

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

Interim condensed consolidated financial statements

For the six months ended 30 June 2020

Translation from Ukrainian original

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (together referred to as "the Bank"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2020 and the related interim condensed consolidated statements of profit and loss and comprehensive income for the three- and six-month periods then ended, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young Audit Services LLC

28 September 2020
Kyiv, Ukraine

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2020***(thousands of Ukrainian hryvnia)*

	<i>Notes</i>	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Assets			
Cash and cash equivalents	4	35,369,707	33,469,935
Amounts due from credit institutions	7	493,876	256,172
Loans to customers	8	52,848,874	53,285,804
Investment securities:	9		
- at fair value through profit or loss		28,500,472	25,731,949
- at fair value through other comprehensive income		15,735,695	22,633,899
- at amortised cost		21,672,034	—
Tax assets		250,331	246,882
Investment property		1,035,586	1,035,586
Property and equipment		1,615,905	1,616,461
Intangible assets		62,436	59,173
Deferred income tax asset		1,463,771	1,463,771
Other assets	10	558,492	546,692
Total assets		159,607,179	140,346,324
Liabilities			
Amounts due to credit institutions	11	26,939,598	21,825,762
Amounts due to customers	12	93,040,886	77,125,819
Eurobonds issued	13	27,700,071	26,553,076
Subordinated debt		4,391,137	5,429,914
Provision for credit-related commitments	15	72,773	49,062
Other liabilities	10	519,653	445,466
Total liabilities		152,664,118	131,429,099
Equity	14		
Share capital		38,730,042	38,730,042
Revaluation reserves		289,190	337,779
Result from transactions with the shareholder		635,104	635,104
Accumulated deficit		(32,874,201)	(30,948,626)
Reserve and other funds		162,926	162,926
Total equity		6,943,061	8,917,225
Total equity and liabilities		159,607,179	140,346,324

Authorised for release and signed

25 September 2020

Chairman of the Board**I.V. Metsger****Chief Accountant****N.A. Potemskya**

V.M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the six months ended 30 June 2020

(thousands of Ukrainian hryvnias)

		2020		2019	
		For the three months ended 30 June	For the six months ended 30 June	For the three months ended 30 June	For the six months ended 30 June
Notes		(unaudited)			
Interest income					
Interest income calculated using effective interest rate:					
- loans to customers		1,358,887	2,822,895	2,117,186	4,146,279
- investment securities at fair value through other comprehensive income		328,127	681,406	698,843	1,329,270
- investment securities at amortised cost		176,861	178,659	1,096	2,431
- amounts due from credit institutions		51,354	312,871	66,411	162,316
Other interest income:					
- investment securities at fair value through profit or loss		305,735	611,480	305,735	608,105
- finance leasing		104,941	214,639	—	—
		2,325,905	4,821,950	3,189,271	6,248,401
Interest expense					
Amounts due to customers		(951,793)	(1,949,733)	(1,219,189)	(2,403,239)
Eurobonds issued		(741,028)	(1,483,349)	(874,937)	(1,937,639)
Amounts due to credit institutions		(339,206)	(646,841)	(363,276)	(737,262)
Subordinated debt		(108,616)	(229,042)	(81,902)	(164,058)
Other interest expenses		(314)	(532)	(860)	(860)
		(2,140,957)	(4,309,497)	(2,540,164)	(5,243,058)
Net interest income		184,948	512,453	649,107	1,005,343
Net gains/(losses) on modification of financial assets at amortised cost					
		(6,131)	72,622	(202,643)	(222,924)
Expenses for expected credit losses	6	(1,167,771)	(1,340,977)	(453,174)	(656,350)
(Expenses)/reversal of expenses for expected credit losses on credit-related commitments	6	(22,120)	(22,135)	(1,660)	18,866
Commission income		186,718	419,265	271,963	530,632
Commission expense		(63,349)	(160,150)	(109,584)	(211,364)
Net gains/(losses) on investment securities at fair value through profit or loss		326,193	2,768,523	(294,802)	(254,168)
Net gains/ (losses) on investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption		(1,523)	(19,972)	453	175
Net gains/(losses) from foreign currencies:					
- dealing		81,506	111,301	122,378	250,576
- translation differences		1,173,819	(3,133,827)	1,052,248	1,460,463
Net gains from precious metals:					
- dealing		183	125	86	89
- revaluation		334	3,427	428	881
Other income		61,280	86,641	31,178	56,131
Personnel expenses	16	(358,648)	(711,850)	(377,176)	(685,103)
Depreciation and amortisation		(29,863)	(57,256)	(30,331)	(56,941)
Other operating expenses	16	(203,309)	(441,298)	(185,435)	(367,021)
Profit/(loss) before tax		162,267	(1,913,108)	473,036	869,285
Income tax expense		—	—	(17)	(35)
Profit/(loss) for the period		162,267	(1,913,108)	473,019	869,250

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25 September 2020

Chairman of the Board

 I.V. Metsger

Chief Accountant

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2020***(thousands of Ukrainian hryvnias)*

	2020		2019	
	<i>For the three months ended 30 June</i>	<i>For the six months ended 30 June</i>	<i>For the three months ended 30 June</i>	<i>For the six months ended 30 June</i>
	<i>(unaudited)</i>			
Profit/(loss) for the period	162,267	(1,913,108)	473,019	869,250
Other comprehensive income/(loss)				
<i>Other comprehensive income/ (loss) to be reclassified to the consolidated statement of profit and loss in the subsequent periods</i>				
Net gains/ (losses) on investment securities at fair value through other comprehensive income	2,275,657	(41,970)	(339,935)	(458,163)
Income tax related to components of other comprehensive income	—	—	—	—
Other comprehensive income/(loss) for the period	2,275,657	(41,970)	(339,935)	(458,163)
Total comprehensive income/(loss) for the period	2,437,924	(1,955,078)	133,084	411,087

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Chairman of the Board

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Chief Accountant

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the six months ended 30 June 2020***(thousands of Ukrainian hryvnias)*

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Result from transactions with the shareholder</i>	<i>Accumulated deficit</i>	<i>Reserve and other funds</i>	<i>Total equity</i>
At 1 January 2019	38,730,042	(816,406)	635,104	(30,260,073)	162,926	8,451,593
Profit for the period	—	—	—	869,250	—	869,250
Other comprehensive loss for the period (Note 14)	—	(458,163)	—	—	—	(458,163)
Total comprehensive income for the period	—	(458,163)	—	869,250	—	411,087
Depreciation of revaluation reserve, net of tax (Note 14)	—	(6,619)	—	6,619	—	—
Part of profit allocated for payment of dividends	—	—	—	(767,070)	—	(767,070)
At 30 June 2019 (unaudited)	38,730,042	(1,281,188)	635,104	(30,151,274)	162,926	8,095,610
At 1 January 2020	38,730,042	337,779	635,104	(30,948,626)	162,926	8,917,225
Loss for the period	—	—	—	(1,913,108)	—	(1,913,108)
Other comprehensive loss for the period (Note 14)	—	(41,970)	—	—	—	(41,970)
Total comprehensive loss for the period	—	(41,970)	—	(1,913,108)	—	(1,955,078)
Depreciation of revaluation reserve, net of tax (Note 14)	—	(6,619)	—	6,619	—	—
Part of profit allocated for payment of dividends (Note 14)	—	—	—	(19,086)	—	(19,086)
At 30 June 2020 (unaudited)	38,730,042	289,190	635,104	(32,874,201)	162,926	6,943,061

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25 September 2020

Chairman of the Board

I.V. Metsger**Chief Accountant**

N.A. Potemskaya

V.M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

For the six months ended 30 June 2020

(thousands of Ukrainian hryvnias)

	Notes	For the period ended 30 June	
		2020	2019
		(unaudited)	
Cash flows from operating activities			
Interest received		4,434,077	5,176,473
Interest paid		(4,371,910)	(4,881,792)
Commissions received		410,854	563,793
Commissions paid		(160,150)	(211,364)
Result from dealing in foreign currencies and precious metals		111,426	250,665
Personnel expenses		(746,160)	(724,492)
Other operating income received		82,094	55,749
Other operating and administrative expenses paid		(406,308)	(351,403)
Cash flows from operating activities before changes in operating assets and liabilities		(646,077)	(122,371)
<i>Net (increase)/ decrease in operating assets</i>			
Amounts due from credit institutions		(173,427)	(126,184)
Loans to customers		3,904,702	4,245,393
Other assets		9,967	344,787
<i>Net increase/ (decrease) in operating liabilities</i>			
Amounts due to credit institutions		174,317	(446,274)
Amounts due to customers		10,105,168	6,330,815
Other liabilities		72,338	(291,246)
Net cash flows from operating activities before income tax		13,446,988	9,934,920
Income tax paid in advance		(3,448)	(138,117)
Net cash flows from operating activities		13,443,540	9,796,803
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		7,815,144	9,408,765
Purchase of investment securities		(21,721,129)	(7,012,638)
Dividends received		372	394
Purchases of property, equipment and intangible assets		(53,634)	(24,870)
Net cash flows from investing activities		(13,959,247)	2,371,651
Cash flows from financing activities			
Part of profit allocated for payment of dividends		(19,086)	(767,070)
Lease payments	5	(2,777)	(2,375)
Redemption of Eurobonds issued	5	(1,688,371)	(10,177,147)
Redemption of subordinated debt	5	(1,549,744)	–
Proceeds from borrowings from credit institutions	5	5,803,116	3,156,265
Repayment of borrowings from credit institutions	5	(3,356,873)	(2,249,447)
Net cash flows from financing activities		(813,735)	(10,039,774)
Effect of changes in exchange rates on cash and cash equivalents		3,223,648	(738,109)
Effect of changes in credit losses on cash and cash equivalents		5,566	(4,983)
Net change in cash and cash equivalents		1,899,772	1,385,588
Cash and cash equivalents, 1 January	4	33,469,935	18,545,858
Cash and cash equivalents, 30 June	4	35,369,707	19,931,446

Authorised for release and signed

25 September 2020

Chairman of the Board

I.V. Metsger

Chief Accountant

N.A. Potemskina

V.M. Medko 247-89-16

Selected notes on pages 6-43 form an integral part of these interim condensed consolidated financial statements.

(thousands of Ukrainian hryvnia, unless otherwise stated)

1. Principal activities

Joint Stock Company “The State Export-Import Bank of Ukraine” (hereinafter - “Ukreximbank”) was founded in 1992. Ukreximbank operates under banking licence #2 dated 7 August 2019.

As at 30 June 2020 and 31 December 2019, 100% of Ukreximbank's shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

Ukreximbank's head office is located in Kyiv at 127 Antonovycha Str. It has 22 branches and 38 operating outlets (31 December 2019: 22 branches and 38 operating outlets) and two representative offices located in London and New-York. Ukreximbank and its branches form a single legal entity.

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

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

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

Ukreximbank prepares separate interim condensed financial statements and interim condensed consolidated financial statements that comprise the consolidated performance indicators of Ukreximbank and its subsidiaries “Lease Company “Ukreximleasing” and “Eximleasing” Ltd (hereinafter collectively referred to as the “Bank”).

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

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

2. Basis of preparation and summary of accounting policies

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

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 2019, which have been prepared in accordance with IFRS.

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

Operating environment

The Ukrainian economy is open, non-diversified, deemed to be a market one with some emerging market features, and has critical dependence on world commodity prices and low levels of liquidity in the international capital market. Under such circumstances, high risks not typical of mature markets are inherent in banking in Ukraine.

*(thousands of Ukrainian hryvnia, unless otherwise stated)***2. Basis of preparation and summary of accounting policies (continued)****Operating environment (continued)**

Further growth of the Ukrainian economy depends on foreign market conditions, international financial aid, coordinated policy and decisions of the Verkhovna Rada, the Government, NBU and the Presidential Office designed to overcome the effects of the pandemic and the global economic crisis, including to control the COVID-19 proliferation, ensure health care of the population, stick to macroeconomic sustainability, save jobs, keep on with the required reforms, maintain the social and political stability, and trace the progress in the east of the country.

After the recovery during 2016-2019, in H1 2020 the Ukrainian economy was exposed to a negative impact of the global economic crisis aggravated by the COVID-19 pandemic. Rapid proliferation of the pandemic in early 2020 forced many governments worldwide, including in Ukraine, to initiate a number of measures to overcome the outbreak, including to restrict travels, close business, introduce lockdown restrictions in specific areas, quarantine etc. These measures have affected the global supply chain, the demand for goods and services, and the overall business scale, which has caused the volatility in financial and commodity markets.

Overall, in H1 2020 the movements of price for the traditional Ukrainian export were moderately declining. Still, the higher-than-anticipated fall in prices for energy resources, as compared to the agricultural products exported from Ukraine, in light of the tendency for bigger-than-expected decline in import of goods and services has resulted in the reduced deficit of foreign trade and in a current account surplus.

Moderate deficit of foreign trade was compensated by foreign currency inflows to the financial account, including owing to Ukraine's Eurobonds placements, financial aid from international financial organizations (IFOs) and private transfers from abroad. A new Stand-By Arrangement (SBA) with IMF is to facilitate the receipt of financial aid from other official lending institutions (the World Bank, the European Commission) and from IFOs, aimed to fund the budget deficit and to support the balance of payments, international reserves and exchange rate stability. As at 30 June of 2020, the official UAH/USD exchange rate was UAH 26.69 to 1 US Dollar (31 December 2019: UAH 23.69 to 1 US Dollar). As at 1 July 2020, the NBU international reserves exceeded USD 28.5 billion (1 January 2020: USD 25.3 billion).

The global economic crisis and the quarantine measures designed to overcome the COVID-19 pandemic effects have caused the decline in almost all economy sectors of Ukraine in H1 2020. According to the State Statistics Service of Ukraine, during January-June 2020 the industrial production index decreased by -8.3%, construction works by -5.5%, agricultural production by -18.7%. Only retail sales index kept positive: 3.0%. Overall, following the Q1 results, a drop in GDP in Ukraine was -1.3%, and it accelerated in Q2.

Overall, the inflation movements in H1 2020 kept moderate owing to the maintained exchange rate stability against the decline in investment and consumer demand. According to the State Statistics Service, consumer inflation was 2.0% in January-June of the current year (to December 2019). The slow-down of inflation movements and the need to initiate the credit support of the national economy has resulted in the National Bank of Ukraine to soften its monetary policy, with gradual reduction of the discount rate to 10% per annum from 13 March 2020, to 8% from 24 March 2020 and to 6% from 12 June 2020.

The crisis in the real economy aggravated by quarantine has negatively affected the production scale, capital investments and employment rate. This has deteriorated the financial position of quite a few businesses and households and increased the risks of active operations. As such, the liquidity available within the banking system was mostly invested in low-risk financial instruments (such as NBU deposit certificates, government securities) and in sectoral support of the economy using guarantees from the Government and refinancing from NBU.

Long-lasting excess of expenses over income and reduced borrowings by the population, decline in business income, actually no opportunities for external borrowings restrict significantly the Bank's ability to borrow funds in Ukraine and in external capital markets.

During March-June 2020, the Government and NBU introduced some support measures to address the COVID-19-driven economic recession. Those measures include, among other, subsidised loans to the affected industries and people, loan repayment holidays, liberalization of certain regulatory restrictions aimed to help the financial sector keep its funding potential and help the clients avoid the liquidity shortfall owing to the COVID-19 outbreak control measures in place.

(thousands of Ukrainian hryvnia, unless otherwise stated)

2. Basis of preparation and summary of accounting policies (continued)

Operating environment (continued)

Economic crisis in light of the still existing threat of next waves of COVID-19 outbreak and the risk of UAH devaluation, as well as the need to make significant payments of liabilities affect negatively the Bank's financial position and operations. The Bank keeps analysing the impact that the pandemic and the changes in the micro- and macroeconomic environment have on its operations, economic situation and financial performance. Upon receipt of such information, the Bank promptly revises its estimates of future cash flows and implements necessary measures to sustain the Bank's business.

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 consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new Standards below effective as at 1 January 2020. The nature and effect of these changes are disclosed below.

The Bank has early adopted the Amendment to IFRS 16: *Covid-19-Related Rent Concessions*, which provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3 Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. These amendments had no impact on the Bank's financial statements.

Amendments to IFRS 1 and IAS 8 Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' These amendments had no impact on the Bank's financial statements.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Amendments to IFRS 9, IAS 39 and IFRS 7 include a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. These amendments had no impact on the Bank's financial statements.

(thousands of Ukrainian hryvnia, unless otherwise stated)

3. Segment information

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

As at 31 December 2019, the Bank changed its approach to the allocation of activities into operating segments, specifically: a new Small and medium-sized business was formed out of the Retail banking. Accordingly, the Bank has restated the comparative information on income and expense and on profit and loss of the Bank's new operating segments for the respective period of the prior year.

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

Unallocated amounts include:

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

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

During the six months ended 30 June 2020 the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely: UAH 1,322,261 thousand (30 June 2019: UAH 1,810,038 thousand). Revenue from transactions with this external customer is reflected in the segment “Interbank and investments business”.

Analysis of the Bank's income from banking products and services is presented in the interest income and interest expenses of the interim condensed consolidated statement of profit and loss.

Translation from Ukrainian original

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

Notes to the interim condensed consolidated
financial statements for the six months
ended 30 June 2020

(thousands of Ukrainian hryvnia, unless otherwise stated)

3. Segment information (continued)

The following table presents income and expenses, profit and loss, as well as specific assets and liabilities of the Bank's operating segments for the six months ended 30 June 2020:

<i>(unaudited)</i>	<i>Corporate banking</i>	<i>Small and medium-sized business</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External						
Interest income	2,839,545	172,917	25,072	1,784,416	–	4,821,950
Commission income	181,819	94,877	123,233	19,336	–	419,265
Other income	58,178	4,426	10,444	6,149	7,444	86,641
Net gains from modification of financial assets measured at amortised cost	76,187	–	–	–	–	76,187
Reversal of expenses for expected credit losses	–	83,601	–	29,770	191	113,562
Net gains from investment securities at fair value through profit or loss	–	–	–	–	2,768,523	2,768,523
Net gains from foreign currencies	72,547	32,469	38,136	128,481	–	271,633
Net gains from precious metals	1	–	124	–	3,443	3,568
Income from other segments	1,198,864	407,386	1,108,256	2,478,321	(5,192,827)	–
Total income	4,427,141	795,676	1,305,265	4,446,473	(2,413,226)	8,561,329
Interest expense	(882,862)	(278,338)	(758,770)	(2,389,433)	(94)	(4,309,497)
Commission expense	(52,572)	(23,065)	(78,555)	(5,624)	(334)	(160,150)
Net loss on modification of financial assets at amortised cost	–	(1,512)	(1,995)	–	(58)	(3,565)
Expenses for expected credit losses	(1,437,864)	–	(16,675)	–	–	(1,454,539)
Expenses for expected credit losses on credit-related commitments	(7,320)	(2,849)	(2,287)	(9,679)	–	(22,135)
Net losses on investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption	–	–	–	–	(19,972)	(19,972)
Net loss from foreign currencies	–	–	–	–	(3,294,159)	(3,294,159)
Net loss from precious metals	–	–	–	(16)	–	(16)
Personnel expenses	(235,495)	(158,616)	(157,218)	(40,511)	(120,010)	(711,850)
Depreciation and amortization	(17,702)	(15,349)	(17,473)	(1,944)	(4,788)	(57,256)
Other operating expenses	(105,493)	(48,617)	(194,983)	(12,163)	(80,042)	(441,298)
Expenses from other segments	(3,007,090)	(148,015)	(29,190)	(1,826,362)	5,010,657	–
Segment results	(1,319,257)	119,315	48,119	160,741	(922,026)	(1,913,108)
Loss for the period						(1,913,108)
Assets and liabilities as at 30 June 2020 (unaudited)						
Segment assets	52,877,494	2,449,174	2,395,509	99,962,295		157,684,472
Unallocated assets					1,922,707	1,922,707
Total assets						159,607,179
Segment liabilities	42,819,723	11,242,854	27,769,924	70,584,021		152,416,522
Unallocated liabilities					247,596	247,596
Total liabilities						152,664,118
Other segment information						
Capital expenditure	(13,067)	(11,660)	(18,175)	(1,525)	(3,752)	(48,179)

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3. Segment information (continued)

The following table presents income and expenses as well as profit and loss for the six months ended 30 June 2019, and specific assets and liabilities of the Bank's operating segments as at 31 December 2019:

<i>(unaudited)</i>	<i>Corporate banking</i>	<i>Small and medium-sized business</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External						
Interest income	3,905,586	213,191	29,933	2,099,691	—	6,248,401
Commission income	253,725	123,197	140,555	13,155	—	530,632
Other income	32,867	6,559	10,525	2,011	4,169	56,131
Net gains from modification of financial assets measured at amortised cost	—	2,531	—	—	—	2,531
Reversal of expenses for expected credit losses	—	—	—	1,491	—	1,491
Reversal of expenses for expected credit losses on credit-related commitments	16,863	2,597	—	—	—	19,460
Net gains from investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption	—	—	—	—	175	175
Net gains from foreign currencies	95,548	42,471	7,060	105,276	1,460,684	1,711,039
Net gains from precious metals	—	—	104	69	797	970
Income from other segments	1,283,434	422,472	1,135,015	3,308,047	(6,148,968)	—
Total income	5,588,023	813,018	1,323,192	5,529,740	(4,683,143)	8,570,830
Interest expense	(951,278)	(316,186)	(821,965)	(3,153,556)	(73)	(5,243,058)
Commission expense	(104,073)	(31,792)	(72,648)	(2,666)	(185)	(211,364)
Net loss on modification of financial assets at amortised cost	(225,252)	—	(203)	—	—	(225,455)
Expenses for expected credit losses	(647,880)	(5,942)	(4,005)	—	(14)	(657,841)
Expenses for expected credit losses on credit-related commitments	—	—	(497)	(95)	(2)	(594)
Net loss on investment securities at fair value through profit or loss	—	—	—	—	(254,168)	(254,168)
Personnel expenses	(216,635)	(157,549)	(162,497)	(43,280)	(105,142)	(685,103)
Depreciation and amortization	(18,005)	(15,655)	(17,131)	(1,827)	(4,323)	(56,941)
Other operating expenses	(69,120)	(50,944)	(183,893)	(12,397)	(50,667)	(367,021)
Expenses from other segments	(3,251,516)	(169,693)	(35,757)	(1,861,994)	5,318,960	—
Segment results	104,264	65,257	24,596	453,925	221,243	869,285
Income tax expense						(35)
Profit for the period						869,250
Assets and liabilities as at 31 December 2019						
Segment assets	52,555,748	3,008,322	2,284,467	80,599,906		138,448,443
Unallocated assets					1,897,881	1,897,881
Total assets						140,346,324
Segment liabilities	29,291,998	10,936,883	26,184,320	64,521,949		130,935,150
Unallocated liabilities					493,949	493,949
Total liabilities						131,429,099
Other segment information						
Capital expenditure	(7,688)	(7,494)	(14,006)	(956)	(2,258)	(32,402)

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3. Segment information (continued)

Geographical information

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

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Current accounts with other credit institutions	14,021,821	10,383,491
Overnight deposits with other credit institutions	10,655,305	2,280,117
Term deposits with other credit institutions up to 90 days	5,338,599	10,682,215
Current account with the National Bank of Ukraine	3,162,394	3,744,605
Cash on hand	1,502,897	1,387,450
Deposits certificates of the National Bank of Ukraine up to 90 days	700,574	5,008,938
	35,381,590	33,486,816
Less: allowance for expected credit losses	(11,883)	(16,881)
Cash and cash equivalents	35,369,707	33,469,935

5. Changes in liabilities in financial activities

Changes in liabilities in financial activities were as follows:

	<i>Borrowings from credit institutions</i>	<i>Eurobonds issued</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Carrying amount at 31 December 2019	21,031,227	26,553,076	5,429,914	6,006	53,020,223
Additions	5,803,116	—	—	—	5,803,116
Repayments	(3,356,873)	(1,688,371)	(1,549,744)	(2,777)	(6,597,765)
Translation differences	2,461,716	2,803,532	562,969	—	5,828,217
Other	19,730	31,834	(52,002)	6,367	5,929
Carrying amount at 30 June 2020 (unaudited)	25,958,916	27,700,071	4,391,137	9,596	58,059,720
	<i>Borrowings from credit institutions</i>	<i>Eurobonds issued</i>	<i>Subordinated debt</i>	<i>Lease liabilities</i>	<i>Total</i>
Carrying amount at 31 December 2018	22,706,497	42,541,905	3,584,690	—	68,833,092
Effect of IFRS 16 implementation	—	—	—	10,818	10,818
Additions	3,156,265	—	—	223	3,156,488
Repayments	(2,249,447)	(10,177,147)	—	(2,375)	(12,428,969)
Translation differences	(1,243,625)	(1,924,388)	(197,032)	—	(3,365,045)
Other	112,315	44,037	3,610	43	160,005
Carrying amount at 30 June 2019 (unaudited)	22,482,005	30,484,407	3,391,268	8,709	56,366,389

“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.

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6. Expenses for expected credit losses

The tables below show the ECL recorded in profit or loss:

	<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>
For the three months ended 30 June 2020 (unaudited)							
Cash and cash equivalents	233	—	—	—	—	—	233
Amounts due from credit institutions	10,003	—	—	—	(27,622)	—	(17,619)
Loans to customers	313,266	56,499	175,311	179,408	557,213	(110,229)	1,171,468
Investment securities at fair value through other comprehensive income	72	—	—	—	—	—	72
Investment securities at amortised cost	8,503	—	—	—	—	—	8,503
Other financial assets	5,114	—	—	—	—	—	5,114
	337,191	56,499	175,311	179,408	529,591	(110,229)	1,167,771
For the six months ended 30 June 2020 (unaudited)							
Cash and cash equivalents	(5,126)	—	—	—	—	—	(5,126)
Amounts due from credit institutions	10,410	—	—	—	(27,622)	—	(17,212)
Loans to customers	368,771	54,156	245,467	265,888	570,144	(151,720)	1,352,706
Investment securities at fair value through other comprehensive income	(5,882)	—	—	—	—	—	(5,882)
Investment securities at amortised cost	9,978	—	—	—	—	—	9,978
Other financial assets	6,513	—	—	—	—	—	6,513
	384,664	54,156	245,467	265,888	542,522	(151,720)	1,340,977

Expenses for expected credit losses on POCI recognised in profit or loss for the period ended 30 June 2020 included the adjustment of the gross carrying amount of POCI financial assets in the amount of UAH 116,439 thousand. (for the period ended 30 December 2019: none).

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6. Expenses for expected credit losses (continued)

The Bank continues to improve its risk assessment approaches; among other, it has designated a unit to address bad assets, analysed all significant borrowers, outlined and approved the strategy and operation plan to address bad assets. Accordingly, the Bank has made adjustments to the plans of relationships with the borrowers recognised by the Bank as credit-impaired, which resulted in the increase of expenses for expected credit losses by UAH 525,427 thousand for the three months ended 30 June 2020.

	<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>
For the three months ended 30 June 2019 (unaudited)							
Cash and cash equivalents	6,026	—	—	—	—	—	6,026
Amounts due from credit institutions	(3,110)	—	—	—	—	—	(3,110)
Loans to customers	(166,264)	(20,944)	147,245	(10,651)	393,647	106,776	449,809
Investment securities at fair value through other comprehensive income	(770)	—	—	—	—	—	(770)
Other financial assets	1,219	—	—	—	—	—	1,219
	(162,899)	(20,944)	147,245	(10,651)	393,647	106,776	453,174
For the six months ended 30 June 2019 (unaudited)							
Cash and cash equivalents	5,278	—	—	—	—	—	5,278
Amounts due from credit institutions	(7,195)	—	—	—	—	—	(7,195)
Loans to customers	(187,517)	(19,329)	89,951	15,489	649,866	106,776	655,236
Investment securities at fair value through other comprehensive income	(1,046)	—	—	—	—	—	(1,046)
Other financial assets	4,077	—	—	—	—	—	4,077
	(186,403)	(19,329)	89,951	15,489	649,866	106,776	656,350

The tables below show the ECL on credit-related commitments recorded in profit or loss.

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
For the three months ended 30 June 2020 (unaudited)				
Financial guarantees	48	11	392	451
Undrawn loan commitments	27,000	(5,996)	27	21,031
Letters of credit	626	—	—	626
Avals on promissory notes	10	2	—	12
	27,684	(5,983)	419	22,120
For the six months ended 30 June 2020 (unaudited)				
Financial guarantees	(133)	9	392	268
Undrawn loan commitments	21,845	(573)	(64)	21,208
Letters of credit	646	—	—	646
Avals on promissory notes	11	2	—	13
	22,369	(562)	328	22,135

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6. Expenses for expected credit losses (continued)

	<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>
For the three months ended 30 June 2019 (unaudited)						
Guarantees	(481)	10	–	–	–	(471)
Undrawn loan commitments	14,132	(64)	(8,182)	(2,052)	(1,450)	2,384
Letters of credit	(257)	–	–	–	–	(257)
Avals on promissory notes	4	–	–	–	–	4
	13,398	(54)	(8,182)	(2,052)	(1,450)	1,660
For the six months ended 30 June 2019 (unaudited)						
Guarantees	(324)	40	–	833	–	549
Undrawn loan commitments	(3,812)	(26)	(8,182)	(2,218)	(4,068)	(18,306)
Letters of credit	(1,115)	–	–	–	–	(1,115)
Avals on promissory notes	6	–	–	–	–	6
	(5,245)	14	(8,182)	(1,385)	(4,068)	(18,866)

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Loans and deposits		
Ukrainian banks	799,578	791,494
OECD banks	195,679	173,642
CIS and other banks	50,156	23,595
	1,045,413	988,731
Amounts due from other credit institutions		
Current accounts with other credit institutions in precious metals	19,973	15,203
Other amounts due from credit institutions	240,127	74,928
	1,305,513	1,078,862
Less: allowance for expected credit losses	(811,637)	(822,690)
Amounts due from credit institutions	493,876	256,172

As at 30 June 2020, amounts due from credit institutions are designated at amortised cost (31 December 2019: at amortised cost), except for current accounts in precious metals in the amount of UAH 19,971 thousand, net of allowance (31 December 2019: UAH 15,201 thousand, net of allowance) at fair value through profit or loss (31 December 2019: at fair value through profit or loss).

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7. Amounts due from credit institutions (continued)

The following tables show the analysis of changes in the gross carrying amount and the corresponding ECL on amounts due from credit institutions:

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2020	260,715	74,390	743,757	1,078,862
New assets originated or purchased	44,777	—	—	44,777
Completed (repaid) assets	(8,956)	—	—	(8,956)
Change in carrying amount	(10)	—	—	(10)
Translation differences	68,670	48	7,341	76,059
Gross carrying amount at 31 March 2020 (unaudited)	365,196	74,438	751,098	1,190,732
New assets originated or purchased	165,701	—	—	165,701
Completed (repaid) assets	(29,488)	—	—	(29,488)
Change in carrying amount	(3,015)	—	—	(3,015)
Translation differences	(16,107)	(12)	(2,298)	(18,417)
Gross carrying amount at 30 June 2020 (unaudited)	482,287	74,426	748,800	1,305,513

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	585,521	74,448	755,793	1,415,762
New assets originated or purchased	90,242	—	—	90,242
Completed (repaid) assets	(223,717)	—	—	(223,717)
Change in carrying amount	(123,163)	—	—	(123,163)
Translation differences	(3,014)	(10)	(737)	(3,761)
Gross carrying amount at 31 March 2019 (unaudited)	325,869	74,438	755,056	1,155,363
New assets originated or purchased	27,366	—	—	27,366
Completed (repaid) assets	(2,636)	—	—	(2,636)
Change in carrying amount	48,065	(1)	—	48,064
Translation differences	(22,243)	(9)	(1,816)	(24,068)
Gross carrying amount at 30 June 2019 (unaudited)	376,421	74,428	753,240	1,204,089

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2020	4,543	74,390	743,757	822,690
New assets originated or purchased	2,017	—	—	2,017
Completed (repaid) assets	(521)	—	—	(521)
Modifications in allowance	(1,089)	—	—	(1,089)
Translation differences	1,384	48	7,341	8,773
Allowance at 31 March 2020 (unaudited)	6,334	74,438	751,098	831,870
New assets originated or purchased	11,930	—	—	11,930
Completed (repaid) assets	(1,710)	—	—	(1,710)
Modifications in allowance	(217)	—	(27,622)	(27,839)
Translation differences	(304)	(12)	(2,298)	(2,614)
Allowance at 30 June 2020 (unaudited)	16,033	74,426	721,178	811,637

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7. Amounts due from credit institutions (continued)

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2019	15,631	74,448	755,793	845,872
New assets originated or purchased	2,642	—	—	2,642
Completed (repaid) assets	(6,711)	—	—	(6,711)
Modifications in allowance	(16)	—	—	(16)
Translation differences	(153)	(10)	(737)	(900)
Allowance at 31 March 2019 (unaudited)	11,393	74,438	755,056	840,887
New assets originated or purchased	1,198	—	—	1,198
Completed (repaid) assets	(47)	—	—	(47)
Modifications in allowance	(4,261)	—	—	(4,261)
Translation differences	(358)	(10)	(1,816)	(2,184)
Allowance at 30 June 2019 (unaudited)	7,925	74,428	753,240	835,593

8. Loans to customers

Loans to customers comprise:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Commercial loans	111,668,408	106,196,634
Finance lease receivables	2,197,784	2,401,967
Overdrafts	722,026	890,961
Promissory notes	51,922	58,089
	114,640,140	109,547,651
Less: allowance for expected credit losses	(61,791,266)	(56,261,847)
Loans to customers	52,848,874	53,285,804

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

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Legal entities	92,724,402	89,837,204
State entities	19,769,893	17,746,303
Individuals	2,023,655	1,834,507
Municipal and utility entities	122,190	129,637
	114,640,140	109,547,651

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8. Loans to customers (continued)

Commercial loans

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

	<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>
Gross carrying amount at 1 January 2020	34,576,277	913,212	2,617,032	6,381,029	57,695,897	4,013,187	106,196,634
New assets originated or purchased	1,425,388	—	—	—	—	851,792	2,277,180
Completed (repaid) assets	(1,490,303)	(722)	—	(1,091)	(2,956,196)	—	(4,448,312)
Transfer to Stage 1	146,336	(146,336)	—	—	—	—	—
Transfer to Stage 2	(935,265)	373,399	561,923	(57)	—	—	—
Transfer to Stage 3	(2,611)	(66,417)	(1,124,708)	(209,459)	1,403,195	—	—
Adjustment of the carrying amount of POCI	—	—	—	—	—	(55,083)	(55,083)
Change in carrying amount	(1,404,705)	(65,537)	19,866	65,037	183,434	158,510	(1,043,395)
Translation differences	4,378,221	103,150	172,433	562,844	8,120,018	150,293	13,486,959
Gross carrying amount at 31 March 2020 (unaudited)	36,693,338	1,110,749	2,246,546	6,798,303	64,446,348	5,118,699	116,413,983
New assets originated or purchased	3,416,291	—	—	—	—	—	3,416,291
Completed (repaid) assets	(1,007,856)	(39,217)	—	(447)	—	—	(1,047,520)
Transfer to Stage 1	76,096	(76,096)	—	—	—	—	—
Transfer to Stage 2	(7,325,431)	1,044,492	6,284,447	(3,508)	—	—	—
Transfer to Stage 3	(400)	(185,881)	(635,990)	186,281	635,990	—	—
Adjustment of the carrying amount of POCI	—	—	—	—	—	(61,356)	(61,356)
Change in carrying amount	(3,268,292)	(186,830)	(204,145)	65,712	143,277	284,916	(3,165,362)
Translation differences	(1,168,091)	(23,906)	(26,729)	(167,484)	(2,458,663)	(42,755)	(3,887,628)
Gross carrying amount at 30 June 2020 (unaudited)	27,415,655	1,643,311	7,664,129	6,878,857	62,766,952	5,299,504	111,668,408

	<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>
Gross carrying amount at 1 January 2019	51,764,580	568,180	2,371,484	6,549,920	71,369,112	1,707,874	134,331,150
New assets originated or purchased	2,537,850	(1)	—	—	—	—	2,537,849
Completed (repaid) assets	(650,886)	(6,527)	—	(11,556)	(9,624)	—	(678,593)
Transfer to Stage 1	1,219	(1,197)	—	(22)	—	—	—
Transfer to Stage 2	(180,772)	180,772	276,336	—	(276,336)	—	—
Transfer to Stage 3	(81,395)	(55,633)	—	56,093	80,935	—	—
Change in carrying amount	(4,909,075)	(21,032)	(36,684)	80,503	838,982	(23,254)	(4,070,560)
Translation differences	(830,110)	(10,390)	(33,178)	(63,093)	(1,061,680)	(23,535)	(2,021,986)
Gross carrying amount at 31 March 2019 (unaudited)	47,651,411	654,172	2,577,958	6,611,845	70,941,389	1,661,085	130,097,860
New assets originated or purchased	2,673,078	—	—	—	—	—	2,673,078
Completed (repaid) assets	(571,307)	(4,229)	(10)	(33,937)	(127,533)	—	(737,016)
Transfer to Stage 1	39,442	(39,393)	—	(49)	—	—	—
Transfer to Stage 2	(1,087,051)	29,710	1,057,341	—	—	—	—
Transfer to Stage 3	(190,089)	(18,103)	—	18,465	189,727	—	—
Change in carrying amount	(1,653,723)	(34,070)	(85,949)	69,893	583,103	(34,692)	(1,155,438)
Translation differences	(1,361,604)	(17,199)	(85,426)	(129,355)	(1,981,628)	(42,305)	(3,617,517)
Gross carrying amount at 30 June 2019 (unaudited)	45,500,157	570,888	3,463,914	6,536,862	69,605,058	1,584,088	127,260,967

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8. Loans to customers (continued)

Commercial loans (continued)

	<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>
Allowance at 1 January 2020	389,088	50,542	173,965	6,049,750	47,781,797	1,762,559	56,207,701
New assets originated or purchased	22,283	—	—	—	—	—	22,283
Completed (repaid) assets	(18,559)	(63)	—	(1,087)	—	—	(19,709)
Transfer to Stage 1	1,098	(1,098)	—	—	—	—	—
Transfer to Stage 2	(9,534)	3,393	6,198	(57)	—	—	—
Transfer to Stage 3	(902)	(3,525)	(96,535)	(274,060)	375,022	—	—
Transfer to POCI	—	—	—	—	(2,264,910)	—	(2,264,910)
Interest income adjustment	—	—	—	56,172	444,203	107,627	608,002
Recoveries	—	—	—	2,360	18,319	—	20,679
Modifications in allowance	55,722	(2,508)	70,162	87,567	12,931	13,592	237,466
Translation differences	48,791	5,212	10,255	529,955	6,633,784	4,499	7,232,496
Allowance at 31 March 2020 (unaudited)	487,987	51,953	164,045	6,450,600	53,001,146	1,888,277	62,044,008
New assets originated or purchased	22,694	—	—	—	—	—	22,694
Completed (repaid) assets	(11,369)	(1,230)	—	(446)	—	—	(13,045)
Transfer to Stage 1	4,928	(4,928)	—	—	—	—	—
Transfer to Stage 2	(270,330)	20,052	253,785	(3,507)	—	—	—
Transfer to Stage 3	(97)	(12,331)	(47,635)	12,428	47,635	—	—
Interest income adjustment	—	—	—	52,418	417,140	139,920	609,478
Recoveries	—	—	—	281	2,233	—	2,514
Modifications in allowance	14,682	25,366	175,338	179,862	557,213	(48,873)	903,588
Changes to macro models	255,274	33,082	—	—	—	—	288,356
Translation differences	(12,430)	(592)	(2,021)	(158,300)	(1,973,556)	(1,178)	(2,148,077)
Allowance at 30 June 2020 (unaudited)	491,339	111,372	543,512	6,533,336	52,051,811	1,978,146	61,709,516

	<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>
Allowance at 1 January 2019	999,187	91,662	198,347	6,258,714	57,110,096	—	64,658,006
New assets originated or purchased	59,111	—	—	—	—	—	59,111
Completed (repaid) assets	(9,909)	(952)	—	(7,970)	(505)	—	(19,336)
Transfer to Stage 1	98	(77)	—	(21)	—	—	—
Transfer to Stage 2	(5,993)	5,993	21,180	—	(21,180)	—	—
Transfer to Stage 3	(4,055)	(11,225)	—	11,312	3,968	—	—
Interest income adjustment	—	—	—	67,818	608,640	—	676,458
Recoveries	—	—	—	3,374	30,212	—	33,586
Modifications in allowance	(94,635)	3,080	(57,294)	34,046	254,632	—	139,829
Translation differences	(20,144)	(2,120)	(2,295)	(61,503)	(889,799)	—	(975,861)
Allowance at 31 March 2019 (unaudited)	923,660	86,361	159,938	6,305,770	57,096,064	—	64,571,793
New assets originated or purchased	73,664	—	—	—	—	—	73,664
Completed (repaid) assets	(10,845)	(214)	—	(19,810)	(12,252)	—	(43,121)
Transfer to Stage 1	297	(248)	—	(49)	—	—	—
Transfer to Stage 2	(47,006)	3,487	43,519	—	—	—	—
Transfer to Stage 3	(14,882)	(7,109)	—	7,471	14,520	—	—
Interest income adjustment	—	—	—	63,382	566,409	—	629,791
Recoveries	—	—	—	4,677	41,844	—	46,521
Modifications in allowance	(218,321)	(20,303)	147,245	9,119	410,858	106,776	435,374
Translation differences	(24,156)	(2,272)	(4,965)	(124,977)	(1,612,688)	—	(1,769,058)
Allowance at 30 June 2019 (unaudited)	682,411	59,702	345,737	6,245,583	56,504,755	106,776	63,944,964

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8. Loans to customers (continued)

Overdrafts

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Gross carrying amount at 1 January 2020	879,552	10,958	451	890,961
New assets originated or purchased	153,508	—	—	153,508
Completed (repaid) assets	(238,900)	(7)	—	(238,907)
Transfer to Stage 2	(13,282)	13,282	—	—
Change in carrying amount	13,937	(3,011)	—	10,926
Translation differences	13,039	—	—	13,039
Gross carrying amount at 31 March 2020 (unaudited)	807,854	21,222	451	829,527
New assets originated or purchased	81,685	—	—	81,685
Completed (repaid) assets	(135,223)	(7,411)	(2)	(142,636)
Transfer to Stage 1	5,799	(5,799)	—	—
Transfer to Stage 2	(11,969)	11,969	—	—
Transfer to Stage 3	—	(99)	99	—
Change in carrying amount	(30,950)	(15,113)	(97)	(46,160)
Translation differences	(390)	—	—	(390)
Gross carrying amount at 30 June 2020 (unaudited)	716,806	4,769	451	722,026

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	1,384,401	12,278	324	60,969	1,457,972
New assets originated or purchased	242,734	—	—	—	242,734
Completed (repaid) assets	(334,405)	(12,524)	(2)	—	(346,931)
Transfer to Stage 2	(25,180)	25,180	—	—	—
Change in carrying amount	(64,092)	(4,035)	88	(3,182)	(71,221)
Translation differences	(1,825)	—	—	—	(1,825)
Gross carrying amount at 31 March 2019 (unaudited)	1,201,633	20,899	410	57,787	1,280,729
New assets originated or purchased	190,204	—	—	—	190,204
Completed (repaid) assets	(254,079)	(14,478)	—	(58,463)	(327,020)
Transfer to Stage 1	541	(541)	—	—	—
Transfer to Stage 2	(6,756)	6,756	—	—	—
Transfer to Stage 3	(676)	—	—	676	—
Change in carrying amount	(36,065)	(1,527)	54	—	(37,538)
Translation differences	(4,056)	—	—	—	(4,056)
Gross carrying amount at 30 June 2019 (unaudited)	1,090,746	11,109	464	—	1,102,319

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8. Loans to customers (continued)

Overdrafts (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Allowance at 1 January 2020	15,896	173	372	16,441
New assets originated or purchased	1,814	—	—	1,814
Completed (repaid) assets	(5,311)	—	—	(5,311)
Transfer to Stage 2	(83)	83	—	—
Modifications in allowance	(2)	228	—	226
Translation differences	116	—	—	116
Allowance at 31 March 2020 (unaudited)	12,430	484	372	13,286
New assets originated or purchased	1,179	—	—	1,179
Completed (repaid) assets	(1,257)	(152)	(2)	(1,411)
Transfer to Stage 1	134	(134)	—	—
Transfer to Stage 2	(554)	554	—	—
Transfer to Stage 3	—	(8)	8	—
Modifications in allowance	8,725	(567)	(6)	8,152
Translation differences	(24)	—	—	(24)
Allowance at 30 June 2020 (unaudited)	20,633	177	372	21,182

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2019	31,442	458	249	2,817	34,966
New assets originated or purchased	7,418	—	—	—	7,418
Completed (repaid) assets	(8,942)	(1,461)	(1)	—	(10,404)
Transfer to Stage 2	(951)	951	—	—	—
Modifications in allowance	(2,599)	948	65	2,092	506
Translation differences	(74)	—	—	—	(74)
Allowance at 31 March 2019 (unaudited)	26,294	896	313	4,909	32,412
New assets originated or purchased	4,335	—	—	—	4,335
Completed (repaid) assets	(5,724)	(596)	—	(4,959)	(11,279)
Transfer to Stage 1	4	(4)	—	—	—
Transfer to Stage 2	(740)	740	—	—	—
Transfer to Stage 3	(50)	—	—	50	—
Modifications in allowance	(1,073)	169	40	—	(864)
Translation differences	(84)	(1)	—	—	(85)
Allowance at 30 June 2019 (unaudited)	22,962	1,204	353	—	24,519

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8. Loans to customers (continued)**Finance lease receivables**

The following tables show an analysis of changes in gross carrying amount and corresponding ECL on finance lease receivables:

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2020	2,397,185	137	4,645	2,401,967
New assets originated or purchased	1,337	–	–	1,337
Completed (repaid) assets	(94,286)	–	–	(94,286)
Change in carrying amount	(7,885)	(18)	–	(7,903)
Gross carrying amount at 31 March 2020 (unaudited)	2,296,351	119	4,645	2,301,115
Completed (repaid) assets	(94,088)	–	–	(94,088)
Change in carrying amount	(9,216)	(27)	–	(9,243)
Gross carrying amount at 30 June 2020 (unaudited)	2,193,047	92	4,645	2,197,784

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	1,356,252	4,645	1,360,897
New assets originated or purchased	1,881,748	–	1,881,748
Completed (repaid) assets	(618,886)	–	(618,886)
Change in carrying amount	22,516	–	22,516
Gross carrying amount at 31 March 2019 (unaudited)	2,641,630	4,645	2,646,275
Completed (repaid) assets	(94,087)	–	(94,087)
Change in carrying amount	54,716	–	54,716
Gross carrying amount at 30 June 2019 (unaudited)	2,602,259	4,645	2,606,904

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2020	32,497	125	4,645	37,267
Completed (repaid) assets	(384)	–	–	(384)
Modifications in allowance	(8)	(6)	–	(14)
Allowance at 31 March 2020 (unaudited)	32,105	119	4,645	36,869
Completed (repaid) assets	(1,346)	–	–	(1,346)
Modifications in allowance	24,306	(27)	–	24,279
Allowance at 30 June 2020 (unaudited)	55,065	92	4,645	59,802

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2019	29,798	4,645	34,443
New assets originated or purchased	41,400	–	41,400
Completed (repaid) assets	(13,616)	–	(13,616)
Modifications in allowance	518	–	518
Allowance at 31 March 2019 (unaudited)	58,100	4,645	62,745
Completed (repaid) assets	(8,456)	–	(8,456)
Modifications in allowance	240	–	240
Allowance at 30 June 2019 (unaudited)	49,884	4,645	54,529

*(thousands of Ukrainian hryvnia, unless otherwise stated)***8. Loans to customers (continued)****Promissory notes**

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

	<i>Stage 1 Collective</i>
Gross carrying amount at 1 January 2020	58,089
New assets originated or purchased	50,250
Completed (repaid) assets	(63,079)
Change in carrying amount	1,653
Gross carrying amount at 31 March 2020 (unaudited)	46,913
New assets originated or purchased	7,123
Completed (repaid) assets	(4,477)
Change in carrying amount	2,363
Gross carrying amount at 30 June 2020 (unaudited)	51,922
	<i>Stage 1 Collective</i>
Gross carrying amount at 1 January 2019	74,717
New assets originated or purchased	77,634
Completed (repaid) assets	(78,709)
Change in carrying amount	2,237
Gross carrying amount at 31 March 2019 (unaudited)	75,879
New assets originated or purchased	35,275
Completed (repaid) assets	(40,797)
Change in carrying amount	3,042
Gross carrying amount at 30 June 2019 (unaudited)	73,399
	<i>Stage 1 Collective</i>
Allowance at 1 January 2020	438
New assets originated or purchased	401
Completed (repaid) assets	(464)
Modifications in allowance	13
Allowance at 31 March 2020 (unaudited)	388
New assets originated or purchased	34
Completed (repaid) assets	(25)
Modifications in allowance	369
Allowance at 30 June 2020 (unaudited)	766

*(thousands of Ukrainian hryvnia, unless otherwise stated)***8. Loans to customers (continued)****Promissory notes (continued)**

	<i>Stage 1 Collective</i>
Allowance at 1 January 2019	963
New assets originated or purchased	966
Completed (repaid) assets	(1,002)
Modifications in allowance	37
Allowance at 31 March 2019 (unaudited)	964
New assets originated or purchased	228
Completed (repaid) assets	(267)
Modifications in allowance	(45)
Allowance at 30 June 2019 (unaudited)	880

Modified loans

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

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

Due to a negative impact of COVID-19 quarantine restrictions, the Bank uses certain measures designed to support the Bank's clients affected by the pandemic, including considers possible debt restructuring, in particular: extending the due dates for principal and/or accrued interest payment. Now, the Bank is using the instruments of short-term restructuring under the conditions that do not result in significant modification of assets.

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

	<i>For the period ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	
Loans to customers modified during the period		
Amortised cost before modification	11,357,713	9,994,149
Net modification gain (loss)	73,715	(222,924)

Impact of the COVID-19 pandemic

The Ukrainian Government and the National Bank of Ukraine are implementing the measures to address the economic recession caused by COVID-19, including by introducing special lending schemes (amendments to the scheme of the government financial support of micro and small businesses, which include the provision of the government financial support in the form of partial compensation of interest rates for loans by the Entrepreneurship Development Fund (hereinafter - "Fund") and in the form of guarantees issued by the Fund, to prevent the outbreak and proliferation and to localize and eliminate the spreads of epidemics and pandemics of acute respiratory syndrome COVID-19 caused by coronavirus SARS-CoV-2, and to prevent and overcome their effects; refinancing of the existing debt with Ukrainian banks according to the scheme mentioned).

*(thousands of Ukrainian hryvnia, unless otherwise stated)***8. Loans to customers (continued)****Impact of the COVID-19 pandemic (continued)**

In the context of COVID-19, the Bank has amended the ECL assessment procedure: based on the updated forward-looking macroeconomic information, a model of impact that the macroeconomic indicators would have on the probability of default of the borrowers has been updated. The Bank has presented the applicable revised estimates, which rely on the information available to the Bank as at 30 June 2020, within the Bank's ECL assessment, which resulted in the increase of expenses for expected credit losses by UAH 288,356 thousand.

9. Investment securities**Investment securities at fair value through profit or loss**

As at 30 June 2020, investment securities at FVPL with the carrying value of UAH 28,500,472 thousand (31 December 2019: UAH 25,731,949 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 Hryvnia to US Dollar per month prior to the date of issue and per month prior to the maturity date. Coupon yield is not subject to indexation.

Investment securities at fair value through other comprehensive income

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Ukrainian state bonds	15,373,220	22,254,733
Corporate bonds	341,957	361,226
Corporate shares	20,518	17,940
Investment securities at fair value through other comprehensive income	15,735,695	22,633,899

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

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2020	22,656,710	4,218,021	26,874,731
New assets originated or purchased	92,246	—	92,246
Completed (repaid) assets	(6,605,642)	—	(6,605,642)
Change in carrying amount	(2,172,888)	—	(2,172,888)
Translation differences	1,463,249	—	1,463,249
Gross carrying amount at 31 March 2020 (unaudited)	15,433,675	4,218,021	19,651,696
Completed (repaid) assets	(1,617,380)	—	(1,617,380)
Change in carrying amount	2,275,081	—	2,275,081
Translation differences	(337,717)	—	(337,717)
Gross carrying amount at 30 June 2020 (unaudited)	15,753,659	4,218,021	19,971,680

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9. Investment securities (continued)**Investment securities at fair value through other comprehensive income (continued)**

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	35,794,632	4,218,021	40,012,653
New assets originated or purchased	2,927,059	—	2,927,059
Completed (repaid) assets	(5,693,763)	—	(5,693,763)
Change in carrying amount	(76,569)	—	(76,569)
Translation differences	(322,593)	—	(322,593)
Gross carrying amount at 31 March 2019 (unaudited)	32,628,766	4,218,021	36,846,787
New assets originated or purchased	4,136,519	—	4,136,519
Completed (repaid) assets	(3,693,981)	—	(3,693,981)
Change in carrying amount	(16,324)	—	(16,324)
Translation differences	(795,183)	—	(795,183)
Gross carrying amount at 30 June 2019 (unaudited)	32,259,797	4,218,021	36,477,818

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2020	22,811	4,218,021	4,240,832
New assets originated or purchased	86	—	86
Completed (repaid) assets	(6,009)	—	(6,009)
Modifications in allowance	(31)	—	(31)
Translation differences	1,330	—	1,330
Allowance at 31 March 2020 (unaudited)	18,187	4,218,021	4,236,208
Completed (repaid) assets	(1,486)	—	(1,486)
Modifications in allowance	1,558	—	1,558
Translation differences	(295)	—	(295)
Allowance at 30 June 2020 (unaudited)	17,964	4,218,021	4,235,985

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2019	5,537	4,218,021	4,223,558
Modifications in allowance	(276)	—	(276)
Allowance at 31 March 2019 (unaudited)	5,261	4,218,021	4,223,282
Modifications in allowance	(770)	—	(770)
Allowance at 30 June 2019 (unaudited)	4,491	4,218,021	4,222,512

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9. Investment securities (continued)

Investment securities at amortised cost

	<i>30 June 2020 (unaudited) Carrying amount</i>
Corporate bonds	10,980,126
Ukrainian state bonds	10,701,786
	21,681,912
Less: allowance for expected credit losses	(9,878)
Investment securities at amortised cost	21,672,034

10. Other assets and liabilities

Other assets comprise:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Other financial assets		
Transit accounts on operations with payment cards	191,033	182,067
Accounts receivable on operations with customers	72,976	56,664
Other accrued income	47,047	332,949
Accrued service fee on guarantees issued	7,899	15,936
Other	118	105
	319,073	587,721
Less: Allowance for expected credit losses	(96,118)	(388,117)
Other financial assets	222,955	199,604
Other assets		
Other tax assets, except those related to income tax	150,237	149,818
Advance payments	108,137	111,311
Precious metals	87,482	70,919
Reposessed collateral	39,321	39,321
Cash, which availability is not confirmed	33,714	30,491
Inventories	28,292	35,597
Other	2,589	2,067
	449,772	439,524
Less: allowance for impairment	(114,235)	(92,436)
Other assets	335,537	347,088
Total other assets	558,492	546,692

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10. Other assets and liabilities (continued)

Other liabilities comprise:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Other financial liabilities		
Transit accounts on operations with customers	129,325	32,873
Transit accounts on operations with payment cards	21,126	53,121
Lease commitments	9,596	6,006
Liabilities on guarantees issued	5,550	4,964
Accrued expenses	3,027	5,655
Other financial liabilities	168,624	102,619
Other liabilities		
Accrued unused vacations	117,104	125,469
Payables to the Individual Deposit Guarantee Fund	66,441	63,411
Deferred income	45,171	34,702
Payables on taxes and mandatory contributions, except for income tax	38,109	35,229
Accrued salary	34,827	60,427
Provision for performance guarantees	14,698	244
Payables on the Bank's business activities	14,556	11,416
Deductions from salary	10,699	763
Accrued pension contributions	1,947	2,293
Other	7,477	8,893
Other liabilities	351,029	342,847
Total other liabilities	519,653	445,466

The following table shows the analysis of changes in the gross carrying amount and the corresponding ECL on other financial assets (except for transit accounts on operations with payment cards):

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2020	102,702	302,952	405,654
New assets originated or purchased	24,391	—	24,391
Completed (repaid) assets	(24,430)	(302,952)	(327,382)
Change in carrying amount	3,171	—	3,171
Translation differences	6,172	—	6,172
Gross carrying amount at 31 March 2020(unaudited)	112,006	—	112,006
New assets originated or purchased	52,580	—	52,580
Completed (repaid) assets	(35,074)	—	(35,074)
Change in carrying amount	235	—	235
Translation differences	(1,707)	—	(1,707)
Gross carrying amount at 30 June 2020 (unaudited)	128,040	—	128,040

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10. Other assets and liabilities (continued)

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	144,942	302,952	447,894
New assets originated or purchased	13,545	—	13,545
Completed (repaid) assets	(13,297)	—	(13,297)
Change in carrying amount	(28,456)	—	(28,456)
Written-off assets	(121)	—	(121)
Translation differences	(1,066)	—	(1,066)
Gross carrying amount at 31 March 2019 (unaudited)	115,547	302,952	418,499
New assets originated or purchased	23,320	—	23,320
Completed (repaid) assets	(31,239)	—	(31,239)
Change in carrying amount	711	—	711
Translation differences	(1,350)	—	(1,350)
Gross carrying amount at 30 June 2019 (unaudited)	106,989	302,952	409,941

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2020	85,165	302,952	388,117
New assets originated or purchased	3,354	—	3,354
Completed (repaid) assets	(2,593)	(302,952)	(305,545)
Modifications in allowance	638	—	638
Translation differences	6,124	—	6,124
Allowance at 31 March 2020 (unaudited)	92,688	—	92,688
New assets originated or purchased	16,805	—	16,805
Completed (repaid) assets	(14,599)	—	(14,599)
Modifications in allowance	2,908	—	2,908
Translation differences	(1,684)	—	(1,684)
Allowance at 30 June 2020 (unaudited)	96,118	—	96,118

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2019	86,643	302,952	389,595
New assets originated or purchased	2,156	—	2,156
Completed (repaid) assets	(2,302)	—	(2,302)
Modifications in allowance	3,004	—	3,004
Written-off assets	(121)	—	(121)
Translation differences	(1,056)	—	(1,056)
Allowance at 31 March 2019 (unaudited)	88,324	302,952	391,276
New assets originated or purchased	3,776	—	3,776
Completed (repaid) assets	(2,376)	—	(2,376)
Modifications in allowance	(181)	—	(181)
Translation differences	(1,451)	—	(1,451)
Allowance at 30 June 2019 (unaudited)	88,092	302,952	391,044

For the period ended 30 June 2020, the Bank derecognised other accrued income in the amount of UAH 302,952 thousand (allowance in the amount of UAH 302,952 thousand) and recognised new POCI in “Loans to customers”.

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10. Other assets and liabilities (continued)

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

Allowance at 1 January 2020	92,436
Charge	6,527
Translation differences	4,591
Allowance at 31 March 2020 (unaudited)	103,554
Charge	12,050
Translation differences	(1,369)
Allowance at 30 June 2020 (unaudited)	114,235
Allowance at 1 January 2019	82,233
Charge	8,203
Translation differences	(565)
Allowance at 31 March 2019 (unaudited)	89,871
Charge	5,753
Translation differences	(969)
Allowance at 30 June 2019 (unaudited)	94,655

11. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2020 (unaudited)	31 December 2019
Current accounts		
Ukrainian banks	880,375	705,342
CIS and other banks	612	2,975
	880,987	708,317
Loans and deposits		
International financial institutions	25,908,807	20,943,326
Ukrainian banks	99,695	86,218
OECD banks	50,109	87,901
	26,058,611	21,117,445
Amounts due to credit institutions	26,939,598	21,825,762

For the purposes of the consolidated cash flow statement presentation, the Bank allocates the funds attracted from credit institutions between the operating and financing activities. The funds raised from Ukrainian banks comprise guarantee deposits taken and were included in the category of funds for operating activities, and the funds from foreign banks received for longer-term purposes – for financing activities.

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12. Amounts due to customers

Amounts due to customers comprise:

	30 June 2020 (unaudited)	31 December 2019
Current accounts		
Legal entities	20,767,872	16,809,617
Budget financed organizations	7,856,383	7,358,773
Individuals	5,152,285	4,189,134
Funds under the Bank's management	—	1
	33,776,540	28,357,525
Time deposits		
Legal entities	34,645,560	27,122,765
Individuals	22,288,229	21,645,529
Budget financed organizations	2,330,557	—
	59,264,346	48,768,294
Amounts due to customers	93,040,886	77,125,819
Held as security against guarantees and avals (Note 15)	569,589	689,701
Held as security against loans to customers	323,775	962,789
Held as security against letters of credit (Note 15)	185,376	178,683
Held as security against undrawn loan commitments (Note 15)	2,828	12,384

As at 30 June 2020, amounts due from customers included attracted deposits and current accounts in gold, which are measured at fair value through profit or loss, in the amount of UAH 70,122 thousand (31 December 2019: UAH 53,156 thousand). As at 30 June 2020, there is no change in fair value of funds raised in gold due to changes in credit risk (31 December 2019: none).

13. Eurobonds issued

	30 June 2020 (unaudited)			31 December 2019		
	Nominal value ('000)	Currency	Carrying amount	Nominal value ('000)	Currency	Carrying amount
April 2010 issue	500,000	USD	4,524,947	500,000	USD	5,021,247
October 2010 issue	250,000	USD	2,262,473	250,000	USD	2,510,623
January 2013 issue	500,000	USD	13,876,614	500,000	USD	12,304,890
April 2013 issue	100,000	USD	2,775,323	100,000	USD	2,460,978
March 2018 issue	4,051,000	UAH	4,260,714	4,051,000	UAH	4,255,338
Eurobonds issued			27,700,071			26,553,076

14. Equity

As at 30 June 2020, the Bank's authorised issued share capital comprised 26,490,412 (31 December 2019: 26,490,412) ordinary registered shares with a nominal value of UAH 1,462.04 per share (31 December 2019: 1,462.04 per share). As at 30 June 2020, 26,490,412 ordinary registered shares were fully paid and registered (31 December 2019: all shares were fully paid and registered).

In June 2020, according to Resolution No. 328 of the Cabinet of Ministers of Ukraine “On approval of the basic standard for the deduction of a share of profit, which is allocated for distributions of dividends following the results of the 2019 financial and business activities of the companies whose authorised capital includes the participatory interest of the state” dd. 24 April 2020, the Bank partially allocated its profit for dividend distributions in the amount of UAH 19,086 thousand. According to Article 57 of the Tax Code of Ukraine, the Bank accrued and paid to the budget the advance income tax payment in the amount of UAH 3,435 thousand.

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14. Equity (continued)**Movements in revaluation reserves**

Movements in revaluation reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Unrealised gains/ (losses) on investment securities at fair value through other comprehensive income</i>	<i>Revaluation reserves</i>
At 1 January 2019	710,805	(1,527,211)	(816,406)
Depreciation of revaluation reserve, net of tax	(6,619)	—	(6,619)
Other comprehensive loss to be reclassified to the consolidated statement of profit and loss in subsequent periods			
<i>Net loss on investment securities at fair value through other comprehensive income, including:</i>			
Changes in allowances for expected credit losses on investment securities at fair value through other comprehensive income	—	(458,163)	(458,163)
Net realised gains from investment securities at fair value through other comprehensive income reclassified to the consolidated statement of profit and loss	—	1,046	1,046
Net unrealised losses on investment securities at fair value through other comprehensive income	—	(175)	(175)
Income tax related to components of other comprehensive income	—	(459,034)	(459,034)
	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June 2019 (unaudited)	704,186	(1,985,374)	(1,281,188)
At 1 January 2020	697,568	(359,789)	337,779
Depreciation of revaluation reserve, net of tax	(6,619)	—	(6,619)
Other comprehensive (loss) to be reclassified to the consolidated statement of profit and loss in subsequent periods			
<i>Net loss on investment securities at fair value through other comprehensive income, including:</i>			
Changes in allowances for expected credit losses on investment securities at fair value through other comprehensive income	—	(41,970)	(41,970)
Net realised loss on investment securities at fair value through other comprehensive income reclassified to the consolidated statement of profit and loss	—	5,882	5,882
Net unrealised losses on investment securities at fair value through other comprehensive income	—	19,972	19,972
Income tax related to components of other comprehensive income	—	(67,824)	(67,824)
	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June 2020 (unaudited)	690,949	(401,759)	289,190

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15. Credit-related commitments

Credit-related commitments included:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Undrawn loan commitments	4,619,089	8,806,875
Financial guarantees	372,215	830,808
Letters of credit	224,413	226,691
Avals on promissory notes	422,905	178,269
	5,638,622	10,042,643
Less: provisions	(72,773)	(49,062)
Credit-related commitments (before deducting cash held as security)	5,565,849	9,993,581
Less: cash held as security against letters of credit, avals, financial guarantees and undrawn loan commitments (Note 12)	(351,851)	(271,420)
Credit-related commitments	5,213,998	9,722,161

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Credit-related commitments at 1 January 2020	8,164,028	12,358	2,520	627,969	8,806,875
New liabilities originated or purchased	1,332,188	—	—	—	1,332,188
Completed (settled) liabilities	(3,221,463)	(16,513)	(1,624)	(594,735)	(3,834,335)
Transfer to Stage 1	726	(726)	—	—	—
Transfer to Stage 2	(169,001)	169,082	(81)	—	—
Transfer to Stage 3	(429)	(439)	868	—	—
Changes in liabilities	(231,279)	(14,141)	(164)	(33,223)	(278,807)
Translation differences	381,966	6,194	—	—	388,160
Credit-related commitments at 31 March 2020 (unaudited)	6,256,736	155,815	1,519	11	6,414,081
New liabilities originated or purchased	2,493,640	—	—	—	2,493,640
Completed (settled) liabilities	(4,709,002)	(61,342)	(571)	—	(4,770,915)
Transfer to Stage 1	10,239	(10,239)	—	—	—
Transfer to Stage 2	(27,142)	27,665	(523)	—	—
Transfer to Stage 3	(230)	(439)	669	—	—
Changes in liabilities	651,175	(64,941)	95	—	586,329
Translation differences	(101,704)	(2,342)	—	—	(104,046)
Credit-related commitments at 30 June 2020 (unaudited)	4,573,712	44,177	1,189	11	4,619,089

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15. Credit-related commitments (continued)

	<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>
Credit-related commitments at 1 January 2019	5,475,800	6,664	–	6,229	100,069	5,588,762
New liabilities originated or purchased	1,867,726	–	–	–	–	1,867,726
Completed (settled) liabilities	(1,636,194)	(6,284)	–	(282)	(1,244)	(1,644,004)
Transfer to Stage 1	655	(410)	–	(245)	–	–
Transfer to Stage 2	(11,802)	11,802	–	–	–	–
Transfer to Stage 3	(3,611)	(253)	–	367	3,497	–
Changes in liabilities	385,583	5,502	–	(145)	(77,751)	313,189
Translation differences	(99,309)	10	–	–	–	(99,299)
Credit-related commitments at 31 March 2019 (unaudited)	5,978,848	17,031	–	5,924	24,571	6,026,374
New liabilities originated or purchased	2,396,266	–	–	–	–	2,396,266
Completed (settled) liabilities	(1,775,176)	(7,863)	–	(4,900)	(21,337)	(1,809,276)
Transfer to Stage 1	1,984	(1,906)	–	(78)	–	–
Transfer to Stage 2	(456,342)	2,543	453,799	–	–	–
Transfer to Stage 3	(1,194)	(361)	–	603	952	–
Changes in liabilities	127,517	(3,938)	64,684	84	(3,223)	185,124
Translation differences	(55,249)	(110)	–	–	–	(55,359)
Credit-related commitments at 30 June 2019 (unaudited)	6,216,654	5,396	518,483	1,633	963	6,743,129

	<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 2020	47,357	206	646	48,209
New liabilities originated or purchased	10,089	–	–	10,089
Completed (settled) liabilities	(16,920)	(87)	(305)	(17,312)
Transfer to Stage 1	65	(65)	–	–
Transfer to Stage 2	(2,837)	2,890	(53)	–
Transfer to Stage 3	(63)	(70)	133	–
Modifications in allowance	1,676	5,510	214	7,400
Translation differences	2,145	222	–	2,367
Provision for credit-related commitments at 31 March 2020 (unaudited)	41,512	8,606	635	50,753
New liabilities originated or purchased	29,176	–	–	29,176
Completed (settled) liabilities	(43,174)	(2,509)	(152)	(45,835)
Transfer to Stage 1	289	(289)	–	–
Transfer to Stage 2	(374)	606	(232)	–
Transfer to Stage 3	(39)	(63)	102	–
Modifications in allowance	40,998	(3,487)	179	37,690
Translation differences	(799)	(70)	–	(869)
Provision for credit-related commitments at 30 June 2020 (unaudited)	67,589	2,794	532	70,915

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15. Credit-related commitments (continued)

	<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>
Provision for credit-related commitments at 1 January 2019	61,657	91	–	2,956	3,981	68,685
New liabilities originated or purchased	36,373	–	–	–	–	36,373
Completed (settled) liabilities	(29,362)	(75)	–	(126)	–	(29,563)
Transfer to Stage 1	171	(10)	–	(161)	–	–
Transfer to Stage 2	(57)	57	–	–	–	–
Transfer to Stage 3	(130)	(24)	–	67	87	–
Modifications in allowance	(24,955)	113	–	(40)	(2,618)	(27,500)
Translation differences	(1,315)	–	–	–	–	(1,315)
Provision for credit-related commitments at 31 March 2019 (unaudited)	42,382	152	–	2,696	1,450	46,680
New liabilities originated or purchased	40,440	–	–	–	–	40,440
Completed (settled) liabilities	(16,540)	(69)	–	(2,219)	(1,450)	(20,278)
Transfer to Stage 1	58	(10)	–	(48)	–	–
Transfer to Stage 2	(8,259)	77	8,182	–	–	–
Transfer to Stage 3	(125)	(46)	–	171	–	–
Modifications in allowance	(9,768)	5	(8,182)	167	–	(17,778)
Translation differences	(477)	–	–	–	–	(477)
Provision for credit-related commitments at 30 June 2019 (unaudited)	47,711	109	–	767	–	48,587

Performance guarantees

Performance guarantees are arrangements on the provision of compensation if a counterparty fails to perform contractual obligations. Performance guarantees are not exposed to credit risk. Risk related to a counterparty's possible failure to perform contractual obligations

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Performance guarantees	2,881,355	2,505,110
Less: provisions	(14,698)	(244)
Commitments related to performance guarantees (before deducting cash held as security)	2,866,657	2,504,866
Less: cash held as security for performance guarantees (Note 12)	(405,942)	(609,348)
Commitments related to performance guarantees	2,460,715	1,895,518

The provision for performance guarantees is recognised in other liabilities.

Financial covenants

The Bank is a party to various arrangements with other credit institutions, which contain financial covenants relating to the financial performance and general risk profile of the Bank (capital adequacy, liquidity, credit risks). The benchmarks for such covenants are specified by the agreements, other documents agreed upon by the parties to the agreements with reference to the international and local regulatory requirements.

These financial covenants may restrict the Bank's ability to execute certain business strategies and enter into other significant transactions in the future.

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16. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2020		2019	
	<i>For the three months ended 30 June</i>	<i>For the six months ended 30 June</i>	<i>For the three months ended 30 June</i>	<i>For the six months ended 30 June</i>
	<i>(unaudited)</i>			
Salaries and bonuses	303,490	599,829	318,346	576,840
Mandatory contributions to the state funds	55,158	112,021	58,830	108,263
Personnel expenses	358,648	711,850	377,176	685,103
Payables to the Individual Deposit Guarantee Fund	66,441	131,344	64,574	128,851
Repair and maintenance of property and equipment	32,293	66,814	29,039	61,710
Legal and advisory services	20,260	26,549	8,012	9,122
Security	14,399	28,308	13,861	28,019
Losses on impairment of non-financial assets	12,050	18,577	5,753	13,956
Operating taxes	8,540	37,707	13,289	22,319
Electronic and data processing costs	6,587	13,251	7,628	15,063
Maintenance of premises	5,738	16,855	9,798	22,667
Expenses for cash collection	5,102	9,633	5,331	10,411
Communication services	4,047	8,394	4,072	7,829
Marketing and advertising	3,251	5,118	3,564	4,377
Administrative expenses	3,247	8,868	4,412	9,942
Rent of premises	2,988	6,048	1,665	6,989
Business travel and related expenses	257	1,847	2,671	3,973
Personnel recruitment expenses	—	5,756	—	—
(Reversal of losses)/losses on impairment of performance guarantees	(185)	14,432	—	—
Other	18,294	41,797	11,766	21,793
Other operating expenses	203,309	441,298	185,435	367,021

Expenses for payment to the non-state pension fund for the period ended 30 June 2020 comprised UAH 11,317 thousand (30 June 2019: UAH 11,284 thousand).

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17. 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 interim condensed consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2020 (unaudited)			31 December 2019		
	Carrying amount	Fair value	Unrecognised gain/ (loss)	Carrying amount	Fair value	Unrecognised gain/ (loss)
Financial assets						
Cash and cash equivalents	35,369,707	35,369,707	–	33,469,935	33,469,935	–
Amounts due from credit institutions	473,905	473,905	–	240,971	240,971	–
Loans to customers	52,848,874	51,683,382	(1,165,492)	53,285,804	52,604,116	(681,688)
Investment securities at amortised cost	21,672,034	21,677,355	(5,321)	–	–	–
Other assets	222,955	222,955	–	199,604	199,604	–
Financial liabilities						
Amounts due to credit institutions	26,939,598	26,939,598	–	21,825,762	21,825,762	–
Amounts due to customers	92,970,764	92,927,295	43,469	77,072,663	77,060,661	12,002
Eurobonds issued	27,700,071	28,614,137	(914,066)	26,553,076	28,166,079	(1,613,003)
Subordinated debt	4,391,137	4,494,087	(102,950)	5,429,914	5,573,947	(144,033)
Other liabilities	168,624	168,624	–	102,619	102,619	–
Total unrecognised change in unrealised fair value			<u>(2,144,360)</u>			<u>(2,426,722)</u>

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 interim condensed consolidated statement of financial position.

Assets fair value of which approximates 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 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.

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17. Fair value of assets and liabilities (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

Fair value of financial assets and liabilities carried at fair value

The Bank uses the following hierarchy of measurement techniques to determine and disclose fair values of financial assets and financial liabilities, including changes in fair value as a result of alternative assumptions used in the measurement model:

- ▶ Level 2: where no market quotations are available for a financial instrument, the fair value is measured using valuation techniques based on assumptions supported by observable market prices and rates available at the reporting date, i.e. either directly or indirectly based on observable market inputs;
- ▶ Level 3: for financial instruments whose fair values cannot be measured using market quotations or measurement models with observable inputs, the Bank uses measurement techniques using unobservable inputs that have material impact on reported fair values of financial instruments. This approach is appropriate for investments in non-listed shares and debt securities.

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

<i>At 30 June 2020 (unaudited)</i>	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Current accounts with other credit institutions in precious metals	19,971	–	19,971
Investment securities at fair value through profit or loss	28,500,472	–	28,500,472
Investment securities at fair value through other comprehensive income	15,715,177	20,518	15,735,695
Total assets	44,235,620	20,518	44,256,138
Amounts due to customers in precious metals	70,122	–	70,122
Total liabilities	70,122	–	70,122

<i>At 31 December 2019</i>	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Current accounts with other credit institutions in precious metals	15,201	–	15,201
Investment securities at fair value through profit or loss	25,731,949	–	25,731,949
Investment securities at fair value through other comprehensive income	22,615,959	17,940	22,633,899
Total assets	48,363,109	17,940	48,381,049
Amounts due to customers in precious metals	53,156	–	53,156
Total liabilities	53,156	–	53,156

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

17. Fair value of assets and liabilities (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

During six months ended 30 June 2020, the Bank did not transfer any financial assets from one level of the fair value hierarchy to another level of the fair value hierarchy.

The Bank measures financial assets by discounting cash flows from these instruments using the rates determined on the basis of non-observable data.

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 and liabilities recorded at fair value:

	<i>At 1 January 2020</i>	<i>Gain recognised in the consolidated statement of profit and loss</i>	<i>Gain recognised in the consolidated statement of comprehensive income</i>	<i>Settlements</i>	<i>At 30 June 2020</i>
Investment securities at fair value through other comprehensive income	17,940	699	2,251	(372)	20,518

	<i>At 1 January 2019</i>	<i>Gain recognised in the consolidated statement of profit and loss</i>	<i>Gain recognised in the consolidated statement of comprehensive income</i>	<i>Settlements</i>	<i>At 31 December 2019</i>
Investment securities at fair value through other comprehensive income	16,603	394	1,337	(394)	17,940

The table below shows the quantitative information as at 30 June 2020 about significant unobservable inputs used for fair valuation of the assets classified as those of Level 3 of the fair value hierarchy:

<i>At 30 June 2020 (unaudited)</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Parameter values</i>
Investment securities at fair value through other comprehensive income	20,518	Discounted cash flows	Expected profitability	16.4%
<i>At 31 December 2019 (unaudited)</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Parameter values</i>
Investment securities at fair through other comprehensive income	17,940	Discounted cash flows	Expected profitability	19.2%-20.4%

(thousands of Ukrainian hryvnia, unless otherwise stated)

18. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if they are under common control, or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

Related parties may enter into the transactions, which unrelated parties might not. The terms and conditions of such transactions may differ from those between unrelated parties.

Transactions and balances with related parties comprise transactions with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government and with the key management personnel.

The outstanding balances with key management personnel as at 30 June 2020 and 31 December 2019, and related income and expense for the six months ended 30 June 2020 and 30 June 2019 are as follows:

	<i>Key management personnel</i>	
	<i>30 June 2020</i> <i>(unaudited)</i>	<i>31 December 2019</i>
Loans to customers, gross	–	153
Less: allowance for expected credit losses	–	(1)
Loans to customers, net	–	152
Other assets	6	5
Current accounts	7	6,434
Time deposits	793	19,701
Amounts due to customers	800	26,135
Other liabilities	7	23

	<i>For the period ended 30 June</i>	
	<i>2020</i> <i>(unaudited)</i>	<i>2019</i>
Interest income on loans	–	18
Interest expense on customer deposits	(338)	(578)
Commission income	7	6
Translation differences	(1,823)	(1,408)

During the six months ended 30 June 2020, the total compensation and other remunerations of the key management personnel comprised UAH 44,672 thousand (UAH 98 thousand of payments to the non-state pension fund) (30 June 2019: UAH 22,946 thousand (including UAH 505 thousand of payment to the non-state pension fund)).

In the normal course of business, the Bank enters into contractual agreements with the Government of Ukraine and entities controlled, either directly or indirectly, or significantly influenced by the state. The Bank provides the government-related entities with a full range of banking service including, but not limited to, lending, deposit-taking, issue of guarantees, transactions with securities, cash and settlement transactions.

Translation from Ukrainian original

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

Notes to the interim condensed consolidated
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ended 30 June 2020

(thousands of Ukrainian hryvnia, unless otherwise stated)

18. Related party transactions (continued)

Balances with government-related entities which are individually significant in terms of the carrying value as at 30 June 2020 (unaudited) are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Guarantees issued</i>
Client 1	State entities	—	—	4,356,030	—
Client 2	State entities	—	—	1,051,298	—
Client 3	State entities	—	—	678,985	—
Client 4	Agriculture and food industry	—	—	11,748,350	—
Client 5	Extractive industry	—	4,860,990	2,188,867	—
Client 6	Extractive industry	—	717,633	—	—
Client 7	Power engineering	—	5,048,459	—	—
Client 8	Finance	3,862,968	—	—	—
Client 9	Finance	—	—	806,844	—
Client 10	Trade	—	1,246,515	—	609,689
Client 11	Trade	—	—	1,085,402	592,080
Client 12	Trade	—	—	—	52,159
Client 13	Mechanical engineering	—	2,239,322	—	549,940
Client 14	Mechanical engineering	—	—	—	269,535
	Transport and communications	—	—	—	—
Client 15	communications	—	2,092,699	—	—
Other	—	—	1,417,694	7,392,991	—

Balances with government-related entities which are individually significant in terms of the carrying value as at 31 December 2019 are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Guarantees issued</i>
Client 1	State entities	—	—	4,041,851	—
Client 2	State entities	—	—	1,049,756	—
Client 3	State entities	—	—	614,338	—
Client 4	Agriculture and food industry	—	—	10,970,272	—
Client 16	Agriculture and food industry	—	720,824	—	—
Client 8	Finance	8,748,919	—	—	—
Client 7	Power engineering	—	4,581,405	—	—
Client 5	Extractive industry	—	4,337,341	—	—
Client 13	Mechanical engineering	—	2,103,673	—	542,352
Client 14	Mechanical engineering	—	—	—	282,719
Client 15	Transport and communications	—	2,308,319	—	—
Client 11	Trade	—	—	1,001,638	609,862
Client 10	Trade	—	—	—	506,954
Client 12	Trade	—	—	—	49,770
Client 17	Professional, scientific and technical activities	—	538,546	—	—
Other	—	—	1,030,327	6,702,779	—

For the six-month period ended 30 June 2020, the Bank recorded UAH 949,611 thousand of interest income under significant transactions with the government-related entities (30 June 2019: UAH 1,209,642 thousand), including interest income of UAH 238,361 thousand under transactions with the NBU deposit certificates with maturity up to 90 days (30 June 2019: UAH 32,131 thousand) and interest expenses of UAH 355,108 thousand (30 June 2019: UAH 725,225 thousand).

*(thousands of Ukrainian hryvnia, unless otherwise stated)***18. Related party transactions (continued)**

As at 30 June 2020 and 31 December 2019, the Bank's investments in securities issued by the government or the government-related corporate entities were as follows:

	30 June 2020 (unaudited)	31 December 2019
Investment securities at fair value through profit or loss	28,500,472	25,731,949
Investment securities at fair value through other comprehensive income	15,730,298	22,629,191
Investment securities at amortised cost	21,672,034	–

For the six-month period ended 30 June 2020, the Bank recognised UAH 1,322,261 thousand of interest income on transactions with Ukrainian state bonds (30 June 2019: UAH 1,810,038 thousand) and UAH 149,284 thousand of interest income on transactions with other investment securities (30 June 2019: UAH 129,768 thousand).

19. Capital adequacy

The Bank manages its exposures to ensure that it maintains an adequate capital level to cover the external 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 externally imposed capital requirements and that the Bank maintains strong credit ratings and proper capital ratios in order to support its business activities and maximize the value to the shareholder.

The Bank manages its capital structure and adjusts its total assets to provide for observed and expected changes in the business environment and the risk profile of its business activities.

NBU capital adequacy ratio

The Bank's regulatory capital adequacy ratio was as follows:

	30 June 2020 (unaudited)	31 December 2019
Main capital	5,795,237	7,259,391
Additional capital, calculated	3,977,704	6,432,082
Additional capital included in calculation of total capital (limited to main capital)	3,977,704	6,432,082
Total regulatory capital	9,772,941	13,691,473
Risk weighted assets	66,866,915	67,763,579
Main capital adequacy ratio	8.67%	10.71%
Regulatory capital adequacy ratio	14.62%	20.20%

Regulatory capital comprises Tier 1 capital (Main capital) consisting of paid-in registered share capital plus reserves less expected losses, and Tier 2 capital (Additional capital) consisting of asset revaluation reserve, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes, the qualifying Tier 2 capital amount is limited to 100% of Tier 1 capital.

(thousands of Ukrainian hryvnia, unless otherwise stated)

19. Capital adequacy (continued)

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratios computed in accordance with the Basel Capital Accord 1988 were as follows:

	30 June 2020 (unaudited)	31 December 2019
Tier 1 capital	6,018,768	7,944,342
Tier 2 capital, calculated	3,933,677	4,945,054
Tier 2 capital, included in calculation of total capital	3,933,677	4,945,054
Total capital	9,952,445	12,889,396
Risk weighted assets	68,326,344	66,009,562
Tier 1 capital adequacy ratio	8.8%	12.0%
Total capital adequacy ratio	14.6%	19.5%

20. Subsequent events

On 23 September 2020 the Cabinet of Ministers of Ukraine adopted a decision (Resolution of the Cabinet of Ministers of Ukraine dated 23 September 2020 № 881 (hereinafter - the “Resolution”)) to increase the authorised share capital of the Bank by UAH 6,839,999 thousand through issue of 4,678,394 additional shares with nominal value of UAH 1,462.04 each with 100% of these shares kept by the State.

In accordance with the Resolution, the Government of Ukraine acquired the additional issue of shares, that increased the authorised share capital of the Bank, by exchanging them to Ukrainian state bonds with the nominal value of UAH 6,840,000 thousand with 15-year maturity and interest rate of return of 9.3 percent per annum.