473 372 ^(c)	–
Repayment of loans received from credit institutions	(406 384)	406 384 ^(c)	–
Repayment of other borrowed funds	–	(9 879 756) ^(c)	(9 879 756)
Other assets	15 950	(15 950) ^(b)	–
Net increase / (decrease) in other financial assets	–	(52 470) ^(b)	(52 470)
Net increase / (decrease) in other assets	–	68 420 ^(b)	68 420
Other liabilities	(883 562)	883 562 ^(d)	–
Net increase / (decrease) in other financial liabilities	–	(885 647) ^(d)	(885 647)
Net increase / (decrease) in other liabilities	–	2 085 ^(d)	2 085

The respective changes were made in the comparative information presented in the notes to the interim condensed consolidated financial statements for the three months ended March 31, 2022.

Operating environment

In the first quarter of 2022, Ukraine's economy was affected by the escalation of the military threat of the Russian Federation and finally the full-scale military invasion of the Russian Federation into Ukraine, which began on February 24, 2022. The Russian Federation's attack on Ukraine has led to disruptions in supply chains, uneven demand, increased business costs and the physical destruction of enterprise assets. As a result, annual consumer inflation accelerated to 13.7% in March 2022 (from 10.7% in February 2022). At the same time, in order to curb inflationary pressures, the NBU and the Government of Ukraine have introduced a number of measures:

(UAH thousand, unless otherwise stated)

- UAH exchange rate against USD was fixed at the level of the official exchange rate on February 24, 2022 (UAH 29.2549 per USD), to promote the stability of prices for imported goods;
- reduction of taxes, including indirect taxation of imports;
- fixing of tariffs for electricity and administrative regulation of prices for fuel, some food and medicine.

According to the NBU preliminary estimates, Ukraine's economy will recover, Ukraine's GDP reduction is estimated not less than a third in 2022.

According to preliminary data of the NBU, the current account surplus in the first quarter of 2022 increased to USD 2.5 billion from USD -0.5 billion in the first quarter of 2021, due to a significant reduction in imports of goods (from 14.3 billion US dollars in the first quarter of 2021 to 13.7 billion US dollars in the first quarter of 2022) and an increase in the balance of secondary income to 2.0 billion US dollars in the first quarter of 2022 (from 1.1 billion US dollars in the first quarter of 2022) due to the growth of humanitarian aid.

The financial account in the first quarter of 2022 rose to USD 5.9 billion (from USD 0.5 billion), which is caused by significant amounts of cash outside banks (USD 2.7 billion) and trade credits (USD 3.9 billion).

Assets (net) of the banking system of Ukraine decreased to UAH 1,970 billion at the end of the first quarter of 2022 UAH - 84 billion. eq. (compared to December 2021), due to the reduction of investments in securities and long-term investments UAH -90 billion. Customers' funds decreased by UAH -46 billion (March 2022 to December 2021), the main factor in reducing resources were the funds of economic entities UAH -81 billion.

The banking sector of Ukraine suffered a loss of UAH 160 million in the first quarter of 2022, due to significant contributions to reserves of UAH 21.6 billion (an increase by UAH 19.6 billion compared to the first quarter of 2021).

This review of the macroeconomic environment is based on a previously published limited list of information and does not fully reflect the effects of the Russian Federation's attack on the economy of Ukraine.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2021, except for the adoption of the new Standards below effective as at 1 January 2022. The nature and the effect of these changes are provided below.

Amendments to IFRS 3 – “Reference to Conceptual Principles”

In May 2020, the IFRS Board issued amendments to IFRS 3 Business Combinations - Reference to Conceptual Principles. The purpose of these amendments is to replace the reference to the Concept of Preparation and Presentation of Financial Statements, issued in 1989, with the reference to the Conceptual Basis of Presentation of Financial Statements, issued in March 2018, without making significant changes to the requirements of the standard.

The Board also added an exception to the principle of recognition in IFRS 3 to avoid potential profit or loss on Day 2 for liabilities and contingent liabilities that would fall within the scope of IAS 37 or Clarification of IFRIC 21 “Mandatory Payments” if they arose from individual transactions.

At the same time, the Board decided to clarify the existing requirements of IFRS 3 for contingent assets, which will not be affected by the replacement of references to the Financial Reporting Concept.

These amendments do not have a material impact on the Bank's consolidated financial statements.

Amendments to IAS 16 – “Fixed assets: receipts for intended use”

In May 2020, the IFRS Board issued a document "Fixed assets: receipts for intended use", which prohibits organizations to deduct from the original cost of fixed assets any proceeds from the sale of products, produced in the process of delivery of this object to the location and bringing it to the condition required for its operation in accordance with the intentions of management. Instead, the organization recognizes the proceeds from the sale of such products, as well as the cost of production of these products as part of profit or loss.

(UAH thousand, unless otherwise stated)

These amendments do not have a material impact on the Bank's consolidated financial statements.

Amendments to IAS 37 – “Onerous Contracts – Contract Performance Costs”

In May 2020, the IFRS Board issued amendments to IAS 37, which clarify what costs an entity should consider when assessing whether a contract is onerous or unprofitable.

The amendments provide for an approach based on "costs directly attributable to the contract". Expenses directly related to the contract for the provision of goods or services include both additional costs for the performance of this contract and distributed costs directly related to the performance of the contract. General and administrative costs are not directly related to the contract and are therefore excluded, unless they are explicitly subject to reimbursement by the contractor.

These amendments do not have a material impact on the Bank's consolidated financial statements.

IFRS 9 “Financial Instruments” – “Commission Fees during “the 10% Test” for Derecognition of Financial Liabilities”

As part of the annual IFRS improvement process for the period 2018-2020, the IFRS Board has issued an amendment to IFRS 9. The amendment specifies the composition of the amounts of commission fees that the entity considers when assessing whether the terms of a new or modified financial liability differ significantly from the terms of the original financial liability.

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

This amendment does not have a material impact on the Bank's consolidated financial statements.

3. 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 aimed at servicing customers of municipalities and utilities sector, small and medium-sized business (including individual entrepreneurs) and the sale of products provided mainly in a standardized form (according to approved tariffs and standard procedures).
Retail banking	Business unit that focuses on servicing individuals (except individual entrepreneurs) on the full list of products, and selling products that are provided to individuals (population) 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 investment 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. Business units performance, as explained in the table below, is measured taking into account income and expenses from other business units.

Unallocated amounts include:

- income tax receivables and payables, the share of unallocated 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 personnel supporting directly the work of the top management;

(UAH thousand, unless otherwise stated)

- ▶ 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 the three months ended March 31, 2022, the Bank had revenues from transactions with a single external customer, that accounted for more than 10% of the Bank's total income, namely: UAH 894,173 thousand; (three months of 2021: UAH 901,645 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 the interim condensed consolidated profit and loss statement in the items "Interest income" and "Interest expenses".

The following table presents income and expenses, profit and loss, assets and liabilities of the Bank's operating segments for the three months ended March 31, 2022:

31 March 2022 (unaudited)	Corporate banking	Medium-sized business, municipalities and utilities sector	Retail banking	Interbank and investment business	Unallocated amounts	Total
External						
Interest income calculated using the effective interest method	1 457 722	169 457	4 704	1 114 307	–	2 746 190
Other interest income	49 563	8 196	–	279 560	–	337 319
Fee income	139 362	48 066	77 200	19 167	356	284 151
Other income	5 289	2 670	4 293	2 860	3 352	18 464
Net income from operations in financial instruments at fair value through profit or loss	–	–	–	64 955	260 996	325 951
Net income from operations with debt financial instruments at fair value through other comprehensive income	–	–	–	12 461	–	12 461
Net profit from trading in foreign currencies	14 140	13 329	9 384	104 062	–	140 915
Net profit from foreign currency revaluation	55 945	209	–	42 567	–	98 721
Gain arising from derecognition of financial assets measured at amortised cost	–	–	–	19 716	–	19 716
Income from other segments	787 631	319 300	313 220	1 053 597	(2 473 748)	–
Total income	2 509 652	561 227	408 801	2 713 252	(2 209 044)	3 983 888
Interest expense	(471 163)	(161 340)	(140 055)	(968 545)	(222)	(1 741 325)
Fee expense	(15 290)	(8 343)	(44 762)	(10 422)	(7 174)	(85 991)
Net loss from foreign exchange translation	–	–	–	–	(11 587)	(11 587)
Net loss from foreign currency revaluation	–	–	–	–	(1 319 951)	(1 319 951)
Expense on initial recognition of financial assets at interest rates above or below market	–	–	–	(317)	–	(317)
Impairment loss determined in accordance with IFRS 9	(1 866 337)	(108 290)	(4 969)	(12 273)	(10 468)	(2 002 337)
Personnel expenses	(154 053)	(147 509)	(120 722)	(35 291)	(155 918)	(613 493)
Depreciation and amortisation	(6 540)	(7 745)	(5 986)	(2 823)	(5 492)	(28 586)
Other administrative and operating expenses	(41 537)	(24 536)	(80 128)	(7 962)	(19 026)	(173 189)
Impairment loss for non-financial assets	–	–	–	–	(28 368)	(28 368)
Impairment loss arising from derecognition of financial assets measured at amortized cost	(26)	–	–	–	–	(26)
Expenses from other segments	(1 092 757)	(123 776)	(7 417)	(1 273 333)	2 497 283	–
Segment results	(1 138 051)	(20 312)	4 762	402 286	(1 269 967)	(2 021 282)
Income tax expenses						48
Loss for the period						(2 021 234)

(UAH thousand, unless otherwise stated)

<i>31 March 2022 (unaudited)</i>	<i>Corporate banking</i>	<i>Medium-sized business, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investment business</i>	<i>Unallocated amounts</i>	<i>Total</i>
Assets and liabilities as at 31 March 2022 (unaudited)						
Segment assets	73 714 477	6 163 826	1 690 889	102 780 547		184 349 739
Unallocated assets					3 635 166	3 635 166
Total assets						187 984 905
Segment liabilities	68 785 496	19 486 494	27 598 886	61 105 657		176 976 533
Unallocated liabilities					704 624	704 624
Total liabilities						177 681 157
Other segment information						
Capital expenditure	(1 779)	(2 051)	(1 827)	(749)	(1 457)	(7 863)

The following table presents income and expenses, profit and loss for three months ended March 31, 2021, and certain assets and liabilities of the Bank's operating segments as at December 31, 2021:

<i>March 31, 2021 (unaudited)</i>	<i>Corporate banking</i>	<i>Medium-Sized banking, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External						
Interest income calculated using the effective interest method	967 770	75 717	9 875	1 297 417	—	2 350 779
Other interest income	77 807	—	—	302 307	—	380 114
Fee income	92 284	47 012	68 102	14 275	—	221 673
Other income	23 505	1 497	2 563	1 052	5 046	33 663
Net income from operations with financial instruments at fair value through profit or loss	—	—	—	584 094	—	584 094
Net income from operations with financial instruments measured at fair value through other comprehensive income	—	—	—	5 339	—	5 339
Net income from foreign currency transactions	47 246	14 920	2 890	61 621	—	126 677
Net income from trading in foreign currencies	—	—	40	13 534	332 877	346 451
Gains on initial recognition of financial assets at interest rates above or below market	—	—	—	290	—	290
Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	—	24 169	—	22 807	233	47 209
Impairment gain and reversal of impairment loss for non-financial assets	—	—	—	—	10 153	10 153
Income from other segments	1 238 845	294 767	417 286	1 001 832	(2 952 730)	—
Total income	2 447 457	458 082	500 756	3 304 568	(2 604 421)	4 106 442
Interest expense	(625 409)	(163 437)	(240 571)	(917 899)	(243)	(1 947 559)
Fee expense	(13 845)	(10 631)	(32 701)	(2 601)	(10 193)	(69 971)
Net loss from financial instruments at fair value through profit or loss	—	—	—	—	(990 975)	(990 975)
Net loss from trading in foreign currencies	—	—	—	—	(11 892)	(11 892)
Impairment loss determined in accordance with IFRS 9	(156 006)	—	(1 337)	—	—	(157 343)
Employee benefits expense	(105 976)	(102 384)	(99 030)	(29 099)	(96 317)	(432 806)
Amortisation expense	(6 191)	(7 808)	(9 032)	(1 021)	(5 087)	(29 139)
Other administrative and operating expenses	(28 292)	(19 020)	(83 734)	(4 993)	(26 706)	(162 745)
Expenses from other segments	(1 177 113)	(54 121)	(8 833)	(1 442 787)	2 682 854	—
Segment results	334 625	100 681	25 518	906 168	(1 062 980)	304 012
Profit for the period						304 012

Assets and liabilities as at

(UAH thousand, unless otherwise stated)

<i>March 31, 2021 (unaudited)</i>	<i>Corporate banking</i>	<i>Medium-Sized banking, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
December 31, 2021						
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
Total assets						192 093 532
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
Total liabilities						179 640 787
Other segment information						
Capital expenditure	(1 233)	(1 564)	(3 552)	(206)	(1 027)	(7 582)

Geographical information

Most revenues and capital investments relate to Ukraine. The Bank has no significant revenue from other countries.

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Cash		
Cash on hand	1 335 247	1 344 580
Current account with the National Bank of Ukraine	7 590 061	2 479 707
Correspondent accounts with banks	23 030 050	15 778 690
Overnight deposits and loans with banks	1 133 216	2 924 272
	33 088 574	22 527 249
Cash equivalents		
Deposit certificates issued by the National Bank of Ukraine	–	16 004 872
Short term deposits classified as cash equivalents	–	4 367 064
	–	20 371 936
Less: allowance for expected credit losses	(14 950)	(16 814)
Cash and cash equivalents	33 073 624	42 882 371

5. Changes in liabilities in financial activities

Changes in liabilities in financial activities were as follows:

	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Carrying amount at 1 January 2022	28 820 004	3 605 597	6 099	32 431 700
Repayments	(2 860 884)	(293 196)	(1 140)	(3 155 220)
Translation differences	1 824 604	248 444	–	2 073 048
Other	(67 755)	59 808	2 220	(5 727)
Carrying amount at 31 March 2022 (unaudited)	27 715 969	3 620 653	7 179	31 343 801
	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Carrying amount at 1 January 2021	43 108 994	4 341 176	7 291	47 457 461
Proceeds	873 681	–	–	873 681
Repayments	(9 879 756)	(290 505)	(890)	(10 171 151)
Translation differences	(854 987)	(59 869)	–	(914 856)

(UAH thousand, unless otherwise stated)

	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Other	(373 922)	45 383	421	(328 118)
Carrying amount at 31 March 2021 (unaudited)	32 874 010	4 036 185	6 822	36 917 017

“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 March 2022, "Other borrowings" includes funds in the amount of UAH 687,515 thousand belonging to non-resident banks, which are included in "Due to other banks" of the consolidated statement of financial position (31 December 2021: UAH 1,643,168 thousand).

As at 31 March 2022, "Other borrowings" does not include funds in the amount of UAH 60,875 thousand, attracted from Ukrainian financial institutions, which were included in the category of funds for operating activities of the consolidated statement of cash flows (31 December 2021: UAH 60,818 thousand).

6. Expenses for expected credit losses

The tables below show the amounts of expenses for expected credit losses recorded in profit and loss.

**For three months ended March 31,
2022
(unaudited)**

	<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	(2 682)	—	—	—	—	—	(2 682)
Loans and advances to banks	307	—	162	(6)	—	—	463
Loans and advances to customers	355 025	76 785	285 909	436 824	382 577	423 396	1 960 516
Recovery of previously written-off assets	—	—	—	(4 279)	(28 689)	—	(32 968)
Investment securities at fair value through other comprehensive income	18 740	—	—	—	—	—	18 740
Investment securities at amortized cost	(5 544)	—	—	—	—	—	(5 544)
Other financial assets	2 744	—	—	—	—	—	2 744
Financial guarantees	(2 226)	—	—	—	—	—	(2 226)
Undrawn loan commitments	21 891	29 070	6 127	9 332	—	—	66 420
Letters of credit	(3 112)	—	—	—	—	—	(3 112)
Avals on promissory notes	(14)	—	—	—	—	—	(14)
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	385 129	105 855	292 198	441 871	353 888	423 396	2 002 337

**For three months ended 31 March
2021
(unaudited)**

	<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	(9 146)	—	—	—	—	—	(9 146)
Loans and advances to banks	(90)	—	—	—	8 621	—	8 531
Loans and advances to customers	111 124	(58 361)	(282 945)	(62 284)	(12 593)	371 016	65 957
Recovery of previously written-off assets	—	—	—	(662)	(32 894)	—	(33 556)
Investment securities at fair value through other comprehensive income	(71)	—	(7 700)	—	—	—	(7 771)
Investment securities at amortized cost	(14 397)	—	—	—	—	—	(14 397)
Other financial assets	429	—	—	—	—	—	429
Financial guarantees	6	—	—	—	—	—	6
Undrawn loan commitments	110 125	(3 520)	—	(2 582)	—	—	104 023
Letters of credit	(3 952)	—	—	—	—	—	(3 952)
Avals on promissory notes	10	—	—	—	—	—	10

(UAH thousand, unless otherwise stated)

For three months ended 31 March 2021 (unaudited)	Stage 1 collective	Stage 2 collective	Stage 2 individual	Stage 3 collective	Stage 3 individual	POCI	Total
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	194 038	(61 881)	(290 645)	(65 528)	(36 866)	371 016	110 134

Expenses for expected credit losses on purchased and originated credit-impaired financial assets ("POCI") recognized in profit or loss for the period ended March 31, 2022, include the amount of adjustment of the gross carrying amount of POCI in the amount of UAH 5,374 thousand (for the period ended 31 March 2021: UAH 13,885 thousand).

7. Loans and advances to banks

	31 March 2022 (unaudited)	31 December 2021
Loans and advances to banks		
Deposits in other banks	472 095	8 138 142
short-term	103 454	7 807 763
long-term	368 641	330 379
Loans to other banks	141 394	132 028
long-term	141 394	132 028
Total amount of loans and advances to banks	613 489	8 270 170

As at 31 March 2022, loans and advances to banks include funds in the amount of UAH 517,539 thousand, placed with banks of Ukraine (31 December 2021: UAH 8,209,543 thousand), banks of other countries – UAH 182,471 thousand (31 December 2021: UAH 182,394 thousand), OECD banks – UAH 253,275 thousand (31 December 2021: UAH 216,803 thousand).

As at March 31, 2022, loans and advances to banks are accounted for at amortised cost, except for current accounts in precious metals in the amount of UAH 76,817 thousand (31 December 2021: UAH 52,274 thousand), at fair value through profit or loss.

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

	Stage 1 collective	Stage 2 individual	Stage 3 collective	Stage 3 individual	Total
Allowance at 1 January 2022	8 320	–	74 435	255 815	338 570
New assets originated or purchased	9 862	–	–	–	9 862
Assets completed/(repaid)	(10 630)	–	(6)	–	(10 636)
Transfer to Stage 2	(198)	198	–	–	–
Transfer to Stage 3	(6)	–	6	–	–
Changes in allowances	1 075	162	–	–	1 237
Translation difference	744	–	19	–	763
Allowance at 31 March 2022 (unaudited)	9 167	360	74 454	255 815	339 796

	Stage 1 collective	Stage 3 collective	Stage 3 individual	Total
Allowance at 1 January 2021	3 194	74 466	708 599	786 259
New assets originated or purchased	11 030	–	–	11 030
Assets completed/(repaid)	(10 825)	–	–	(10 825)
Modifications in allowance	(295)	–	8 621	8 326
Translation difference	(146)	(16)	(653)	(815)
Allowance at 31 March 2022 (unaudited)	2 958	74 450	716 567	793 975

(UAH thousand, unless otherwise stated)

8. Loans and advances to customers

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

	31 March 2022 (unaudited)	31 December 2021
Legal entities	60 999 026	57 322 750
State entities	35 364 126	27 878 541
Individuals	1 528 858	1 455 413
	97 892 010	86 656 704
Less: reserve for expected credit losses	(20 073 959)	(17 321 842)
Loans and advances to customers	77 818 051	69 334 862

As at 31 March 2022, loans to state entities include loans to state administration authorities in the amount of UAH 5,846,939 thousand (as of 31 December 2021: UAH 5,520,379 thousand).

Legal entities

The tables below show an analysis of changes in provisions:

	Stage 1 collective	Stage 2 collective	Stage 2 individual	Stage 3 collective	Stage 3 individual	POCI	Total
Allowance at 1 January 2022	1 020 730	72 590	138 134	907 715	8 918 077	4 121 967	15 179 213
New assets originated or purchased	49 162	–	–	–	–	–	49 162
Assets completed/(repaid)	(9 204)	–	–	(1)	(202)	–	(9 407)
Transfer to Stage 1	12 959	(12 959)	–	–	–	–	–
Transfer to Stage 2	(227 022)	82 328	144 694	–	–	–	–
Transfer to Stage 3	(148 254)	(526)	–	78 994	69 786	–	–
Interest income adjustment	–	–	–	4 636	41 686	28 573	74 895
Modifications in allowance	(22 887)	75 122	152 984	466 232	382 779	428 770	1 483 000
Translation difference	46 667	2 420	6 563	23 652	530 259	2 048	611 609
Allowance at 31 March 2022 (unaudited)	722 151	218 975	442 375	1 481 228	9 942 385	4 581 358	17 388 472

	Stage 1 collective	Stage 2 collective	Stage 2 individual	Stage 3 collective	Stage 3 individual	POCI	Total
Allowance at 1 January 2021	386 157	259 790	470 962	760 030	39 015 411	3 555 997	44 448 347
New assets originated or purchased	125 852	–	–	–	–	–	125 852
Assets completed/(repaid)	(11 062)	(52 877)	–	(8 337)	–	–	(72 276)
Transfer to Stage 1	25	(25)	–	–	–	–	–
Transfer to Stage 2	(61 408)	58 456	2 952	–	–	–	–
Transfer to Stage 3	(6 629)	(2 699)	–	9 328	–	–	–
Interest income adjustment	–	–	–	7 648	379 137	121 316	508 101
Modifications in allowance	(25 983)	(6 095)	(100 611)	11 879	(12 562)	384 901	251 529
Translation difference	(10 355)	(11 200)	(23 592)	(3 326)	(845 535)	(728)	(894 736)
Allowance at 31 March 2021 (unaudited) (recalculated)	396 597	245 350	349 711	777 222	38 536 451	4 061 486	44 366 817

State entities

The tables below show an analysis of changes in provisions:

	Stage 1 collective	Stage 2 collective	Stage 2 individual	Stage 3 collective	Total
Allowance at 1 January 2022	425 092	163	342 045	86 406	853 706
New assets originated or purchased	322 807	–	–	–	322 807
Assets completed/(repaid)	(2 136)	(5)	–	(32 832)	(34 973)
Transfer to Stage 2	(279)	279	–	–	–
Transfer to Stage 3	(33 233)	–	–	33 233	–
Transfer to POCI	–	–	–	(7 877)	(7 877)

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>		<i>Total</i>
Interest income adjustment	–	–	–	2 618		2 618
Modifications in allowance	16 330	52	132 925	551		149 858
Translation difference	7 907	–	24 769	527		33 203
Allowance at 31 March 2022 (unaudited)	736 488	489	499 739	82 626		1 319 342

	<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>
Allowance at 1 January 2021	100 604	697	691 802	121 416	55	914 574
New assets originated or purchased	7 129	–	–	–	–	7 129
Assets completed/(repaid)	(119)	–	–	(6 882)	–	(7 001)
Transfer to Stage 3	(6 883)	(697)	–	7 580	–	–
Interest income adjustment	–	–	–	(26)	–	(26)
Modifications in allowance	13 277	–	(182 334)	(57 257)	(31)	(226 345)
Translation difference	(339)	–	(9 529)	(148)	–	(10 016)
Allowance at 31 March 2021 (unaudited) (recalculated)	113 669	–	499 939	64 683	24	678 315

Individuals

The tables below show an analysis of changes in provisions:

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>Total</i>
Allowance at 1 January 2022	2 305	1 209	1 285 409	1 288 923
New assets originated or purchased	411	–	–	411
Assets completed/(repaid)	(190)	(99)	(295)	(584)
Transfer to Stage 1	184	(184)	–	–
Transfer to Stage 2	(1 947)	2 011	(64)	–
Transfer to Stage 3	(296)	(1 196)	1 492	–
Interest income adjustment	–	–	1 305	1 305
Modifications in allowance	732	1 715	3 169	5 616
Translation difference	3	8	70 463	70 474
Allowance at 31 March 2022 (unaudited)	1 202	3 464	1 361 479	1 366 145
	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>Total</i>
Allowance at 1 January 2021	1 974	957	2 019 488	2 022 419
New assets originated or purchased	714	–	–	714
Assets completed/(repaid)	(292)	(100)	(1 222)	(1 614)
Transfer to Stage 1	239	(239)	–	–
Transfer to Stage 2	(638)	638	–	–
Transfer to Stage 3	(408)	(618)	1 026	–
Interest income adjustment	–	–	9 340	9 340
Written off assets	–	–	(585 234)	(585 234)
Modifications in allowance	1 608	711	(465)	1 854
Translation difference	(2)	(8)	(45 402)	(45 412)
Allowance at 31 March 2021 (unaudited) (recalculated)	3 195	1 341	1 397 531	1 402 067

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

(UAH thousand, unless otherwise stated)

measurement purposes, unless the new loan is deemed to be POCL.

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 related modification loss:

	<i>For the period ended March 31</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	
Loans to customers modified during the period		
Amortised cost before modification	924 613	5 257 831
Net modification (loss)/gain	(1 599)	319

The impact of military aggression and the imposition of martial law in Ukraine

The status of a state-owned Bank specializing in the financing of export-import transactions 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 defense, food provisioning and humanitarian purposes, in particular in order 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 has identified a list of sectors of the economy to which it will provide priority credit support, namely the military-industrial complex, critical imports, the agricultural sector, the fuel and energy sector, infrastructure projects, export-oriented industries, humanitarian and social projects.

To date, the Bank has restricted foreign currency lending and will continue to provide credit support mostly in the national currency. Lending will be in foreign currency within the programs of international financial organizations (IBRD, EBRD, EIB), both current and new programs.

In order to support its customers faced with force majeure related to the military aggression of the Russian Federation against Ukraine, the Bank made a public decision to provide credit vacation for all borrowers - legal entities and individuals: payment deadlines on the principal debt, interest, commissions accrued as of 23.02.2022 and within the period from 24.02.2022 to 31.05.2022 are postponed till 30.06.2022. Borrowers - legal entities whose production assets have not been damaged as a result of hostilities and who are able to carry out operating activities, receiving income, continue to service debt to the Bank, paying interest.

The Russian military invasion to Ukraine necessitated an extraordinary revision of approaches and refinement of methods for estimating expected credit losses, including more detailed portfolio segmentation, application of expert judgments, and prompt processing of information on the current and projected state of hostilities and their impact on assets, operating activities, financial condition of debtors and their ability to meet monetary obligations to the Bank. Thus, the Bank reclassified the loan portfolio in stages, in particular, debtors whose main assets are located in the temporarily occupied territories and territories where active hostilities are taking place (depending on whether they have other assets, their ability to conduct or resume operating activities, including taking into account the forecasts for the liberation of the respective territories / cessation of active hostilities and their return to the control of Ukraine), as well as borrowers located in other territories, based on the risks of damage to property and assess their ability to conduct operating activities in the current conditions, forecasts of changes in the situation, were reclassified in stages and some debtors were transferred to Stage 2 or Stage 3. At the same time, for debtors with significant amounts of debt (regardless of whether the asset stage was worsened or whether it was classified as Stage 2 or Stage 3 before the war), the scenarios of receiving cash flows for debt repayment were revised, which involved changing repayment schedules and expert assessment of their receipt in different scenarios of further events. In addition, the calculation reduced to zero the expected cash flows from the sale of collateral which was destroyed during the hostilities. Besides, the Bank made calculations to determine the increase in the amount of the provision due to the war (calculation without applying appropriate changes to the methods and approaches to evaluation and comparing the result with the one of the calculation with the corresponding changes).

According to the Bank's estimates, the increase in the provision for the 1st quarter of 2022 on loans, caused by the war, is UAH 1,667,937.2 thousand. The Bank will continue to collect and process information to ensure an adequate assessment of credit risks despite the uncertainties caused by the war.

(UAH thousand, unless otherwise stated)

9. Investments in securities

Investments in securities include:

	31 March 2022 (unaudited)	31 December 2021
Investment securities at fair value through profit or loss	23 565 100	23 319 112
Investment securities at fair value through other comprehensive income	17 898 449	12 737 353
Investment securities at amortized cost	28 093 882	30 139 375
Investments in securities	69 557 431	66 195 840

Investment securities at fair value through profit or loss

As at 31 March 2022, investment securities at FVPL with the carrying amount of UAH 23,565,100 thousand (31 December 2021: UAH 23,319,112 thousand) are represented by Ukrainian state bonds. The conditions of issue of those securities provide for indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of 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 March 2022, the state bonds with a carrying amount of UAH 19,904,943 thousand are pledged as collateral on loans received from the NBU (31 December 2021: UAH 11,290,760 thousand) (Note 13).

Investment securities at fair value through other comprehensive income

	31 March 2022 (unaudited)	31 December 2021
Ukrainian state bonds	17 592 629	12 430 319
Corporate bonds	283 656	283 786
Corporate shares	22 164	23 248
Investment securities at fair value through other comprehensive income	17 898 449	12 737 353

As at 31 March 2022, Ukrainian state bonds with carrying amount of UAH 8,702,701 thousand are pledged as collateral for loans received from the NBU (31 December 2021: UAH 7,529,195 thousand) (Note 13).

As at 31 March 2022, Ukrainian state bonds with carrying amount of UAH 82,776 thousand are pledged as collateral for loans received from credit institutions (31 December 2021: UAH 86,548 thousand) (Note 14).

As at 31 March 2022, Ukrainian state bonds with carrying amount of UAH 305,994 thousand are used to form a guarantee fund for interest rate swaps (31 December 2021: UAH 1,095,864 thousand) (Note 12).

The Bank has, in its sole discretion, classified certain investments in equity instruments as investments in equity instruments that are measured at fair value through other comprehensive income on the basis that they are not intended for trading. Such investments mainly include mandatory investments in the capital of exchanges and clearing houses, investments resulting from the Bank's receipt of equity shares in exchange for debt repayment, and strategic investments in other banks.

The tables below show an analysis of changes in the related reserves for investment securities at fair value through other comprehensive income:

	Stage 1 collective
Allowance at 1 January 2022	39 108
New assets originated or purchased	19 705
Assets repaid	(932)
Modifications in allowance	(33)
Sold assets	(4 141)
Translation difference	148
Allowance at 31, March 2022 (unaudited)	53 855

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 individual</i>	<i>Total</i>
Allowance at 1 January 2021	37 972	22 175	4 218 021	4 278 168
New assets originated or purchased	6 149	—	—	6 149
Assets repaid	(5 458)	—	—	(5 458)
Modifications in allowance	(762)	(7 700)	—	(8 462)
Sold assets	(907)	—	—	(907)
Translation difference	(110)	—	—	(110)
Allowance at 31 March 2021 (unaudited)	36 884	14 475	4 218 021	4 269 380

Investment securities at amortized cost

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Ukrainian state bonds	14 269 914	16 417 048
Corporate bonds	13 644 360	13 546 887
Municipal bonds	222 550	222 378
	28 136 824	30 186 313
Less: allowance for expected credit losses	(42 942)	(46 938)
Investment securities at amortized cost	28 093 882	30 139 375

As at 31 March 2022, state bonds with carrying amount of UAH 6,827,815 thousand are pledged as collateral on loans received from the NBU (31 December 2021: UAH 6,983,949 thousand) (Note 13).

As at March 31, 2022, corporate bonds with carrying amount of UAH 8,450,605 thousand are pledged as collateral on loans received from the NBU (31 December 2021: UAH 8,372,405 thousand) (Note 13).

The tables below show an analysis of modifications in the related allowance for investment securities at amortised cost:

	<i>Stage 1 collective</i>
Allowance at 1 January 2022	46 938
New assets originated or purchased	9 213
Assets repaid	(14 572)
Modifications in allowance	(185)
Translation difference	1 548
Allowance at March 31, 2022 (unaudited)	42 942
	<i>Stage 1 collective</i>
Allowance at 1 January 2021	55 471
New assets originated or purchased	11 896
Assets repaid	(26 202)
Modifications in allowance	(91)
Translation difference	(729)
Allowance at March 31, 2021 (unaudited)	40 345

10. Other financial assets and other financial liabilities

Other financial assets comprise:

(UAH thousand, unless otherwise stated)

	<i>31 March 2022</i> <i>(unaudited)</i>	<i>31 December 2021</i>
Transit accounts on operations with payment cards	95 590	119 363
Accounts receivable on operations with customers	68 546	63 485
Other accrued income	62 856	62 812
Accrued service fee on financial guarantees issued	26 227	18 281
Other	428	121
	253 647	264 062
Less: allowance for expected credit losses	(91 637)	(86 466)
Total other financial assets	162 010	177 596

Other financial liabilities include:

	<i>31 March 2022</i> <i>(unaudited)</i>	<i>31 December 2021</i>
Transit accounts on operations with customers	442 438	496 093
Transit accounts on operations with payment cards	56 283	61 132
Liabilities on financial guarantees issued	19 715	22 264
Accrued expenses	11 628	10 430
Lease commitments	7 179	6 099
Total other financial liabilities	537 243	596 018

The following tables show the analysis of changes in allowance of other financial assets:

	<i>Stage 1</i> <i>collective</i>
Allowance at 1 January 2022	86 466
New assets originated or purchased	5 212
Assets completed/(repaid)	(5 750)
Modifications in allowance	3 282
Translation difference	2 427
Allowance at March 31, 2022 (unaudited)	91 637
	<i>Stage 1</i> <i>collective</i>
Allowance at 1 January 2021	97 061
New assets originated or purchased	2 560
Assets completed/(repaid)	(2 713)
Modifications in allowance	582
Translation difference	(1 738)
allowance at 31 March 2021 (unaudited)	95 752

11. Other non-financial assets and other non-financial liabilities

Other non-financial assets include:

	<i>31 March 2022</i> <i>(unaudited)</i>	<i>31 December 2021</i>
Advance payments	161 545	133 060
Other tax assets, except those related to income tax	79 890	98 721
Cash, which availability is not confirmed	36 433	34 413

(UAH thousand, unless otherwise stated)

	31 March 2022 (unaudited)	31 December 2021
Inventories	33 656	30 845
Reposessed pledged property	33 112	33 112
Precious metals	2 516	29 979
Other	1 984	1 752
	349 137	361 882
Less: allowance for impairment	(99 985)	(69 599)
Total other nonfinancial assets	249 151	292 283

Other non-financial liabilities include:

	31 March 2022 (unaudited)	31 December 2021
Accrued salary	158 541	209 423
Accrued unused vacations	158 602	135 812
Payables to the Individual Deposit Guarantee Fund	51 532	50 952
Deferred income	30 504	51 449
Payables on taxes and mandatory contributions, except for income tax	24 423	30 750
Payables on the Bank's business activities	3 137	16 664
Other	10 963	306
Total other non-financial liabilities	437 702	495 356

The following tables show the analysis of impairment losses of other non-financial assets:

Allowance at 1 January 2022	69 599
Accrued	28 368
Translation difference	2 018
Allowance at 31 March 2022 (unaudited)	99 985
Allowance at 1 January 2021	95 009
Reversal	(10 153)
Translation difference	(674)
Allowance at 31 March 2021 (unaudited)	84 182

12. Derivative financial instruments

The Bank conducts transactions with various derivative financial instruments, including forward transactions and swaps in the foreign exchange market, as well as interest rate swaps.

Forward transactions

The Bank enters into agreements certifying the obligation to purchase (sell) foreign currency at a specified time and on specified terms in the future with a fixation of the price of such sale (purchase) at the time of concluding the agreement.

Currency swap

The Bank conducts currency exchange operations, as a result of which the Bank is obliged to provide one currency in exchange for another one 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 taking into account one notional amount during the agreement validity. 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.

(UAH thousand, unless otherwise stated)

As at 31 March 2022, 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	81 888	79 673	2 215	–
Interest rate swap	8 647 406	–	618 179	–

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	417 694	417 496	205	7
Interest rate swap	8 647 406	–	582 412	–

To form the guarantee fund for interest rate swap operations, the Bank used investment securities – Ukrainian state bonds with the carrying amount of UAH 305,994 thousand (31 December 2021: UAH 1,095,864 thousand) (Note 9).

13. Due to other banks

Due to banks comprise:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Amount due to the National Bank of Ukraine		
Correspondent account with the National Bank of Ukraine	1 170	362
Loans from the National Bank of Ukraine	26 866 828	21 366 867
	26 867 998	21 367 229
Amounts due to banks		
Current accounts	2 374 999	2 418 887
Loans and deposits	809 362	1 754 600
Other amounts due to credit institutions	38 570	36 655
	3 222 931	4 210 142
Amounts due to banks	30 090 929	25 577 371

The amounts due to the National Bank of Ukraine on all refinancing loans are secured by investment securities – Ukrainian state bonds with the carrying amount of UAH 35,435,459 thousand and corporate bonds with the carrying amount of UAH 8,450,605 thousand (Note 9) (31 December 2021: state bonds with a carrying amount of UAH 28,080,477 thousand and corporate bonds with a carrying amount of UAH 83,551 thousand).

For the purposes of the consolidated cash flow statement presentation, the Bank allocates the funds due to banks between the operating and financing activities. The loans and deposits raised from non-resident banks were included in the category of funds for financing activities, and all other components of due to banks – for operating activities.

14. Other borrowed funds

Other borrowed funds include:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Loans from international financial institutions	22 352 533	21 451 751
Loans of other financial institutions	60 875	60 818
Issued Eurobonds	4 675 921	5 725 085
Other borrowed funds	27 089 329	27 237 654

(UAH thousand, unless otherwise stated)

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 – state bonds with a carrying amount of UAH 82,776 thousand (31 December 2021: UAH 86,548 thousand) (Note 9).

Issued Eurobonds

	<i>31 March 2022</i> <i>(unaudited)</i>			<i>31 December 2021</i>		
	<i>Debt balance</i> <i>(thous.)</i>	<i>Currency</i>	<i>Carrying amount</i>	<i>Debt balance</i> <i>(thous.)</i>	<i>Currency</i>	<i>Carrying amount</i>
Issue of April 2010	22 928	USD	698 369	22 928	USD	636 295
Issue of January 2013	101 416	USD	3 023 640	139 764	USD	3 975 535
Issue of October 2010	11 464	USD	349 184	11 464	USD	318 148
Issue of April 2013	20 283	USD	604 728	27 953	USD	795 107
Issued Eurobonds			4 675 921			5 725 085

15. Customer accounts

Customer accounts comprise:

	<i>31 March</i> <i>2022</i> <i>(unaudited)</i>	<i>31 December</i> <i>2021</i>
Current accounts:		
Legal entities	46 702 552	52 248 550
Budget financed organizations	16 496 717	11 141 261
Individuals	8 238 345	6 086 642
	71 437 614	69 476 453
Time deposits:		
Legal entities	18 422 817	26 350 834
Individuals	17 874 799	19 088 954
Budget financed organizations	2 223 010	-
	38 520 626	45 439 788
Demand deposits:		
Legal entities	4 332 955	5 381 130
Individuals	1 251 115	1 540 865
	5 584 070	6 920 995
Customer accounts	115 542 310	121 837 236
Held as security against guarantees and avals (Note 17)	1 753 184	3 149 849
Held as security against loans to customers (Note 8)	1 098 572	794 067
Held as security against letters of credit (Note 17)	953 199	570 403
Held as security against undrawn loan commitments (Note 17)	1 681	26 147

As at 31 March 2022 customer accounts included attracted deposits and current accounts in gold, which are measured at fair value with revaluation through profit or loss, in the amount of UAH 51,973 thousand. (December 31, 2021: UAH 45,321 thousand). The change in the fair value of funds raised in gold, which is due to changes in credit risk, as of 31 March 2022 is not available (31 December 2021: not available).

16. Equity

As at 31 March 2022, the Bank's authorised capital comprised 31,168,806 ordinary registered shares (December 31, 2021: 31,168,806 ordinary registered shares) with a nominal value of UAH 1,462.04 per share (December 31, 2021: UAH 1,462.04 per share). As at 31 March 2022, 31,168,806 ordinary registered shares were fully paid and registered (December 31, 2021: 31,168,806 ordinary registered shares were fully paid and registered).

(UAH thousand, unless otherwise stated)

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.

By Resolution of the Cabinet of Ministers of Ukraine dated 03.03.2022 № 183 “Certain issues of dividend payment by state-owned banks in 2022” the basic rate of deduction of profit, which is directed to the state budget as dividend payment by JSC “Ukreximbank” based on results of financial and economic activities in 2021, was approved.

In the first quarter of 2022 the Bank made an advance deduction of part of the profit for the payment of dividends on financial and economic activities in 2021 in the amount of UAH 1,364,209 thousand, which as at 31 March 2022 is reflected in “Current tax assets” of the consolidated financial statements. In accordance with Article 57 of the Tax Code of Ukraine, the Bank accrued and paid to the budget an advance on income tax in the amount of UAH 245,558 thousand.

Movements in other reserves

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>
At 1 January 2021	1 013 287	(424 183)	(63 421)	525 683
Depreciation of revaluation reserve, net of tax	(4 930)	—	—	(4 930)
Net (losses)/gains on investment securities at fair value through other comprehensive income, including:	—	(314 391)	(227)	(314 618)
Reversal of expenses on expected credit losses on investment securities at fair value through other comprehensive income	—	(7 771)	—	(7 771)
Net realised gains from operations with debt financial instruments measured at fair value through other comprehensive income	—	(5 339)	—	(5 339)
Net unrealised (losses) / gains on investment securities at fair value through other comprehensive income	—	(301 281)	(227)	(301 508)
Income tax related to components of other comprehensive income	—	—	—	—
As at 31 March 2021 (unaudited)	1 008 357	(738 574)	(63 648)	206 135
At 1 January 2022	926 276	(962 130)	(62 775)	(98 629)
Depreciation of revaluation reserve, net of tax	(4 565)	—	—	(4 565)
Net (losses)/gains on investment securities at fair value through other comprehensive income, including:	—	(126 679)	(1 084)	(127 763)
Expenses for expected credit losses on investment securities at fair value through other comprehensive income	—	18 740	—	18 740
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	—	(12 461)	—	(12 461)

(UAH thousand, unless otherwise stated)

	<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>
Net unrealised (losses) / gains on investment securities at fair value through other comprehensive income	–	(132 958)	(1 084)	(134 042)
Income tax related to components of other comprehensive income	–	–	–	–
At 31 March 2022 (unaudited)	921 711	(1 088 809)	(63 859)	(230 957)

17. Loan commitments

Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts of the Bank comprise:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Undrawn loan commitments	21 895 790	14 028 060
Financial guarantees	2 398 319	1 566 433
Letters of credit	1 986 586	1 568 278
Avals on promissory notes	415 701	400 443
	26 696 396	17 563 214
Less: provisions	(362 431)	(290 987)
Loan commitments and financial guarantee contracts (before deducting cash held as security)	26 333 965	17 272 227
Less: cash held as security against letters of credit, avals, finance guarantees and loan commitments	(1 250 044)	(1 047 866)
Loan commitments and financial guarantee contracts	25 083 921	16 224 361

The following tables show the analysis of changes in provisions for credit-related commitments:

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Total</i>
Provision for credit-related commitments as at					
1 January 2022	248 247	76	–	593	248 916
New liabilities originated or purchased	138 587	–	–	–	138 587
Liabilities completed/(settled)	(93 890)	(19)	–	(365)	(94 274)
Transfer to Stage 1	24	(8)	–	(16)	–
Transfer to Stage 2	(60 398)	5 893	54 511	(6)	–
Transfer to Stage 3	(448)	(42)	–	490	–
Modifications in allowance	(22 806)	29 089	6 127	9 697	22 107
Translation differences	8 584	(44)	–	–	8 540
Provision for credit-related commitments at 31 March 2022 (unaudited)	217 900	34 945	60 638	10 393	323 876

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>Total</i>
Provision for credit-related commitments at 1 January 2021	126 706	3 713	402	130 821
New liabilities originated or purchased	139 963	—	—	139 963
Liabilities completed/(settled)	(47 882)	(8 876)	(140)	(56 898)
Transfer to Stage 1	43	(43)	—	—
Transfer to Stage 2	(311)	331	(20)	—
Transfer to Stage 3	(47 439)	(80)	47 519	—
Modifications in allowance	18 044	5 356	(2 442)	20 958
Translation differences	(1 321)	(25)	(226)	(1 572)
Provision for credit-related commitments at 31 March 2021 (unaudited)	187 803	376	45 093	233 272

Performance guarantees

Performance guarantees are an agreement to provide compensation if a counterparty fails to perform its contractual obligations. Performance guarantees are not exposed to credit risk. The risk is related to the possibility of failure to perform the contractual obligations by the counterparty.

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Performance guarantees	6 511 774	6 330 080
Less: provisions	(561)	(561)
Commitments related to performance guarantees (before deducting cash held as security)	6 511 213	6 329 519
Less: cash held as security against performance guarantees (Note14)	(1 458 020)	(2 698 533)
Commitments related to performance guarantees	5 053 193	3 630 986

The provision for performance guarantees is included in other commitments.

Financial covenants

The Bank is a party to various agreements with other credit institutions, which contain requirements for the implementation of financial performance and overall risk structure of the Bank (capital adequacy, liquidity, credit risks). The benchmarks of indicators are set by the terms of agreements, other documents agreed upon by the parties to the agreements, with reference to both international and local regulatory requirements.

These financial covenants may restrict the Bank's ability to follow certain business strategies and be engaged in other significant future transactions.

Pledged assets

The Bank pledges as collateral assets stated in the consolidated financial statements in terms of various current transactions carried out under the normal conditions applicable to such agreements.

Assets pledged by the Bank as collateral:

(UAH thousand, unless otherwise stated)

	<i>31 March 2022 (unaudited)</i>	<i>31 March 2021</i>		<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
<i>Liability type</i>	<i>Liability amount</i>		<i>Asset type</i>	<i>Asset carrying amount</i>	
NBU refinancing loans	26 866 828	21 366 867	Ukrainian state bonds at fair value through profit or loss	19 904 943	11 290 760
			Ukrainian state bonds at fair value through other comprehensive income	8 702 701	7 529 194
			Ukrainian state bonds at amortized cost	19 904 943	6 983 949
			Corporate bonds	8 450 605	8 372 405
NBU interest rate swap (notional amount)	8 647 406	8 647 406	Ukrainian state bonds at fair value through other comprehensive income	305 994	1 095 864
Loan from the Entrepreneurship Development Fund	60 875	60 818	Ukrainian state bonds at fair value through other comprehensive income	82 776	86 548

18. Employee benefits expense and other administrative and operating expenses

Employee benefits expense and other administrative and operating expenses comprise:

	<i>2022</i>		<i>2021</i>	
	<i>for the three months ended 31 March</i>	<i>cumulative total from the beginning of the reporting year</i>	<i>for the three months ended 31 March</i>	<i>cumulative total from the beginning of the reporting year</i>
	<i>(unaudited)</i>			
Salaries and bonuses	521 092	521 092	380 161	380 161
Mandatory contributions to the state funds	92 401	92 401	52 645	52 645
Employee benefits expense	613 493	613 493	432 806	432 806
Payables to the Individual Deposit Guarantee Fund	51 532	51 532	54 907	54 907
Repair and maintenance of property, plant and equipment	22 596	22 596	25 891	25 891
Maintenance of premises	17 526	17 526	11 310	11 310
Security	15 595	15 595	14 790	14 790
Results from sale of investment real estate	10 900	10 900	–	–
Operating taxes	7 971	7 971	13 403	13 403
Expenses for computer processing of information	6 333	6 333	8 631	8 631
Modification of financial assets	5 090	5 090	(319)	(319)
Expenses for cash collection	4 153	4 153	4 273	4 273
Marketing and advertising	3 881	3 881	3 362	3 362
Rent of premises	2 436	2 436	2 711	2 711
Business expenses	2 761	2 761	3 874	3 874
Communication services	1 616	1 616	3 329	3 329
Legal and advisory services	1 618	1 618	887	887
Representative offices expenses	879	879	711	711
Charity	730	730	–	–
Business travel and related expenses	302	302	862	862
Other	17 270	17 270	14 123	14 123
Other administrative and operating expenses	173 189	173 189	162 745	162 745

(UAH thousand, unless otherwise stated)

Expenses for payment to the non-state pension fund for the period ended 31 March 2022 amounted to UAH 425 thousand (31 March 2021: UAH 180 thousand).

19. Fair value of assets and liabilities

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 financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 March 2022 (unaudited)			31 December 2021		
	Carrying amount	Fair value	Unrecognised gain/(loss)	Carrying amount	Fair value	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	33 073 624	33 073 624	–	42 882 371	42 882 371	–
Loans and advances to banks	536 672	536 672	–	8 217 896	8 217 896	–
Loans and advances to customers	77 818 051	76 802 474	(1 015 577)	69 334 862	68 384 011	(950 851)
Investment securities at amortised cost	28 093 882	27 178 999	(914 883)	30 139 375	29 517 124	(622 251)
Other financial assets	162 010	162 010	–	177 596	177 596	–
Financial liabilities						
Due to other banks	30 090 929	30 090 929	–	25 577 371	25 577 371	–
Customer accounts	115 490 337	115 452 252	38 085	121 791 915	121 766 497	25 418
Other borrowed funds	27 089 329	23 778 573	3 310 756	27 237 654	27 358 028	(120 374)
<i>Incl. Eurobonds issued</i>	<i>4 675 921</i>	<i>1 365 165</i>	<i>3 310 756</i>	<i>5 725 085</i>	<i>5 845 459</i>	<i>(120 374)</i>
Subordinated debt	3 620 653	1 108 544	2 512 109	3 605 597	3 719 327	(113 730)
Other financial liabilities	537 243	537 243	–	596 018	596 018	–
Total unrecognised changes in unrealised fair value			3 930 490			(1 781 788)

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 whose fair value approximates their carrying value

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 values 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 instruments issued the fair values are calculated based on 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.

Analysis of financial instruments measured at fair value by level in the fair value hierarchy is presented in the table below:

(UAH thousand, unless otherwise stated)

As at 31 March 2022 (unaudited)	Fair value recurring measurements		
	Level 2	Level 3	Total
Current accounts with other credit institutions in precious metals	76 817	–	76 817
Investment securities at fair value through profit or loss	–	23 565 100	23 565 100
Investment securities at fair value through other comprehensive income	17 876 285	22 164	17 898 449
Derivative financial assets	620 394	–	620 394
Total assets	18 573 496	23 587 264	42 160 760
Amounts due to customers in precious metals	51 973	–	51 973
Total liabilities	51 973	–	51 973

As at 31 December 2021	Fair value recurring measurements		
	Level 2	Level 3	Total
Current accounts with other credit institutions in precious metals	52 274	–	52 274
Investment securities at fair value through profit or loss	–	23 319 112	23 319 112
Investment securities at fair value through other comprehensive income	12 714 105	23 248	12 737 353
Derivative financial assets	582 742	–	582 742
Total assets	13 349 121	23 342 360	36 691 481
Amounts due to customers in precious metals	45 321	–	45 321
Derivative financial liabilities	7	–	7
Total liabilities	45 328	–	45 328

The Bank assesses whether any transfers between levels of the fair value hierarchy are required at the end of each reporting period.

Movements in level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets carried at fair value:

	At January 1 2022	(Loss) recognised in the consolidated statement of profit and loss	(Loss) recognised in the consolidated statement of comprehensive income	Settlements	At 31 March 2022
Investment securities at fair value through profits and losses	23 319 113	540 557 ^(a)	–	(294 570) ^(b)	23 565 100
Investment securities at fair value through other comprehensive income	23 248	–	(1 084)	–	22 164
Total assets	23 342 361	540 557	(1 084)	(294 570)	23 587 264

	At 1 January 2021	Gain/ (loss) recognised in the consolidated	Gain (loss) recognised in the consolidated	Settlements	At 31 December 2021
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(UAH thousand, unless otherwise stated)

	<i>statement of profit and loss</i>		<i>statement of comprehensive income</i>		
Investment securities at fair value through profits and losses	29 008 521	(1 117 628) ^(a)	–	(4 571 780) ^(b)	23 319 113
Investment securities at fair value through other comprehensive income	22 603	933 ^(c)	645	(933) ^(d)	23 248
Total assets	29 031 124	(1 116 695)	645	(4 572 713)	23 342 361

(a) Gain in the amount of UAH 540,557 thousand include: UAH 260,996 thousand of revaluation of investment securities at fair value through profit or loss, which is included in "Net gain / (loss) from transactions with financial instruments at fair value through profit or loss" and UAH 279,561 thousand of accrued interest income, which is included in "Interest income" (2021: 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, which is included in the item "Net gain / (loss) on transactions with financial instruments at fair value through profit or loss" and UAH 1,198,825 thousand of accrued interest income, which is included in "Interest income").

(b) Accrued dividends in the amount of UAH 933 thousand included in "Other income".

(c) Redemptions in the amount of UAH 294,570 thousand include: UAH 294,570 thousand of redemption of the coupon (2021: redemption in the amount of UAH 4,571,780 thousand include: UAH 1,222,960 thousand of coupon redemption and UAH 3,348,820 thousand of securities redemption).

(d) Payment of dividends in the amount of UAH 933 thousand

Gains or losses on Level 3 assets included in profit or loss for the reporting period comprise:

<i>At 31 March 2022 (unaudited)</i>			
	<i>Realised gains</i>	<i>Unrealised gains / (losses)</i>	<i>Total</i>
Investment securities at fair value through profit or loss	87 867	452 690	540 557
Total	87 867	452 690	540 557

<i>At 31 March 2021 (unaudited)</i>			
	<i>Realised gains</i>	<i>Unrealised (losses)</i>	<i>Total</i>
Investment securities at fair value through profit or loss	108 538	(797 206)	(688 668)
Total	108 538	(797 206)	(688 668)

The table below provides quantitative information as at 31 March 2022 and 31 December 2021 on significant unobservable market inputs used to determine the fair value of assets classified as level 3 of the fair value hierarchy:

<i>At 31 March 2022 (unaudited)</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	22 164	Discounted cash flows	Expected profitability	13.9
Investment securities at fair value through profit or loss	23 565 100	Garman-Kohlhagen model	Historical volatility of UAH/USD exchange rate	25.754

<i>As at December 31, 2021</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	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 volatility of UAH/USD exchange rate	25.754

(UAH thousand, unless otherwise stated)

Sensitivity of fair value measurement for Level 3 to possible changes in the inputs used

When increasing / decreasing the historical volatility of the exchange rate by 1 percentage point, the fair value of investment securities at fair value through profit or loss will increase by UAH 14,310 thousand/ decrease by UAH -14,157 thousand as at 31 March 2022.

Assumptions about the impact of changes in exchange rate volatility as at 31 March 2022 when estimating the fair value of investment securities at fair value through profit or loss are estimated by the bank at +13,68 percentage points. The effect of such changes in the volatility of the rate on Ukrainian state bonds with an indexed value is UAH 131,325.13 thousand and will increase profits.

20. 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 directed 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 under transactions with related parties comprise transactions with entities controlled by the government (directly or indirectly, or significantly influenced by the Ukrainian Government) and the key management personnel.

The outstanding balances with the key management personnel as at 31 March 2022 and 31 December 2021 and the related income and expense for three months ended 31 March 2022 and 2021 are as follows:

	<i>Key management personnel</i>	
	<i>31 March</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	
Loans and advances to customers, gross	1 743	1 683
Less: allowance for impairment	(26)	(25)
Loans and advances to customers, net	1 717	1 658
Other financial assets	–	1
Current accounts	6 780	4 690
Time deposits	1 549	4 092
Customer accounts	8 329	8 782
Other non-financial liabilities	20	14
	<i>For the period ended March 31</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	
Interest income on loans	94	59
Interest expenses on customer deposits	(25)	–
Fee income	98	1
Foreign exchange translation	129	(40)

During the three months ended 31 March 2022, the total amount of remuneration and other payments to key management personnel amounted to UAH 28,895 thousand (payments to the non-state pension fund - UAH 27 thousand) (31 March 2021: UAH 18,598 thousand, payments to the non-state pension fund - UAH 6 thousand).

(UAH thousand, unless otherwise stated)

In the normal course of business, the Bank enters into contractual agreements with the Government of Ukraine and enterprises controlled by the state, directly or indirectly, or subject to significant government influence. The Bank provides such companies with a full range of banking services, including lending, placement of deposits, guarantees, securities transactions, settlement and cash transactions.

Balances on transactions with enterprises controlled by the state, directly or indirectly, or subject to significant government influence, which are significant in terms of carrying amount, as at 31 March 2022 were as follows (unaudited):

<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	—	—	—	—	—	6 690 249	—
Client 2	State entities	—	—	—	—	—	3 409 500	—
Client 3	State entities	—	—	—	—	—	1 954 736	—
Client 4	Finance	7 590 061	—	—	618 179	26 866 828	—	—
Client 5	Finance	—	—	—	—	—	1 086 577	—
Client 6	Power engineering	—	—	5 573 087	—	—	2 325 325	—
Client 7	Power engineering	—	—	3 747 045	—	—	2 293 448	—
Client 8	Power engineering	—	—	—	—	—	1 195 973	1 855 453
Client 9	Mining industry	—	—	4 344 174	—	—	4 602 405	736 921
Client 10	Mining industry	—	—	6 700 203	—	—	—	—
Client 11	Trade	—	—	1 026 170	—	—	1 860 663	2 212 945
Client 12	Trade	—	—	1 425 231	—	—	1 862 465	1 753 662
Client 13	Road construction	—	—	5 846 939	—	—	—	—
Client 14	Mechanical engineering	—	—	1 534 639	—	—	—	673 678
Client 15	Mechanical engineering	—	—	—	—	—	970 479	—
Client 16	Transport and communications	—	—	—	—	—	1 370 219	—
Client 17	Transport and communications	—	—	1 369 372	—	—	—	—
Client 18	Professional, scientific and technical activities	—	—	781 289	—	—	—	—
Other		—	—	1 696 635	—	—	14 590 074	—

Balances on transactions with entities controlled by the state (directly or indirectly) or those that are significantly influenced by the state, which are significant in terms of the carrying amount, as at 31 December 2021 were as follows:

<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 4	Finance	18 484 579	7 730 670	—	582 412	21 366 867	—	—
Client 7	Power engineering	—	—	4 051 434	—	—	6 242 309	—
Client 6	Power engineering	—	—	5 197 528	—	—	2 240 595	—
Client 9	Mining industry	—	—	4 051 597	—	—	6 453 998	—
Client 10	Mining industry	—	—	2 662 001	—	—	—	—
Client 19	Transport and communications	—	—	—	—	—	2 470 606	—
Client 16	Transport and communications	—	—	—	—	—	1 701 797	—
Client 17	Transport and communications	—	—	1 434 684	—	—	—	—
Client 13	Road construction	—	—	5 520 379	—	—	—	—
Client 14	Mechanical engineering	—	—	1 558 761	—	—	—	604 096
Client 15	Mechanical engineering	—	—	—	—	—	1 387 990	—
Client 12	Trade	—	—	—	—	—	—	1 689 619
Client 11	Trade	—	—	—	—	—	—	1 594 114
Client 18	Professional, scientific and technical activities	—	—	763 216	—	—	1 393 203	—
Other		—	—	1 785 234	—	—	15 750 876	97 208

(UAH thousand, unless otherwise stated)

During the three months ended 31, March 2022, the Bank recorded UAH 837,532 thousand for significant transactions with entities controlled by the state (directly or indirectly) or those that are significantly influenced by the state (31 March 2021: UAH 474,353 thousand) of interest income, including UAH 143,401 thousand for transactions with NBU deposit certificates with maturity up to 90 days (31 March 2021 : UAH 190,095 thousand), as well as UAH 805,370 thousand (31 March 2021: UAH 407,797 thousand) of interest expenses.

As at 31 March 2022 the Bank's investments in securities issued by the state or entities controlled by the state (directly or indirectly) or significantly influenced by the state amounted to UAH 69,224,347 thousand (December 31, 2021: UAH 65,972,073 thousand), were as follows:

	31 March 2022 (unaudited)	31 December 2021
Investment securities at fair value through profit or loss	23 565 100	23 319 113
Investment securities at fair value through other comprehensive income	17 883 468	12 734 480
Investment securities at amortized cost	27 775 779	29 918 480

Information on the carrying value of Ukrainian state bonds included in investment securities at fair value through profit or loss and in investment securities at fair value through other comprehensive income is disclosed in Note 9.

During the three months ended 31 March 2022, the Bank recognized UAH 894,173 thousand for Ukrainian state bond transactions (31 March 2021: UAH 901,645 thousand) of interest income, on transactions with other investment securities UAH 343,622 thousand (31 March 2021: UAH 494,183 thousand) of interest income.

21. Capital adequacy

The Bank extensively manages its capital adequacy for protection from risks inherent in the 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

The Bank manages its capital structure and adjusts it accordingly to reflect changes in economic conditions and the characteristics of the risks associated with its operations.

NBU capital adequacy ratio

The Bank's capital adequacy ratio was as follows:

	31 March 2022 (unaudited)	31 December 2021
Main capital	8 602 578	8 589 984
Additional capital, calculated	6 013 081	5 225 345
Additional capital, included in calculation of total capital (limited to main capital)	6 013 081	5 225 345
Total regulatory capital	14 615 659	13 815 329
Risk weighted assets	88 888 531	76 062 721
Main capital adequacy ratio	9.68%	11.29%
Regulatory capital adequacy ratio	16.44%	18.16%

Regulatory capital comprises Tier 1 capital (main capital), consisting of paid-in registered share capital, reserves less losses and part of the carrying amount of assets (non-current assets held for sale; repossessed pledged property; property, plant and equipment), which are not used by the bank in carrying out the activities specified in Article 47 of the Law of Ukraine

(UAH thousand, unless otherwise stated)

“On Banks and Banking”, investment property and Tier 2 capital (Additional capital), consisting of a reserve for revaluation of assets, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes, the 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 ratio computed in accordance with the Basel Capital Accord 1988 was as follows:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Tier 1 capital	9 899 601	11 916 270
Tier 2 capital, calculated	3 329 637	3 434 784
Tier 2 capital, included in calculation of total capital	3 329 637	3 434 784
Total capital	13 229 238	15 351 054
Risk weighted assets	97 017 350	86 350 562
Tier 1 capital adequacy ratio	10.2%	13.8%
Total capital adequacy ratio	13.6%	17.8%