

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

Interim condensed consolidated  
financial statements

*For the six months ended 30 June 2021*

*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 2021 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*.




31 August 2021  
Kyiv, Ukraine

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 30 June 2021***(thousands of Ukrainian hryvnia)*

	<i>Notes</i>	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
<b>Assets</b>			
Cash and cash equivalents	4	66,748,481	49,912,943
Amounts due from credit institutions	7	8,572,635	370,160
Loans to customers	8	53,021,729	48,608,320
Investment securities:	9		
- at fair value through profit or loss		27,357,433	29,008,521
- at fair value through other comprehensive income		13,754,700	14,543,523
- at amortised cost		32,413,814	45,174,610
Derivative financial assets	10	788,798	108,231
Current income tax assets		250,331	250,331
Non-current assets held for sale		22,241	22,241
Investment property		1,170,187	1,143,451
Property and equipment and right-of-use assets		1,929,567	1,967,759
Intangible assets		44,646	51,984
Deferred income tax asset		1,175,372	1,175,372
Other assets	11	595,957	537,829
<b>Total assets</b>		<b>207,845,891</b>	<b>192,875,275</b>
<b>Liabilities</b>			
Amounts due to the National Bank of Ukraine	12	20,426,864	16,008,768
Amounts due to credit institutions	13	25,721,743	26,119,028
Amounts due to customers	14	137,594,962	115,581,108
Eurobonds issued	15	7,335,583	18,537,152
Subordinated debt		3,884,478	4,341,176
Provision for credit-related commitments	17	437,196	135,531
Other liabilities	11	1,383,622	1,803,616
<b>Total liabilities</b>		<b>196,784,448</b>	<b>182,526,379</b>
<b>Equity</b>	16		
Share capital		45,570,041	45,570,041
Revaluation reserves		126,846	525,683
Result from transactions with the shareholder		635,104	635,104
Accumulated deficit		(35,270,548)	(36,589,390)
Reserve and other funds		—	207,458
<b>Total equity</b>		<b>11,061,443</b>	<b>10,348,896</b>
<b>Total equity and liabilities</b>		<b>207,845,891</b>	<b>192,875,275</b>

Authorised for release and signed

Chairman of the Board


 Ie.V. Metsger

Chief Accountant


 N.A. Potemka

31 August 2021

V.M. Medko 247-89-16

Translation from Ukrainian original

Joint Stock Company "The State Export-Import Bank of Ukraine" Interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the six months ended 30 June 2021

(thousands of Ukrainian hryvnia)

		2021	2020		
		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 (restated)
Notes		(unaudited)			
<b>Interest income</b>					
Interest income calculated using effective interest rate:					
- loans to customers		1,173,713	2,227,075	1,358,887	2,822,895
- investment securities at fair value through other comprehensive income		311,635	610,610	328,127	681,406
- investment securities at amortised cost		690,340	1,492,826	176,861	178,659
amounts due from credit institutions		319,958	515,914	51,354	312,871
Other interest income:					
- investment securities at fair value through profit or loss		305,745	608,052	305,735	611,480
- finance leasing		78,225	156,032	104,941	214,639
		<b>2,879,616</b>	<b>5,610,509</b>	<b>2,325,905</b>	<b>4,821,950</b>
<b>Interest expense</b>					
Amounts due to customers		(1,010,616)	(2,047,108)	(951,793)	(1,949,733)
Eurobonds issued		(182,903)	(534,622)	(741,028)	(1,483,349)
Amounts due to credit institutions		(204,742)	(409,321)	(274,944)	(577,142)
Subordinated debt		(94,174)	(192,497)	(108,616)	(229,042)
Amounts due to the National Bank of Ukraine		(314,886)	(551,531)	(64,262)	(69,699)
Other interest expenses		(254)	(491)	(314)	(532)
		<b>(1,807,575)</b>	<b>(3,735,570)</b>	<b>(2,140,957)</b>	<b>(4,309,497)</b>
<b>Net interest income</b>					
		<b>1,072,041</b>	<b>1,874,939</b>	<b>184,948</b>	<b>512,453</b>
Net losses on modification of financial assets at amortised cost					
		(2,893)	(2,574)	(6,131)	(74,916)
Net gains from derecognition of financial assets at amortised cost					
		1,215,931	1,215,931	—	147,538
Expenses for expected credit losses	6	(1,080,577)	(1,090,624)	(1,167,771)	(1,340,977)
Expenses for expected credit losses on credit-related commitments	6	(209,876)	(309,963)	(22,120)	(22,135)
Commission income		271,001	492,674	186,718	419,265
Commission expense		(94,812)	(184,347)	(63,349)	(160,150)
Net (losses)/gains on investment securities at fair value through profit or loss					
		(656,685)	(1,647,660)	326,193	2,768,523
Net gains/(losses) on investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption					
		4,496	9,835	(1,523)	(19,972)
Net gains/(losses) from foreign currencies:					
- dealing		225,687	340,223	81,506	111,301
- translation differences		607,912	955,223	1,173,819	(3,133,827)
Net gains/(losses) from transactions with derivatives:					
- dealing		(17,287)	(41,248)	—	—
- revaluation		73,635	681,690	—	—
Net gains/(losses) from precious metals:					
- dealing		5	254	183	125
- revaluation		148	(712)	334	3,427
Other income		18,133	52,148	61,280	86,641
Personnel expenses	18	(436,652)	(869,458)	(358,648)	(711,850)
Depreciation and amortisation		(28,634)	(57,773)	(29,863)	(57,256)
Other operating expenses	18	(164,062)	(317,035)	(203,309)	(441,298)
<b>Profit/(loss) before tax</b>		<b>797,511</b>	<b>1,101,523</b>	<b>162,267</b>	<b>(1,913,108)</b>
Income tax expense					
		—	—	—	—
<b>Profit/(loss) for the period</b>					
		<b>797,511</b>	<b>1,101,523</b>	<b>162,267</b>	<b>(1,913,108)</b>

Authorised for release and signed

Chairman of the Board

Ie.V. Metsger

Chief Accountant

N.A. Potemskina

31 August 2021

V.M. Medko 247-89-16

Selected notes on pages 6-39 form an integral part of these interim condensed consolidated financial statements.

Translation from Ukrainian original

Joint Stock Company "The State Export-Import Bank of Ukraine" Interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the six months ended 30 June 2021**

(thousands of Ukrainian hryvnia)

	2021		2020	
	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
	(unaudited)			
<b>Profit/(loss) for the period</b>	<b>797,511</b>	<b>1,101,523</b>	<b>162,267</b>	<b>(1,913,108)</b>
<b>Other comprehensive (loss)/income</b>				
<i>Other comprehensive (loss)/income to be reclassified to the consolidated statement of profit and loss in the subsequent periods</i>				
Net (loss)/income on investment securities at fair value through other comprehensive income	(74,358)	(388,976)	2,275,657	(41,970)
Income tax related to components of other comprehensive income	—	—	—	—
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(74,358)</b>	<b>(388,976)</b>	<b>2,275,657</b>	<b>(41,970)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>723,153</b>	<b>712,547</b>	<b>2,437,924</b>	<b>(1,955,078)</b>

Authorised for release and signed

Chairman of the Board

 Ie.V. Metsger

Chief Accountant

 N.A. Potemskina

31 August 2021

V.M. Medko 247-89-16

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the six months ended 30 June 2021***(thousands of Ukrainian hryvnia)*

	<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>
<b>At 1 January 2020</b>	<b>38,730,042</b>	<b>337,779</b>	<b>635,104</b>	<b>(30,948,626)</b>	<b>162,926</b>	<b>8,917,225</b>
Loss for the period	–	–	–	(1,913,108)	–	(1,913,108)
Other comprehensive loss for the period (Note 16)	–	(41,970)	–	–	–	(41,970)
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>(41,970)</b>	<b>–</b>	<b>(1,913,108)</b>	<b>–</b>	<b>(1,955,078)</b>
Depreciation of revaluation reserve, net of tax (Note 16)	–	(6,619)	–	6,619	–	–
Part of profit allocated for payment of dividends (Note 16)	–	–	–	(19,086)	–	(19,086)
<b>At 30 June 2020 (unaudited)</b>	<b>38,730,042</b>	<b>289,190</b>	<b>635,104</b>	<b>(32,874,201)</b>	<b>162,926</b>	<b>6,943,061</b>
<b>At 1 January 2021</b>	<b>45,570,041</b>	<b>525,683</b>	<b>635,104</b>	<b>(36,589,390)</b>	<b>207,458</b>	<b>10,348,896</b>
Profit for the period	–	–	–	1,101,523	–	1,101,523
Other comprehensive loss for the period (Note 16)	–	(388,976)	–	–	–	(388,976)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>(388,976)</b>	<b>–</b>	<b>1,101,523</b>	<b>–</b>	<b>712,547</b>
Depreciation of revaluation reserve, net of tax (Note 16)	–	(9,861)	–	9,861	–	–
Profit allocation to the reserve funds (Note 16)	–	–	–	(525,244)	525,244	–
Loss recovery out of the reserve funds (Note 16)	–	–	–	732,702	(732,702)	–
<b>At 30 June 2021 (unaudited)</b>	<b>45,570,041</b>	<b>126,846</b>	<b>635,104</b>	<b>(35,270,548)</b>	<b>–</b>	<b>11,061,443</b>

Authorised for release and signed

Chairman of the Board



Ie.V. Metsger

Chief Accountant



N.A. Potemskaya

31 August 2021

V.M. Medko 247-89-16

Translation from Ukrainian original

Joint Stock Company "The State Export-Import Bank of Ukraine" Interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)**

**For the six months ended 30 June 2021**

(thousands of Ukrainian hryvnia)

	Notes	For the period ended 30 June	
		2021	2020
		(unaudited)	
<b>Cash flows from operating activities</b>			
Interest received		5,549,380	4,434,077
Interest paid		(4,090,303)	(4,371,910)
Commissions received		481,527	410,854
Commissions paid		(184,347)	(160,150)
Result from dealing in foreign currencies and precious metals		340,477	111,426
Results from transactions with derivatives		(41,248)	—
Personnel expenses paid		(711,842)	(746,160)
Other operating income received		54,644	82,094
Other operating and administrative expenses paid		(348,020)	(406,308)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>1,050,268</b>	<b>(646,077)</b>
<i>Net (increase)/ decrease in operating assets</i>			
Amounts due from credit institutions		(8,539,786)	(173,427)
Loans to customers		(4,951,318)	3,904,702
Other assets		(9,775)	9,967
<i>Net increase/ (decrease) in operating liabilities</i>			
Amounts due to credit institutions		41,100	174,317
Amounts due to the National Bank of Ukraine		4,418,124	—
Amounts due to customers		25,181,291	10,105,168
Other liabilities		(520,290)	72,338
<b>Net cash flows from operating activities before income tax</b>		<b>16,669,614</b>	<b>13,446,988</b>
Income tax paid in advance		—	(3,448)
<b>Net cash flows from operating activities</b>		<b>16,669,614</b>	<b>13,443,540</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale and redemption of investment securities		38,060,634	7,815,144
Purchase of investment securities		(25,292,126)	(21,721,129)
Dividends received		933	372
Purchases of property, equipment and intangible assets		(15,772)	(53,634)
<b>Net cash flows from investing activities</b>		<b>12,753,669</b>	<b>(13,959,247)</b>
<b>Cash flows from financing activities</b>			
Part of profit allocated for payment of dividends		—	(19,086)
Lease payments	5	(1,829)	(2,777)
Redemption of Eurobonds issued	5	(10,438,575)	(1,688,371)
Redemption of subordinated debt	5	(290,505)	(1,549,744)
Proceeds from borrowings from credit institutions	5	1,127,740	5,803,116
Repayment of borrowings from credit institutions	5	(1,475,032)	(3,356,873)
<b>Net cash flows from financing activities</b>		<b>(11,078,201)</b>	<b>(813,735)</b>
Effect of changes in exchange rates on cash and cash equivalents		(1,517,326)	3,223,648
Effect of changes in credit losses on cash and cash equivalents		7,782	5,566
<b>Net change in cash and cash equivalents</b>		<b>16,835,538</b>	<b>1,899,772</b>
Cash and cash equivalents, 1 January	4	49,912,943	33,469,935
<b>Cash and cash equivalents, 30 June</b>	4	<b>66,748,481</b>	<b>35,369,707</b>

**Authorised for release and signed**

**Chairman of the Board**

**Ie.V. Metsger**

**Chief Accountant**

**N.A. Potemka**

31 August 2021

V.M. Medko 247-89-16

Selected notes on pages 6-39 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" or the "Bank") was founded in 1992. Ukreximbank operates under banking licence #2 dated 7 August 2019.

As at 30 June 2021 and 31 December 2020, 100% of Ukreximbank's shares was 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 St. It has 22 branches and 36 outlets (31 December 2020: 22 branches and 38 outlets) and two representative offices located in London and New-York. Ukreximbank and its branches form a single legal entity.

Traditionally, the main focus of Ukreximbank's operations has been 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 its standalone interim condensed financial statements and interim condensed consolidated financial statements that comprise the consolidated performance of Ukreximbank and its subsidiaries – "Lease Company "Ukreximleasing" and "Eximleasing" Ltd.

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

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

## 2. Basis of preparation and summary of accounting policies

### Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with 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 2020, which have been prepared in accordance with IFRS and are available on the Bank's website <https://www.eximb.com/ua/bank/financial-information/financial-report/financial-report-2020.html>.

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

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

In the prior periods, the Bank modified the terms of certain credit-impaired loans to customers and other financial assets by changing the currency of the assets with no changes in the payment schedules, which represents a substantial modification. The Bank did not record the derecognition of the original financial assets and recognition of the new financial assets, which were credit-impaired at initial recognition, as the result of those substantial modifications. The Bank also retained other accrued income due under a financial guarantee agreement settled by the Bank as a separate financial asset rather than as part of the asset originated from the settlement of the guarantee. As a result, the allowance for impairment of loans to customers and other financial assets were simultaneously overstated as at 1 January 2020 and for loans to customers as at 31 March and 30 June 2020, as outlined below.

In addition, for the six months ended 30 June 2020, the Bank recorded UAH 147,538 thousand of gains on derecognition of financial assets at amortised cost arising from substantial modifications within net gains/(losses) on modification of financial assets at amortised cost, together with the results of modifications that did not result in derecognition of the financial assets. The Bank corrected those errors in these annual consolidated financial statements as at and for the year ended 31 December 2020 and in these interim condensed financial statements for the six months ended 30 June 2021.

According to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the correction of errors was made retrospectively.

Outlined in the following tables are the effects of correction of errors on the comparative information in the interim condensed consolidated financial statements for the six months ended 30 June 2021:

*Interim consolidated statement of profit and loss for the six months ended 30 June 2020*

<i>For the six months ended 30 June 2020 (unaudited)</i>	<i>As previously reported</i>	<i>Effect of correction of errors</i>	<i>As restated</i>
Net gains/(losses) on modification of financial assets at amortised cost	72,622	(147,538)	(74,916)
Gains on derecognition of financial assets at amortised cost	–	147,538	147,538
Loss for the period	<u>(1,913,108)</u>	<u>–</u>	<u>(1,913,108)</u>

The correction of errors had the following effect on the comparative information in the notes to the interim condensed consolidated financial statements for the six months ended 30 June 2021:

*Note 6. Expenses for expected credit losses*

The table below shows the ECL recorded in profit or loss:

<i>For the three months ended 30 June 2020 (unaudited)</i>	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Purchased and or originated credit- impaired assets</i>	<i>Total</i>
Loans to customers	313,266	56,499	175,311	179,408	557,213	(110,229)	1,171,468
Effect of correction of errors	–	–	–	–	(46,560)	46,560	–
Loans to customers	<u>313,266</u>	<u>56,499</u>	<u>175,311</u>	<u>179,408</u>	<u>510,653</u>	<u>(63,669)</u>	<u>1,171,468</u>
Total expenses / (reversal of expenses) for expected credit losses (as previously reported)	337,191	56,499	175,311	179,408	529,591	(110,229)	1,167,771
Effect of correction of errors	–	–	–	–	(46,560)	46,560	–
Total expenses / (reversal of expenses) for expected credit losses (restated)	<u>337,191</u>	<u>56,499</u>	<u>175,311</u>	<u>179,408</u>	<u>483,031</u>	<u>(63,669)</u>	<u>1,167,771</u>

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

## Correction of errors (continued)

<i>For the six months ended 30 June 2020 (unaudited)</i>	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Purchased and or originated credit-impaired assets</i>	<i>Total</i>
Loans to customers	368,771	54,156	245,467	265,888	570,144	(151,720)	1,352,706
Effect of correction of errors	–	–	–	–	(179,130)	179,130	–
Loans to customers	368,771	54,156	245,467	265,888	391,014	27,410	1,352,706
Total expenses / (reversal of expenses) for expected credit losses (as previously reported)	384,664	54,156	245,467	265,888	542,522	(151,720)	1,340,977
Effect of correction of errors	–	–	–	–	(179,130)	179,130	–
Total expenses / (reversal of expenses) for expected credit losses (restated)	384,664	54,156	245,467	265,888	363,392	27,410	1,340,977

## Note 8. Loans to customers

## Commercial loans

The following table shows the analysis of Changes in allowance 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>Purchased and or originated credit-impaired assets</i>	<i>Total</i>
Allowance at 1 January 2020 (as previously reported)	389,088	50,542	173,965	6,049,750	47,781,797	1,762,559	56,207,701
Effect of correction of errors	–	–	–	–	(3,691,668)	571,046	(3,120,622)
Allowance at 1 January 2020 (restated)	389,088	50,542	173,965	6,049,750	44,090,129	2,333,605	53,087,079
Allowance at 31 March 2020 (unaudited) (as previously reported)	487,987	51,953	164,045	6,450,600	53,001,146	1,888,277	62,044,008
Effect of correction of errors	–	–	–	–	(2,247,655)	867,148	(1,380,507)
Allowance at 31 March 2020 (unaudited) (restated)	487,987	51,953	164,045	6,450,600	50,753,491	2,755,425	60,663,501
Allowance at 30 June 2020 (unaudited) (as previously reported)	491,339	111,372	543,512	6,533,336	52,051,811	1,978,146	61,709,516
Effect of correction of errors	–	–	–	–	(2,432,007)	1,051,500	(1,380,507)
Allowance at 30 June 2020 (unaudited) (restated)	491,339	111,372	543,512	6,533,336	49,619,804	3,029,646	60,329,009

## Note 11. Other assets and liabilities

The following table shows the analysis of changes in allowance for 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>
Allowance at 1 January 2020 (as previously reported)	85,165	302,952	388,117
Effect of correction of errors	–	(302,952)	(302,952)
Allowance at 1 January 2020 (restated)	85,165	–	85,165

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

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

### Correction of errors (continued)

The correction of errors did not have any effect on the interim condensed consolidated statement of other comprehensive income or the Bank's operating, investing and financing cash flows for the six months ended 30 June 2020.

### Operating environment

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

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

In January-May 2021, after the cancellation of quite a few COVID 19 related restrictions, Ukraine's economy demonstrated recovery, which was encouraged by the increased domestic consumption levels (the retail grew +14% over January-May 2021 against January-May 2020) and by the growth in industrial production (the industrial production index was 102.2% over January-May 2021 against January-May 2020).

The surplus of the current account of the balance of payments was USD 0.1 billion over January-May 2021 (USD 4 billion over January-May 2020): the decrease (against January-May 2020) mainly due to the increased payments of investment earnings, USD 6.7 billion, over January-May 2021 (USD 2.4 billion over January-May 2020). The financial account demonstrates the capital outflow of USD 0.6 billion over January-May 2021, which is USD 3.3 billion better than over January-May 2020 (USD 3.8 billion): mostly due to the increased reinvestment of profit.

As at June 2021, Ukraine's international reserves (as the preliminary data said) amounted to USD 28.4 billion, which covered 4.3 months of the future imports.

The consumer inflation accelerated up to 9.5% in June 2021 (against 5% in December 2020) as influenced by the increased prices for natural gas and transportation.

To have it gradually back to its targeting values, the NBU increased twice its discount rate in the first half of 2021: to 6.5% in March 2021 (from 6%); to 7.5% in April 2021. These changes have shown themselves in the interest rate policies employed by Ukrainian banks: a) UONIA increased from ~5% in January-February 2021 to ~6.5-6.9% in May-June 2021; b) interest rates for the new UAH-denominated loans increased to 13.7% in May 2021 (from 12.6% in December 2020); c) interest rates for the new UAH-denominated deposits stopped reducing and levelled out at ~4.4% in May 2021 (corporate – at 4.0%; households/individuals – at 7.1%).

The assets of Ukraine's banking increased to UAH 1,882 billion in May 2021: +UAH 59 billion equivalent (against December 2020), which was due to the growth of the UAH-denominated loan portfolio +UAH 52 billion (including +UAH 36 billion of loans to business entities, +UAH 18 billion of loans to individuals). The growth of the UAH resource base (+UAH 64 billion in May 2021 against December 2020) provided for the increase in liabilities of Ukraine's banking system by UAH 63 billion equivalent, to UAH 1,677 billion equivalent in May 2021: the key drivers that triggered the UAH resources to grow were the amounts due to individuals and those due to the NBU.

The profitability of Ukraine's banking keeps high – UAH 24 billion over January-May 2021, which is due to: a) decreased cost of resources, which encourages the growth in the net interest income of +UAH 10 billion (or +28% against January-May 2020) to UAH 44 billion over January-May 2021; b) increased net commission income, +UAH 4 billion (+26% against January-May 2020); c) decreased allocations to reserves (in January-May 2021) – UAH 5 billion, which was UAH 3 billion less than over January-May 2020; d) moderate increase in general administrative expenses of +11% (or UAH 3 billion against January-May 2020) to UAH 30 billion over January-May 2021.

In the first half of 2021, Ukreximbank goes on with the large-scale transformation of its business and operational models (as consistent with the development strategy approved for 2021-2024).

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

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

### 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 2020, except for the adoption of the new Standards below effective as at 1 January 2021. The nature and effect of these changes is disclosed below.

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

In August 2020, the IASB issued *Interest Rate Benchmark Reform – Phase 2* Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with an RFR.

These amendments provide for a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of the interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

The above amendments have no significant impact on the Bank's consolidated financial statements.

## 3. Segment information

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

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

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

Unallocated amounts include:

- ▶ Income tax receivables and payables, the share of assets and costs associated with the work of the Bank's top management, i.e. personnel performing general management functions at the level of the whole Bank's system and 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

## 3. Segment information (continued)

During the six months ended 30 June 2021, the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely: UAH 1,816,256 thousand (30 June 2020: UAH 1,322,261 thousand). Revenue from transactions with this external customer is reported 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.

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 2021:

30 June 2021 (unaudited)	Corporate banking	Small and medium-sized business	Retail banking	Interbank and investments business	Unallocated	Total
External						
Interest income	2,193,581	163,834	25,693	3,227,401	–	5,610,509
Commission income	220,228	99,847	141,876	30,720	3	492,674
Other income	35,092	2,807	5,550	3,223	5,476	52,148
Net gains from modification of financial assets measured at amortised cost	–	130	–	–	–	130
Net gains from derecognition of financial assets at amortised cost	1,215,931	–	–	–	–	1,215,931
Reversal of expenses for expected credit losses	–	15,672	393	26,851	457	43,373
Net gains from investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption	–	–	–	9,578	257	9,835
Net gains from foreign currencies	130,418	35,214	6,226	208,085	915,503	1,295,446
Net gains from precious metals	–	–	127	212	–	339
Net gains from transactions with derivatives	–	–	–	640,442	–	640,442
Income from other segments	2,384,859	646,323	811,954	1,914,167	(5,757,303)	–
Total income	6,180,109	963,827	991,819	6,060,679	(4,835,607)	9,360,827
Interest expense	(1,205,909)	(365,210)	(462,768)	(1,701,172)	(511)	(3,735,570)
Commission expense	(37,227)	(24,549)	(77,744)	(44,709)	(118)	(184,347)
Net losses on modification of financial assets at amortised cost	(2,703)	–	–	(1)	–	(2,704)
Expenses for expected credit losses	(1,133,997)	–	–	–	–	(1,133,997)
Expenses for expected credit losses on credit-related commitments	(307,947)	(1,620)	(359)	(37)	–	(309,963)
Net loss on investment securities at fair value through profit or loss	–	–	–	–	(1,647,660)	(1,647,660)
Net loss from precious metals	–	–	–	–	(797)	(797)
Personnel expenses	(225,995)	(199,245)	(180,935)	(63,135)	(200,148)	(869,458)
Depreciation and amortisation	(13,091)	(15,598)	(17,135)	(2,087)	(9,862)	(57,773)
Other operating expenses	(54,584)	(38,254)	(166,193)	(10,862)	(47,142)	(317,035)
Expenses from other segments	(2,372,784)	(116,139)	(17,327)	(2,970,547)	5,476,797	–
Segment results	825,872	203,212	69,358	1,268,129	(1,265,048)	1,101,523
Profit for the period						1,101,523
Assets and liabilities as at 30 June 2021 (unaudited)						
Segment assets	51,629,403	3,849,028	2,359,171	147,968,379	–	205,805,981
Unallocated assets	–	–	–	–	2,039,910	2,039,910
Total assets						207,845,891
Segment liabilities	86,223,729	21,029,974	28,843,550	59,794,128	–	195,891,381
Unallocated liabilities	–	–	–	–	893,067	893,067
Total liabilities						196,784,448
Other segment information						
Capital expenditure	(3,022)	(3,622)	(5,573)	(486)	(2,307)	(15,010)

(thousands of Ukrainian hryvnia, unless otherwise stated)

## 3. Segment information (continued)

The following table presents income and expenses as well as profit and loss for the six months ended 30 June 2020, and specific assets and liabilities of the Bank's operating segments as at 31 December 2020:

30 June 2020 (unaudited)	Corporate banking	Small and medium-sized business	Retail banking	Interbank and investments business	Unallocated	Total
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 derecognition of financial assets at amortised cost	147,538	–	–	–	–	147,538
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	4,498,492	795,676	1,305,265	4,446,473	(2,413,226)	8,632,680
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 losses on modification of financial assets at amortised cost	(71,351)	(1,512)	(1,995)	–	(58)	(74,916)
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 amortisation	(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 31 December 2020						
Segment assets	48,239,946	2,851,180	2,487,267	137,409,992	–	190,988,385
Unallocated assets	–	–	–	–	1,886,890	1,886,890
Total assets						192,875,275
Segment liabilities	66,996,102	14,286,357	29,330,010	70,398,190	–	181,010,659
Unallocated liabilities	–	–	–	–	1,515,720	1,515,720
Total liabilities						182,526,379
Other segment information						
Capital expenditure	(13,067)	(11,660)	(18,175)	(1,525)	(3,752)	(48,179)

## Geographical information

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

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Current accounts with other credit institutions	23,091,712	21,388,135
Deposit certificates of the National Bank of Ukraine up to 90 days	19,023,423	12,003,359
Overnight deposits with other credit institutions	8,781,960	6,482,160
Term deposits with other credit institutions up to 90 days	8,017,120	5,937,862
Current account with the National Bank of Ukraine	6,535,253	2,484,114
Cash on hand	1,316,479	1,643,540
	<u>66,765,947</u>	<u>49,939,170</u>
Less: allowance for expected credit losses	(17,466)	(26,227)
Cash and cash equivalents	<u>66,748,481</u>	<u>49,912,943</u>

## 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 2020	24,571,842	18,537,152	4,341,176	7,291	47,457,461
Additions	1,127,740	–	–	–	1,127,740
Repayments	(1,475,032)	(10,438,575)	(290,505)	(1,829)	(12,205,941)
Translation differences	(1,218,655)	(322,593)	(160,825)	–	(1,702,073)
Other	1,131,508	(440,401)	(5,368)	1,168	686,907
Carrying amount at 30 June 2021 (unaudited)	<u>24,137,403</u>	<u>7,335,583</u>	<u>3,884,478</u>	<u>6,630</u>	<u>35,364,094</u>

	<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)	<u>25,958,916</u>	<u>27,700,071</u>	<u>4,391,137</u>	<u>9,596</u>	<u>58,059,720</u>

"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.



(thousands of Ukrainian hryvnia, unless otherwise stated)

## 6. Expenses for expected credit losses

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

	Stage 1 Collective	Stage 2 Collective	Stage 2 Individual	Stage 3 Collective	Stage 3 Individual	Purchased and or originated credit- impaired assets	Total
For the three months ended 30 June 2021 (unaudited)							
Cash and cash equivalents	1,363	–	–	–	–	–	1,363
Amounts due from credit institutions	2,263	–	–	–	1,594	–	3,857
Loans to customers	424,340	127,837	328,666	17,573	191,654	(11,990)	1,078,080
Investment securities at fair value through other comprehensive income	(6,014)	–	4,495	–	–	–	(1,519)
Investment securities at amortised cost	(5,336)	–	–	–	–	–	(5,336)
Other financial assets	4,132	–	–	–	–	–	4,132
Total expenses for expected credit losses	420,748	127,837	333,161	17,573	193,248	(11,990)	1,080,577
For the six months ended 30 June 2021 (unaudited)							
Cash and cash equivalents	(7,783)	–	–	–	–	–	(7,783)
Amounts due from credit institutions	2,173	–	–	–	10,215	–	12,388
Loans to customers	535,828	69,109	45,720	(54,130)	154,928	359,026	1,110,481
Investment securities at fair value through other comprehensive income	(6,085)	–	(3,205)	–	–	–	(9,290)
Investment securities at amortised cost	(19,733)	–	–	–	–	–	(19,733)
Other financial assets	4,561	–	–	–	–	–	4,561
Total expenses for expected credit losses	508,961	69,109	42,515	(54,130)	165,143	359,026	1,090,624
For the three months ended 30 June 2020 (unaudited) (restated)							
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	510,653	(63,669)	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
Total expenses for expected credit losses	337,191	56,499	175,311	179,408	483,031	(63,669)	1,167,771
For the six months ended 30 June 2020 (unaudited) (restated)							
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	391,014	27,410	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
Total expenses for expected credit losses	384,664	54,156	245,467	265,888	363,392	27,410	1,340,977

Expenses for expected credit losses on purchased or originated credit-impaired (POCI) assets ("POCI") recognised in profit or loss for the period ended 30 June 2021 included the adjustment of the gross carrying amount of POCI financial assets in the amount of UAH 119,047 thousand (for the period ended 30 June 2020: UAH 116,439 thousand).

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 6. Expenses for expected credit losses (continued)

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 2021 (unaudited)				
Financial guarantees	484	–	–	484
Undrawn loan commitments	210,043	(183)	(23,233)	186,627
Letters of credit	22,751	–	–	22,751
Avals on promissory notes	34	–	(20)	14
	<u>233,312</u>	<u>(183)</u>	<u>(23,253)</u>	<u>209,876</u>
For the six months ended 30 June 2021 (unaudited)				
Financial guarantees	490	–	–	490
Undrawn loan commitments	320,168	(3,703)	(25,815)	290,650
Letters of credit	18,799	–	–	18,799
Avals on promissory notes	44	–	(20)	24
	<u>339,501</u>	<u>(3,703)</u>	<u>(25,835)</u>	<u>309,963</u>
	<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
	<u>27,684</u>	<u>(5,983)</u>	<u>419</u>	<u>22,120</u>
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
	<u>22,369</u>	<u>(562)</u>	<u>328</u>	<u>22,135</u>

## 7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Loans and deposits		
Ukrainian banks	8,844,662	781,906
OECD banks	163,899	207,279
CIS and other banks	151,816	54,217
	<u>9,160,377</u>	<u>1,043,402</u>
Amounts due from other credit institutions		
Current accounts with other credit institutions in precious metals	34,843	38,551
Other amounts due from credit institutions	173,629	74,466
	<u>9,368,849</u>	<u>1,156,419</u>
Less: allowance for expected credit losses	(796,214)	(786,259)
Amounts due from credit institutions	<u>8,572,635</u>	<u>370,160</u>

*(thousands of Ukrainian hryvnia, unless otherwise stated)***7. Amounts due from credit institutions (continued)**

As at 30 June 2021, loans and deposits due from credit institutions include UAH 8,391,186 thousand of guarantee deposits placed as security of refinancing loans of the National Bank of Ukraine and of the customers' letters of credit and guarantees (31 December 2020: UAH 261,516 thousand mainly placed as security of the letters of credit and guarantees) (Note 12).

As at 30 June 2021, amounts due from credit institutions are accounted for at amortised cost, excluding the current accounts in precious metals in the amount of UAH 34,833 thousand (31 December 2020: UAH 38,539 thousand) that are accounted for at fair value through profit or loss.

The following tables show the analysis of changes in the appropriate allowance for the amounts due from credit institutions:

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2021	3,194	74,466	708,599	786,259
New assets originated or purchased	11,030	–	–	11,030
Completed (repaid) assets	(10,825)	–	–	(10,825)
Changes in allowance	(295)	–	8,621	8,326
Translation differences	(146)	(16)	(653)	(815)
Allowance at 31 March 2021 (unaudited)	2,958	74,450	716,567	793,975
New assets originated or purchased	18,812	–	–	18,812
Completed (repaid) assets	(15,977)	–	–	(15,977)
Changes in allowance	(572)	–	1,594	1,022
Translation differences	(423)	(5)	(1,190)	(1,618)
Allowance at 30 June 2021 (unaudited)	4,798	74,445	716,971	796,214

	<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)
Changes 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)
Changes 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

**8. Loans to customers**

Loans to customers comprise:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Commercial loans	84,128,243	93,140,279
Finance lease receivables	1,810,169	2,021,575
Overdrafts	642,650	817,906
Promissory notes	87,645	13,900
	86,668,707	95,993,660
Less: allowance for expected credit losses	(33,646,978)	(47,385,340)
Loans to customers	53,021,729	48,608,320

(thousands of Ukrainian hryvnia, unless otherwise stated)

## 8. Loans to customers (continued)

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

	30 June 2021 (unaudited)	31 December 2020
Legal entities	64,877,148	76,673,788
State entities	19,809,537	16,755,513
Individuals	1,525,953	2,164,120
Municipal and utility entities	456,069	400,239
	<u>86,668,707</u>	<u>95,993,660</u>

## Commercial loans

The following tables show the analysis of changes in allowance for commercial loans:

	Stage 1 Collective	Stage 2 Collective	Stage 2 Individual	Stage 3 Collective	Stage 3 Individual	Purchased and or originated credit- impaired assets	Total
Allowance at 1 January 2021	401,617	259,656	1,162,764	2,900,370	39,010,766	3,555,997	47,291,170
New assets originated or purchased	124,301	–	–	–	–	–	124,301
Completed (repaid) assets	(1,198)	(52,973)	–	(15,772)	–	–	(69,943)
Transfer to Stage 1	348	(348)	–	–	–	–	–
Transfer to Stage 2	(62,468)	59,802	2,951	(285)	–	–	–
Transfer to Stage 3	(13,941)	(4,278)	–	18,219	–	–	–
Interest income adjustment	–	–	–	24,489	371,610	121,316	517,415
Written-off assets	–	–	–	(585,234)	–	–	(585,234)
Recoveries	–	–	–	1,896	31,660	–	33,556
Changes in allowance	(16,195)	(5,626)	(282,946)	(55,366)	(36,780)	384,901	(12,012)
Translation differences	(10,628)	(11,207)	(33,119)	(48,882)	(845,534)	(728)	(950,098)
Allowance at 31 March 2021 (unaudited)	421,836	245,026	849,650	2,239,435	38,531,722	4,061,486	46,349,155
New assets originated or purchased	641,227	–	–	–	–	–	641,227
Completed (repaid) assets	(15,125)	(263)	(7,316)	(6,739)	(227)	–	(29,670)
Transfer to Stage 1	385,192	(251,246)	(133,946)	–	–	–	–
Transfer to Stage 2	(6,431)	47,569	(40,765)	(373)	–	–	–
Transfer to Stage 3	(1,641)	(967)	–	2,382	226	–	–
Transfer to POCI	–	–	–	–	(2,826,121)	–	(2,826,121)
Interest income adjustment	–	–	–	12,989	178,526	85,538	277,053
Written-off assets	–	–	–	–	(10,809,176)	–	(10,809,176)
Recoveries	–	–	–	1,807	19,789	–	21,596
Changes in allowance	(166,281)	192,676	(39,394)	23,812	191,801	93,172	295,786
Changes in macro-model inputs	(61,008)	(62,914)	–	–	–	–	(123,922)
Translation differences	(32,933)	(1,370)	(9,968)	(28,133)	(571,029)	(3,259)	(646,692)
Allowance at 30 June 2021 (unaudited)	1,164,836	168,511	618,261	2,245,180	24,715,511	4,236,937	33,149,236

(thousands of Ukrainian hryvnia, unless otherwise stated)

## 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>Purchased and or originated credit- impaired assets</i>	<i>Total</i>
Allowance at 1 January 2020 (restated)	389,088	50,542	173,965	6,049,750	44,090,129	2,333,605	53,087,079
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	–	–	–	–	(524,795)	–	(524,795)
Interest income adjustment	–	–	–	56,172	280,671	271,159	608,002
Recoveries	–	–	–	2,360	18,319	–	20,679
Changes in allowance	55,722	(2,508)	70,162	87,567	(119,639)	146,162	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) (restated)	487,987	51,953	164,045	6,450,600	50,753,491	2,755,425	60,663,501
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	279,348	277,712	609,478
Recoveries	–	–	–	281	2,233	–	2,514
Changes in allowance	14,682	25,366	175,338	179,862	510,653	(2,313)	903,588
Changes of 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) (restated)	491,339	111,372	543,512	6,533,336	49,619,804	3,029,646	60,329,009

## Overdrafts

The following tables show the analysis of changes in allowance for overdrafts:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Allowance at 1 January 2021	26,759	1,788	565	29,112
New assets originated or purchased	2,735	–	–	2,735
Completed (repaid) assets	(3,218)	(10)	(605)	(3,833)
Transfer to Stage 2	(5)	5	–	–
Changes in allowance	1,290	(119)	40	1,211
Translation differences	(66)	–	–	(66)
Allowance at 31 March 2021 (unaudited)	27,495	1,664	–	29,159
New assets originated or purchased	1,105	–	–	1,105
Completed (repaid) assets	(2,804)	(1,664)	–	(4,468)
Transfer to Stage 2	(129)	129	–	–
Changes in allowance	(3,072)	2	–	(3,070)
Translation differences	(123)	–	–	(123)
Allowance at 30 June 2021 (unaudited)	22,472	131	–	22,603

(thousands of Ukrainian hryvnia, unless otherwise stated)

## 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	–	–
Changes 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	–
Changes in allowance	8,725	(567)	(6)	8,152
Translation differences	(24)	–	–	(24)
Allowance at 30 June 2020 (unaudited)	20,633	177	372	21,182

## Finance lease receivables

The following tables show the analysis of changes in allowance for finance lease receivables:

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2021	60,240	–	4,700	64,940
Completed (repaid) assets	(2,896)	–	–	(2,896)
Changes in allowance	6,702	–	54	6,756
Allowance at 31 March 2021 (unaudited)	64,046	–	4,754	68,800
New assets originated or purchased	148	–	–	148
Completed (repaid) assets	(3,328)	–	(24)	(3,352)
Transfer to Stage 2	(64,046)	64,046	–	–
Changes in allowance	3,318	375,376	104	378,798
Allowance at 30 June 2021 (unaudited)	138	439,422	4,834	444,394

	<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)
Changes 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)
Changes in allowance	24,306	(27)	–	24,279
Allowance at 30 June 2020 (unaudited)	55,065	92	4,645	59,802

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 8. Loans to customers (continued)

## Promissory notes

The following tables show the analysis of changes in allowance for promissory notes:

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Allowance at 1 January 2021	118	–	118
New assets originated or purchased	138	–	138
Completed (repaid) assets	(173)	–	(173)
Changes in allowance	2	–	2
Allowance at 31 March 2021 (unaudited)	85	–	85
New assets originated or purchased	30,371	–	30,371
Completed (repaid) assets	(200)	–	(200)
Transfer to Stage 3	(28,958)	28,958	–
Changes in allowance	(11)	500	489
Allowance at 30 June 2021 (unaudited)	1,287	29,458	30,745

	<i>Stage 1 Collective</i>
Allowance at 1 January 2020	438
New assets originated or purchased	401
Completed (repaid) assets	(464)
Changes in allowance	13
Allowance at 31 March 2020 (unaudited)	388
New assets originated or purchased	34
Completed (repaid) assets	(25)
Changes in allowance	369
Allowance at 30 June 2020 (unaudited)	766

## 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.

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

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

	<i>For the period ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>(unaudited)</i>	
Loans to customers modified during the period		
Amortised cost before modification	6,372,417	8,392,819
Net modification gain/(loss)	1,530	(73,823)

As at 30 June 2021, the gross carrying amount of the assets renegotiated since the initial recognition and attributed to Stage 2 and Stage 3 at the time of such renegotiation, and transferred to Stage 1 during the reporting period is UAH 3,857,562 thousand.

**Impact of the COVID-19 pandemic**

The Ukrainian Government and the National Bank of Ukraine are taking measures to address the economic recession caused by COVID-19, including by introducing special lending schemes. In particular, in 2020, amendments were introduced to the program of financial state support for micro- and small businesses "Affordable Loans 5-7-9%" ("Affordable Loans at 5-7-9%" state program), 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 ("EDF") and in the form of guarantees issued by the EDF, to prevent the outbreak and proliferation and to localise and eliminate the spreads of epidemics and pandemics of acute respiratory syndrome COVID-19 caused by severe acute respiratory syndrome coronavirus 2 – SARS-CoV-2, and to prevent and overcome their effects; refinancing of the existing debt with Ukrainian banks according to the scheme mentioned).

In the context of the COVID-19 pandemic, the Bank continues to address the loan restructuring requests applied by its borrowers following the effects of COVID-19, each on an individual basis, and where required, and should the decision be positive, loans are renegotiated as applicable. During the first half of 2021, the Bank considered all the information available about the existing and expected changes in the financial position of its borrowers and in the overall economic environment due to the pandemic in progress, however the effect that COVID-19 had on the revision of the cash flow expectations and, accordingly, the ones related to the ECL expenses was not significant.

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

As at 30 June 2021, investment securities at FVPL with the carrying value of UAH 27,357,433 thousand (31 December 2020: UAH 29,008,521 thousand) are represented by Ukrainian state bonds. The conditions of issuing those securities anticipate the indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of 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.

As at 30 June 2021, Ukrainian state bonds with the carrying amount of UAH 11,612,600 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2020: UAH 15,902,090 thousand) (Note 12).



*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 9. Investment securities (continued)

Investment securities at fair value through other comprehensive income

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Ukrainian state bonds	13,390,708	13,877,469
Corporate bonds	341,200	341,329
Corporate shares	22,792	22,603
Municipal bonds	–	302,122
Investment securities at fair value through other comprehensive income	<u>13,754,700</u>	<u>14,543,523</u>

As at 30 June 2021, Ukrainian state bonds with the carrying amount of UAH 6,998,300 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2020: UAH 8,094,665 thousand) (Note 12).

As at 30 June 2021, Ukrainian state bonds with the carrying amount of UAH 88,754 thousand were pledged as collateral on loans received from credit institutions (31 December 2020: UAH 94,566 thousand) (Note 13).

As at 30 June 2021, Ukrainian state bonds with the carrying amount of UAH 1,120,858 thousand were used to make a guarantee fund on interest rate swaps (31 December 2020: UAH 334,849 thousand) (Note 10).

The following tables show the analysis of modifications in the respective allowance for the investment securities at fair value through other comprehensive income:

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2021	37,972	22,175	4,218,021	4,278,168
New assets originated or purchased	6,149	–	–	6,149
Repaid assets	(5,458)	–	–	(5,458)
Sold assets	(907)	–	–	(907)
Changes in allowance	(762)	(7,700)	–	(8,462)
Translation differences	(110)	–	–	(110)
Allowance at 31 March 2021 (unaudited)	<u>36,884</u>	<u>14,475</u>	<u>4,218,021</u>	<u>4,269,380</u>
New assets originated or purchased	2,348	–	–	2,348
Repaid assets	(6,713)	–	–	(6,713)
Transfer to Stage 1	18,970	(18,970)	–	–
Sold assets	(1,464)	–	–	(1,464)
Changes in allowance	(1,649)	4,495	–	2,846
Translation differences	(141)	–	–	(141)
Allowance at 30 June 2021 (unaudited)	<u>48,235</u>	<u>–</u>	<u>4,218,021</u>	<u>4,266,256</u>

	<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)
Changes in allowance	(31)	–	(31)
Translation differences	1,330	–	1,330
Allowance at 31 March 2020 (unaudited)	<u>18,187</u>	<u>4,218,021</u>	<u>4,236,208</u>
Completed (repaid) assets	(1,486)	–	(1,486)
Changes in allowance	1,558	–	1,558
Translation differences	(295)	–	(295)
Allowance at 30 June 2020 (unaudited)	<u>17,964</u>	<u>4,218,021</u>	<u>4,235,985</u>

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 9. Investment securities (continued)

Investment securities at amortised cost

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Ukrainian state bonds	18,913,412	25,803,072
Corporate bonds	13,535,423	19,427,009
	<u>32,448,835</u>	<u>45,230,081</u>
Less: allowance for expected credit losses	(35,021)	(55,471)
Investment securities at amortised cost	<u>32,413,814</u>	<u>45,174,610</u>

As at 30 June 2021, Ukrainian state bonds with the carrying amount of UAH 4,084,680 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2020: UAH 4,083,722 thousand) (Note 12).

As at 30 June 2021, corporate bonds with the carrying amount of UAH 6,419,226 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2020: UAH 83,551 thousand) (Note 12).

## 10. Derivative financial instruments

Interest rate swap

The Bank enters into agreements with the NBU for the exchange of interest payments which are calculated at different rates, but with the consideration of one notional amount during the term of the agreement. The notional amount of loans (granted and borrowed) under the interest rate swap is used exclusively for interest calculations and is not transferred between the parties to the agreement.

	<i>30 June 2021 (unaudited)</i>		<i>31 December 2020</i>		
	<i>Notional amount</i>	<i>Fair value Assets</i>	<i>Notional amount</i>	<i>Fair value Assets</i>	<i>Liabilities</i>
Interest rate swap	8,647,406	788,798	6,822,406	108,231	1,123

To make a guarantee fund on interest rate swaps, the Bank used the investment securities – Ukrainian state bonds with the carrying amount of UAH 1,120,858 thousand (31 December 2020: UAH 334,849 thousand) (Note 9).

*(thousands of Ukrainian hryvnia, unless otherwise stated)***11. Other assets and liabilities**

Other assets comprise:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Other financial assets		
Transit accounts on operations with payment cards	186,266	118,437
Accounts receivable on operations with customers	73,791	79,485
Other accrued income	39,760	33,707
Accrued service fee on guarantees issued	15,002	6,307
Other	180	125
	<u>314,999</u>	<u>238,061</u>
Less: allowance for expected credit losses	(98,782)	(97,061)
Total other financial assets	<u>216,217</u>	<u>141,000</u>
Other non-financial assets		
Other tax assets, except those related to income tax	156,049	155,535
Advance payments	149,123	137,927
Precious metals	52,010	89,616
Reposessed collateral	36,701	36,701
Cash, which availability is not confirmed	34,522	35,883
Inventories	27,746	27,090
Other	1,882	9,086
	<u>458,033</u>	<u>491,838</u>
Less: allowance for impairment	(78,293)	(95,009)
Total other non-financial assets	<u>379,740</u>	<u>396,829</u>
Total other assets	<u>595,957</u>	<u>537,829</u>

Other liabilities comprise:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Other financial liabilities		
Transit accounts on operations with customers	802,915	1,410,832
Transit accounts on operations with payment cards	93,095	41,592
Liabilities on guarantees issued	23,105	19,492
Lease commitments	6,630	7,291
Accrued expenses	6,403	8,959
Derivative financial liabilities	–	1,123
Total other financial liabilities	<u>932,148</u>	<u>1,489,289</u>
Other non-financial liabilities		
Accrued salary	174,487	31,981
Accrued unused vacations	117,714	102,573
Payables to the Individual Deposit Guarantee Fund	55,090	70,364
Deferred income	34,613	36,976
Payables on taxes and mandatory contributions, except for income tax	32,336	31,832
Payables on the Bank's business activities	25,125	36,442
Provision for performance guarantees	3,273	3,455
Other	8,836	704
Total other non-financial liabilities	<u>451,474</u>	<u>314,327</u>
Total other liabilities	<u>1,383,622</u>	<u>1,803,616</u>

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 11. Other assets and liabilities (continued)

The following table shows the analysis of changes in allowance for other financial assets:

	<i>Stage 1 Collective</i>
Allowance at 1 January 2021	97,061
New assets originated or purchased	2,560
Completed (repaid) assets	(2,713)
Changes in allowance	582
Translation differences	(1,738)
Allowance at 31 March 2021 (unaudited)	95,752
New assets originated or purchased	4,132
Completed (repaid) assets	(2,367)
Changes in allowance	2,367
Written-off assets	(159)
Translation differences	(943)
Allowance at 30 June 2021 (unaudited)	98,782

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

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

Allowance at 1 January 2021	95,009
Charge	(10,153)
Translation differences	(674)
Allowance at 31 March 2021 (unaudited)	84,182
Charge	(5,201)
Translation differences	(688)
Allowance at 30 June 2021 (unaudited)	78,293
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

*(thousands of Ukrainian hryvnia, unless otherwise stated)***12. Amounts due to the National Bank of Ukraine**

As at 30 June 2021, amounts due to the National Bank of Ukraine comprise:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2021</i>
Loans due to the National Bank of Ukraine	20,426,829	16,008,768
Correspondent account with the National Bank of Ukraine	35	–
Amounts due to the National Bank of Ukraine	<u>20,426,864</u>	<u>16,008,768</u>

Amounts due to the National Bank of Ukraine with respect to all refinancing loans are secured by the investment securities – Ukrainian state bonds with the carrying amount of UAH 22,695,580 thousand and corporate bonds with the carrying amount of UAH 6,419,226 thousand (Note 9), and by the guarantee deposit with the carrying amount of UAH 8,075,450 thousand (Note 7) (31 December 2020: Ukrainian state bonds with the carrying amount of UAH 28,080,477 thousand and corporate bonds with the carrying amount of UAH 83,551 thousand).

**13. Amounts due to credit institutions**

Amounts due to credit institutions comprise:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Current accounts		
Ukrainian banks	1,415,907	933,636
CIS and other banks	2,052	173
OECD banks	–	8,396
	<u>1,417,959</u>	<u>942,205</u>
Loans and deposits		
International financial institutions	23,139,145	24,571,842
OECD banks	998,258	–
Ukrainian banks	105,444	552,590
Other financial institutions	60,878	52,316
	<u>24,303,725</u>	<u>25,176,748</u>
Other amounts due to credit institutions	59	75
Amounts due to credit institutions	<u>25,721,743</u>	<u>26,119,028</u>

Loans from other banks include a loan from the Entrepreneurship Development Fund (EDF) attracted under the lending program for micro, small and medium businesses (private entrepreneurs and legal entities of private ownership). Amounts due to the EDF with respect to this loan are secured by the investment securities – Ukrainian state bonds with the carrying amount of UAH 88,754 thousand (31 December 2020: UAH 94,566 thousand) (Note 9).

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.

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 14. Amounts due to customers

Amounts due to customers comprise:

	30 June 2021 (unaudited)	31 December 2020
Current accounts		
Legal entities	45,319,631	31,955,659
Budget financed organisations	20,103,457	12,265,200
Individuals	5,868,209	5,300,720
	<u>71,291,297</u>	<u>49,521,579</u>
Time deposits		
Legal entities	38,764,734	42,376,624
Individuals	22,562,714	23,682,905
Budget financed organisations	4,976,217	–
	<u>66,303,665</u>	<u>66,059,529</u>
Amounts due to customers	<u>137,594,962</u>	<u>115,581,108</u>
Held as security against guarantees and avals (Note 17)	1,531,464	584,524
Held as security against loans to customers	664,340	397,135
Held as security against letters of credit (Note 17)	47,746	88,524
Held as security against undrawn loan commitments (Note 17)	2,956	6,988

As at 30 June 2021, amounts due to customers included attracted deposits and current accounts in gold, which are measured at fair value through profit or loss, in the amount of UAH 44,307 thousand (31 December 2020: UAH 81,219 thousand). As at 30 June 2021, there is no change in the fair value of the funds raised in gold due to changes in the credit risk (31 December 2020: none).

## 15. Eurobonds issued

	30 June 2021 (unaudited)			31 December 2020		
	Nominal value (‘000)	Currency	Carrying amount	Nominal value (‘000)	Currency	Carrying amount
April 2010 issue	500,000	USD	1,269,196	500,000	USD	1,980,940
October 2010 issue	250,000	USD	634,598	250,000	USD	990,470
January 2013 issue	500,000	USD	4,526,491	500,000	USD	9,415,079
April 2013 issue	100,000	USD	905,298	100,000	USD	1,883,016
March 2018 issue			–	4,051,000	UAH	4,267,647
Eurobonds issued			<u>7,335,583</u>			<u>18,537,152</u>

## 16. Equity

As at 30 June 2021, the Bank's authorised issued share capital comprised 31,168,806 (31 December 2020: 31,168,806) ordinary registered shares with the nominal value of UAH 1,462.04 per share (31 December 2020: 1,462.04 per share). As at 30 June 2021, 31,168,806 ordinary registered shares were fully paid and registered (31 December 2020: 31,168,806 ordinary registered shares were fully paid and registered).

In June 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.

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 16. Equity (continued)

In June 2021, according to Resolution No. 392-p of the Cabinet of Ministers of Ukraine *Some Operational Issues of Joint Stock Company "The State Export-Import Bank of Ukraine"* dd. 28 April 2021, the Bank allocated the retained earnings of prior years, in the total of UAH 525,244 thousand, to the reserve fund and used the total balance of the reserve fund in the amount of UAH 732,702 thousand to recover the prior-year loss.

## 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 2020	697,568	(359,789)	337,779
Depreciation of revaluation reserve, net of tax	(6,619)	–	(6,619)
Net loss on investment securities at fair value through other comprehensive income, including:	–	(41,970)	(41,970)
Reversal of expenses for expected credit losses on investment securities at fair value through other comprehensive income	–	5,882	5,882
Net realised loss on investment securities at fair value through other comprehensive income reclassified to the consolidated statement of profit and loss	–	19,972	19,972
Net unrealised losses on investment securities at fair value through other comprehensive income	–	(67,824)	(67,824)
Income tax related to components of other comprehensive income	–	–	–
At 30 June 2020 (unaudited)	690,949	(401,759)	289,190
At 1 January 2021	1,013,287	(487,604)	525,683
Depreciation of revaluation reserve, net of tax	(9,861)	–	(9,861)
Net loss on investment securities at fair value through other comprehensive income, including:	–	(388,976)	(388,976)
Reversal of expenses for expected credit losses on investment securities at fair value through other comprehensive income	–	9,290	9,290
Net realised gains from investment securities at fair value through other comprehensive income reclassified to the consolidated statement of profit and loss	–	(9,835)	(9,835)
Net unrealised losses on investment securities at fair value through other comprehensive income	–	(388,431)	(388,431)
Income tax related to components of other comprehensive income	–	–	–
At 30 June 2021 (unaudited)	1,003,426	(876,580)	126,846

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 17. Credit-related commitments

Credit-related commitments included:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Undrawn loan commitments	10,896,500	11,487,832
Financial guarantees	1,122,953	273,167
Avals on promissory notes	442,507	334,339
Letters of credit	330,867	146,068
	<u>12,792,827</u>	<u>12,241,406</u>
Less: provisions	(437,196)	(135,531)
Credit-related commitments (before deducting cash held as security)	<u>12,355,631</u>	<u>12,105,875</u>
Less: cash held as security against letters of credit, avals, financial guarantees and undrawn loan commitments (Note 14)	(355,248)	(220,884)
Credit-related commitments	<u>12,000,383</u>	<u>11,884,991</u>

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Provision for credit-related commitments at 1 January 2021	126,706	3,713	402	130,821
New liabilities originated or purchased	139,963	–	–	139,963
Completed (settled) liabilities	(47,882)	(8,876)	(140)	(56,898)
Transfer to Stage 1	43	(43)	–	–
Transfer to Stage 2	(311)	331	(20)	–
Transfer to Stage 3	(47,439)	(80)	47,519	–
Changes in allowance	18,044	5,356	(2,442)	20,958
Translation differences	(1,321)	(25)	(226)	(1,572)
Provision for credit-related commitments at 31 March 2021 (unaudited)	<u>187,803</u>	<u>376</u>	<u>45,093</u>	<u>233,272</u>
New liabilities originated or purchased	413,667	–	–	413,667
Completed (settled) liabilities	(147,093)	(17)	(211)	(147,321)
Transfer to Stage 1	906	(906)	–	–
Transfer to Stage 2	(861)	912	(51)	–
Transfer to Stage 3	(396)	(44)	440	–
Changes in allowance	(36,294)	(164)	(23,022)	(59,480)
Modifications in macro-model inputs	(20,237)	(2)	–	(20,239)
Translation differences	(5,661)	6	(538)	(6,193)
Provision for credit-related commitments at 30 June 2021 (unaudited)	<u>391,834</u>	<u>161</u>	<u>21,711</u>	<u>413,706</u>



*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 17. Credit-related commitments (continued)

	<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	–
Changes 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	–
Changes 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

## Performance guarantees

Performance guarantees are the arrangements to provide compensation where a counterparty fails to perform its contractual obligations. Performance guarantees are not exposed to credit risk. Risk related to the counterparty's possible failure to perform its contractual obligations.

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Performance guarantees	5,007,903	2,921,593
Less: provisions	(3,273)	(3,455)
Commitments related to performance guarantees (before deducting cash held as security)	5,004,630	2,918,138
Less: cash held as security for performance guarantees (Note 14)	(1,226,918)	(459,152)
Commitments related to performance guarantees	3,777,712	2,458,986

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 follow certain business strategies and enter into other significant transactions in the future.

(thousands of Ukrainian hryvnia, unless otherwise stated)

## 17. Credit-related commitments (continued)

## Pledged assets

The Bank pledges as collateral the assets stated in the consolidated statement of financial position in terms of various day-to-day transactions that are conducted under the usual terms and conditions applying to such agreements.

Assets that the Bank pledged as collateral to secure liabilities:

Liability type	Asset type	30 June 2021 (unaudited)		31 December 2020	
		Liability amount	Asset carrying amount	Liability amount	Asset carrying amount
NBU refinancing loans	Ukrainian state bonds at fair value through profit or loss		11,612,600		15,902,090
	Ukrainian state bonds at fair value through other comprehensive income	20,426,829	6,998,300	16,008,768	8,094,665
	Ukrainian state bonds at amortised cost		4,084,680		4,083,722
	Corporate bonds		6,419,226		83,551
	Guaranty deposit		8,075,450		–
NBU interest rate swap (notional amount)	Ukrainian state bonds at fair value through other comprehensive income	8,647,406	1,120,858	6,822,406	334,849
Loan from the Entrepreneurship Development Fund	Ukrainian state bonds at fair value through other comprehensive income	60,878	88,754	52,316	94,566

## 18. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2021		2020	
	For the three months ended 30 June	In cumulative total from the beginning of the reporting year	For the three months ended 30 June	In cumulative total from the beginning of the reporting year
	(unaudited)			
Salaries and bonuses	378,130	758,291	303,490	599,829
Mandatory contributions to the state funds	58,522	111,167	55,158	112,021
Personnel expenses	436,652	869,458	358,648	711,850
Payables to the Individual Deposit Guarantee Fund	55,090	109,997	66,441	131,344
Repair and maintenance of property and equipment	25,470	51,361	32,293	66,814
Security	14,551	29,341	14,399	28,308
Operating taxes	10,597	24,000	8,540	37,707
Electronic and data processing costs	9,368	17,999	6,587	13,251
Legal and advisory services	9,394	10,281	20,260	26,549
Maintenance of premises	9,231	20,541	5,738	16,855
Expenses for cash collection	6,167	10,440	5,102	9,633
Rent of premises	3,906	6,617	2,988	6,048
Communication services	3,696	7,025	4,047	8,394
Marketing and advertising	3,031	6,393	3,251	5,118
Administrative expenses	1,814	5,688	3,247	8,868
Business travel and related expenses	731	1,593	257	1,847
(Reversal of losses) / losses on impairment of non-financial assets	(5,201)	(15,354)	12,050	18,577
Other	16,217	31,113	18,109	61,985
Other operating expenses	164,062	317,035	203,309	441,298

Expenses for payments to the non-state pension fund for the period ended 30 June 2021 amounted to UAH 416 thousand (30 June 2020: UAH 11,317 thousand).

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 19. Fair value of assets and liabilities

Fair value of financial assets and financial liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the 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 2021 (unaudited)			31 December 2020		
	Carrying amount	Fair value	Unrecognised gain/(loss)	Carrying amount	Fair value	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	66,748,481	66,748,481	–	49,912,943	49,912,943	–
Amounts due from credit institutions	8,537,802	8,537,802	–	331,621	331,621	–
Loans to customers	53,021,729	52,662,971	(358,758)	48,608,320	47,897,910	(710,410)
Investment securities at amortised cost	32,413,814	31,719,210	(694,604)	45,174,610	45,122,082	(52,528)
Other assets	216,217	216,217	–	141,000	141,000	–
Financial liabilities						
Amounts due to the National Bank of Ukraine	20,426,864	20,426,864	–	16,008,768	16,008,768	–
Amounts due to credit institutions	25,721,743	25,721,743	–	26,119,028	26,119,028	–
Amounts due to customers	137,550,655	137,516,071	34,584	115,499,889	115,497,652	2,237
Eurobonds issued	7,335,583	7,848,588	(513,005)	18,537,152	19,391,412	(854,260)
Subordinated debt	3,884,478	4,032,692	(148,214)	4,341,176	4,488,981	(147,805)
Other liabilities	932,148	932,148	–	1,488,166	1,488,166	–
Total unrecognised change in unrealised fair value			<u>(1,679,997)</u>			<u>(1,762,766)</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 financial statements.

*Assets, which fair value approximates their carrying value*

For the financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that their carrying values approximate their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

*Fixed rate financial instruments*

The fair values of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing the market interest rates at the date when they were first recognised with the current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money-market interest rates for debts with similar credit risk and maturity. For listed debt issued, the fair values are 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.

*(thousands of Ukrainian hryvnia, unless otherwise stated)***19. Fair value of assets and liabilities (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 the 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 the financial instruments whose fair values cannot be measured using market quotations or valuation techniques based on observable market inputs, the Bank uses the valuation techniques with unobservable inputs that have material impact on the reported fair values of financial instruments. This approach is appropriate for investments in non-listed shares and debt securities.

Investment securities at fair value through profit or loss and investment securities at fair value through other comprehensive income

The fair value of investment securities at fair value through profit or loss is determined using the valuation model, which inputs are both observable in the market (exchange rate, coefficients of zero coupon yield curve on Ukrainian state bonds in UAH (Nelson-Siegel model), interest rates) and unobservable in the market (historical exchange rate volatility).

The fair value of investment securities at fair value through other comprehensive income (excluding shares) is determined by quotations in the securities market or in accordance with the internal method of measuring the fair value of securities.

The value of shares is determined using the models that include only unobservable market inputs, including the assumptions about the future financial performance of an investee.

**Derivative financial instruments**

The fair value of derivative financial instruments is determined in accordance with the internal methodology of measuring the fair value of derivative financial instruments.

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 2021 (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	34,833	–	34,833
Investment securities at fair value through profit or loss	–	27,357,433	27,357,433
Investment securities at fair value through other comprehensive income	13,731,908	22,792	13,754,700
Derivative financial assets	788,798	–	788,798
<b>Total assets</b>	<b>14,555,539</b>	<b>27,380,225</b>	<b>41,935,764</b>
Amounts due to customers in precious metals	44,307	–	44,307
<b>Total liabilities</b>	<b>44,307</b>	<b>–</b>	<b>44,307</b>

(thousands of Ukrainian hryvnia, unless otherwise stated)

## 19. Fair value of assets and liabilities (continued)

## Derivative financial instruments (continued)

At 31 December 2020	Fair value recurring measurements		
	Level 2	Level 3	Total
Current accounts with other credit institutions in precious metals	38,539	–	38,539
Investment securities at fair value through profit or loss	–	29,008,521	29,008,521
Investment securities at fair value through other comprehensive income	14,520,920	22,603	14,543,523
Derivative financial assets	108,231	–	108,231
Total assets	14,667,690	29,031,124	43,698,814
Amounts due to customers in precious metals	81,219	–	81,219
Derivative financial liabilities	1,123	–	1,123
Total liabilities	82,342	–	82,342

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

## Movements in Level 3 assets measured at fair value

The following tables show the reconciliation of the reporting period and prior period opening and closing amounts of Level 3 assets and liabilities recorded at fair value:

	At 1 January 2021	Gain/(loss) recognised in the consolidated statement of profit and loss	Gain recognised in the consolidated statement of comprehensive income	Settlements	At 30 June 2021 (unaudited)
Investment securities at fair value through profit or loss	29,008,521	(1,039,608) <sup>(a)</sup>	–	(611,480) <sup>(b)</sup>	27,357,433
Investment securities at fair value through other comprehensive income	22,603	933 <sup>(c)</sup>	189	(933) <sup>(d)</sup>	22,792
Total assets	29,031,124	(1,038,675)	189	(612,413)	27,380,225

	At 1 January 2020	Gains/(losses) recognised in the consolidated statement of profit and loss	Gain recognised in the consolidated statement of comprehensive income	Transfer from Level 2 to Level 3	Settlements	At 31 December 2020 (unaudited)
Investment securities at fair value through profit or loss	–	(63,771) <sup>(a)</sup>	–	29,342,952	(270,660) <sup>(b)</sup>	29,008,521
Investment securities at fair value through other comprehensive income	17,940	699 <sup>(c)</sup>	4,663	–	(699) <sup>(d)</sup>	22,603
Total assets	17,940	(63,072)	4,663	29,342,952	(271,359)	29,031,124

- (a) Losses in the amount of UAH (1,039,608) thousand include: UAH (1,647,660) thousand of revaluation of investment securities at fair value through profit or loss included in "Net (losses)/gains on investment securities at fair value through profit or loss" and UAH 608,052 thousand of accrued interest income included in "Interest income on investment securities at fair value through profit or loss" (2020: Losses in the amount of UAH (63,771) thousand include: UAH (372,944) thousand of revaluation of investment securities at fair value through profit or loss included in "Net gains/(losses) on investment securities at fair value through profit or loss" and UAH 309,173 thousand of accrued interest income included in "Interest income on investment securities at fair value through profit or loss").

(thousands of Ukrainian hryvnia, unless otherwise stated)

## 19. Fair value of assets and liabilities (continued)

## Derivative financial instruments (continued)

- (b) Coupon payment in the amount of UAH 611,480 thousand (2020: coupon payment in the amount of UAH 270,660 thousand).
- (c) Accrued dividends in the amount of UAH 933 thousand included in "Other income" (2020: accrued dividends in the amount of UAH 699 thousand included in "Other income").
- (d) Dividend payments in the amount of UAH 933 thousand (2020: dividend payments in the amount of UAH 699 thousand).

Gains or losses on Level 3 assets at fair value included in the profit or loss for the six months ended 30 June 2021 and 2020 comprise:

	<i>At 30 June 2021 (unaudited)</i>		
	<i>Realised gains</i>	<i>Unrealised gains/(losses)</i>	<i>Total</i>
Investment securities at fair value through profit or loss	611,480	(1,651,088)	(1,039,608)
Investment securities at fair value through other comprehensive income	933	189	1,122
<b>Total</b>	<b>612,413</b>	<b>(1,650,899)</b>	<b>(1,038,486)</b>

	<i>At 30 June 2020 (unaudited)</i>		
	<i>Realised gains</i>	<i>Unrealised gains</i>	<i>Total</i>
Investment securities at fair value through other comprehensive income	372	2,578	2,950
<b>Total</b>	<b>372</b>	<b>2,578</b>	<b>2,950</b>

The table below shows the quantitative information as at 30 June 2021 and 31 December 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 2021 (unaudited)</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Parameter values</i>
Investment securities at fair value through profit or loss	27,357,433	Garman-Kohlhagen model	Historical UAH/USD exchange rate volatility	26.608%
Investment securities at fair value through other comprehensive income	22,792	Discounted cash flows	Expected profitability	12.8%

<i>At 31 December 2020</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Parameter values</i>
Investment securities at fair value through profit or loss	29,008,521	Garman-Kohlhagen model	Historical UAH/USD exchange rate volatility	26.41%
Investment securities at fair value through other comprehensive income	22,603	Discounted cash flows	Expected profitability	12.5%

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

If the historical exchange rate volatility increases/decreases by 1 percentage point, the fair value of investment securities at fair value through profit or loss would increase by UAH 66,469 thousand / decrease by UAH 64,099 thousand as at 30 June 2021.

The Bank assumes the impact of changes in the exchange rate volatility as at 30 June 2021 when measuring the fair value of investment securities at fair value through profit or loss at +2.7 percentage points. The effect of such changes in the exchange rate volatility on Ukrainian state bonds with indexed value is UAH 187,579 thousand and will result in the profit increase.

*(thousands of Ukrainian hryvnia, unless otherwise stated)***20. Related party transactions**

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if they are under common control, or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is 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 the key management personnel as at 30 June 2021 and 31 December 2020 and the related income and expense for the six months ended 30 June 2021 and 30 June 2020 are as follows:

	<i>Key management personnel</i>	
	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Loans to customers, gross	1,238	1,491
Less: allowance for expected credit losses	(15)	(20)
Loans to customers, net	1,223	1,471
Current accounts	4	7
Time deposits	–	1,006
Amounts due to customers	4	1,013
Other liabilities	20	10

	<i>For the period ended 30 June</i>	
	<i>2021 (unaudited)</i>	<i>2020</i>
Interest income on loans	119	–
Interest expense on customer deposits	–	(338)
Commission income	9	7
Translation differences	40	(1,823)

During the six months ended 30 June 2021, the total compensation and other remunerations of the key management personnel comprised UAH 67,356 thousand (UAH 33 thousand of payments to the non-state pension fund) (30 June 2020: UAH 44,672 thousand (including UAH 98 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

## 20. Related party transactions (continued)

Balances with government-related entities which are individually significant in terms of the carrying value as at 30 June 2021 (unaudited) are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Amounts due from credit institutions</i>	<i>Loans to customers</i>	<i>Amounts due to the NBU</i>	<i>Amounts due to customers</i>	<i>Guarantees issued</i>
Client 1	State entities	–	–	–	–	5,486,152	–
Client 2	State entities	–	–	–	–	1,372,749	–
Client 3	Finance	25,558,676	8,075,470	–	20,426,864	–	–
Client 4	Finance	–	–	–	–	1,530,841	–
Client 5	Extractive industry	–	–	3,924,652	–	12,704,304	–
Client 6	Transport and communications	–	–	–	–	12,863,301	–
Client 7	Transport and communications	–	–	1,318,267	–	–	–
Client 8	Road construction	–	–	1,010,803	–	9,769,729	–
Client 9	Power engineering	–	–	4,045,971	–	1,222,535	–
Client 10	Power engineering	–	–	5,059,002	–	–	–
Client 11	Mechanical engineering	–	–	–	–	2,472,428	–
Client 12	Mechanical engineering	–	–	1,669,655	–	–	546,239
Client 13	Mechanical engineering	–	–	–	–	–	103,772
Client 14	Trade	–	–	664,289	–	–	1,588,868
Client 15	Trade	–	–	–	–	–	1,689,241
Client 16	Agriculture and food industry	–	–	–	–	2,678,654	–
Other	–	–	–	914,942	–	16,123,256	–

Balances with government-related entities which are individually significant in terms of the carrying value as at 31 December 2020 are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Amounts due to the NBU</i>	<i>Amounts due to customers</i>	<i>Guarantees issued</i>
Client 1	State entities	–	–	–	6,850,351	–
Client 2	State entities	–	–	–	1,634,972	–
Client 3	Finance	14,487,474	–	16,008,768	–	–
Client 5	Extractive industry	–	4,262,727	–	5,419,423	–
Client 17	Extractive industry	–	505,223	–	–	–
Client 16	Agriculture and food industry	–	–	–	5,610,690	–
Client 10	Power engineering	–	5,045,250	–	–	–
Client 12	Mechanical engineering	–	1,796,436	–	1,419,874	479,268
Client 13	Mechanical engineering	–	–	–	–	111,966
Client 7	Transport and communications	–	1,896,652	–	–	–
Client 18	Transport and communications	–	–	–	1,607,746	–
Client 14	Trade	–	895,351	–	–	478,703
Client 15	Trade	–	–	–	–	892,093
Client 8	Road construction	–	1,002,859	–	–	–
Client 19	Professional, scientific and technical activities	–	–	–	890,637	–
Other	–	–	–	–	11,825,344	36,745

For the six-month period ended 30 June 2021, the Bank recorded UAH 1,368,835 thousand of interest income under significant transactions with the government-related entities (30 June 2020: UAH 949,611 thousand), including the interest income of UAH 501,137 thousand under transactions with the NBU deposit certificates with maturity up to 90 days (30 June 2020: UAH 238,361 thousand) and interest expenses of UAH 1,045,723 thousand (30 June 2020: UAH 355,108 thousand).



*(thousands of Ukrainian hryvnia, unless otherwise stated)***20. Related party transactions (continued)**

As at 30 June 2021 and 31 December 2020, the Bank's investments in securities issued by the government or the government-related corporate entities were as follows:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Investment securities at fair value through profit or loss	27,357,433	29,008,521
Investment securities at fair value through other comprehensive income	13,748,723	14,235,447
Investment securities at amortised cost	32,413,814	45,174,610

For the six-month period ended 30 June 2021, the Bank recognised UAH 1,816,256 thousand (30 June 2020: UAH 1,322,261 thousand) of interest income on transactions with Ukrainian state bonds and UAH 886,464 thousand of interest income on transactions with other investment securities (30 June 2020: UAH 149,284 thousand).

**21. Capital adequacy**

The Bank manages its exposures to ensure that it maintains an adequate capital level to cover the external risks inherent in its business. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with the externally imposed capital requirements and maintains strong credit ratings and proper capital ratios in order to support its business activities and maximise the value to the shareholder.

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:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Main capital	9,632,869	10,515,081
Additional capital, calculated	4,001,388	4,534,514
Additional capital included in calculation of total capital (limited to main capital)	4,001,388	4,534,514
Total regulatory capital	13,634,257	15,049,595
Risk weighted assets	63,552,085	64,669,917
Main capital adequacy ratio	15.16%	16.26%
Regulatory capital adequacy ratio	21.45%	23.27%

Regulatory capital comprises Tier 1 capital (Main capital) consisting of paid-in registered share capital plus reserve funds less losses and portion of the carrying amount of the assets (non-current assets held for sale; repossessed collateral; property and equipment), which are not used by the bank at the time of executing the types of activities described in Article 47 of the Law of Ukraine *On Banks and Banking*, investment property, and Tier 2 capital (Additional capital) consisting of asset revaluation reserve, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes, the qualifying Tier 2 capital amount is limited to 100% of Tier 1 capital.

*(thousands of Ukrainian hryvnia, unless otherwise stated)*

## 21. 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:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Tier 1 capital	10,299,493	9,188,109
Tier 2 capital, calculated	3,706,049	4,577,301
Tier 2 capital, included in calculation of total capital	3,706,049	4,577,301
Total capital	14,005,542	13,765,410
Risk weighted assets	74,956,588	64,466,993
Tier 1 capital adequacy ratio	13.7%	14.3%
Total capital adequacy ratio	18.7%	21.4%