

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

Interim condensed consolidated financial statements

For six months ended June 30, 2022

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30, 2022

(UAH thousand)

	<i>Notes</i>	<i>June 30 2022 (unaudited)</i>	<i>December 31 2021</i>
Assets			
Cash and cash equivalents	4	59 984 895	42 882 371
Loans and advances to banks	7	628 032	8 270 170
Loans and advances to customers	8	78 805 265	69 334 862
Investment in securities	9	57 113 795	66 195 840
Current tax assets		1 859 986	250 048
Derivative financial assets	12	2 410 693	582 742
Non-current assets classified as held for sale		8 332	8 332
Investment property		944 059	984 056
Property, plant and equipment		1 817 543	1 850 466
Intangible assets		60 658	74 463
Deferred tax assets		1 190 303	1 190 303
Other financial assets	10	217 892	177 596
Other non-financial assets	11	269 242	292 283
Total assets		205 310 695	192 093 532
Liabilities			
Due to other banks	13	23 214 321	25 577 371
Customer accounts	15	143 031 573	121 837 236
Derivative financial liabilities	12	–	7
Other borrowed funds	14	23 742 298	27 237 654
Subordinated debt		3 555 407	3 605 597
Provisions for loan commitments and financial guarantee contracts	17	564 407	290 987
Other provisions		970	561
Other financial liabilities	10	768 954	596 018
Other non-financial liabilities	11	395 761	495 356
Total liabilities		195 273 691	179 640 787
Equity			
	16		
Issued capital		45 570 041	45 570 041
Other reserves		3 350	(98 629)
Result from transactions with the shareholder		635 104	635 104
Retained earnings		(36 171 491)	(33 653 771)
Total equity		10 037 004	12 452 745
Total equity and liabilities		205 310 695	192 093 532

Authorised for release and signed

September 23, 2022

Chairman of the Management Board

Serhii IERMAKOV

Chief Accountant

Nataliia POTESKA

V.M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for six months ended June 30, 2022

(UAH thousand)

	Notes	2022		2021	
		For the three months ended June 30	For the six months ended June 30	For the three months ended June 30 (recalculated)	For the six months ended June 30 (recalculated)
Interest income calculated using effective interest method		3 085 638	5 831 828	2 495 646	4 846 425
Other interest income		339 432	676 751	383 970	764 084
Interest expense		(2 114 485)	(3 855 810)	(1 824 733)	(3 772 292)
Fee income		252 400	536 551	271 001	492 674
Fee expense		(48 860)	(134 851)	(77 654)	(147 625)
Other income		30 071	48 535	18 057	51 720
Net increase/(decrease) from financial instruments at fair value through profit or loss		1 462 232	1 788 183	(600 337)	(1 007 218)
Net increase/(decrease) from operations with debt financial instruments at fair value through other comprehensive income		3 533	15 994	4 496	9 835
Net increase/(decrease) from trading in foreign currencies		323 921	453 249	225 692	340 477
Net increase/(decrease) from foreign exchange translation		(10 461)	(1 231 691)	608 060	954 511
Gains/(losses) on initial recognition of financial assets at interest rates above or below market		(253)	(570)	76	366
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	6	(3 270 363)	(5 272 700)	(1 290 453)	(1 400 587)
Employee benefits expense	18	(379 010)	(992 503)	(436 652)	(869 458)
Depreciation and amortisation expense		(27 768)	(56 354)	(28 634)	(57 773)
Other administrative and operating expenses	18	(164 549)	(337 738)	(172 156)	(334 901)
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	11	12 904	(15 464)	5 201	15 354
Gain (loss) arising from derecognition of financial assets at amortised cost		–	19 690	1 215 931	1 215 931
Profit / (loss) before tax		(505 618)	(2 526 900)	797 511	1 101 523
Income tax expense		–	48	–	–
Profit/ (loss) for the period		(505 618)	(2 526 852)	797 511	1 101 523

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Chief Accountant

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V.M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**for 6 months ended June 30, 2022***(UAH, thousand)*

	<i>2022</i>		<i>2021</i>	
	<i>For the three months ended June 30</i>	<i>For the six months ended June 30</i>	<i>For the three months ended June 30</i>	<i>For the six months ended June 30</i>
	<i>(unaudited)</i>			
Profit/ (loss) for the period	(505 618)	(2 526 852)	797 511	1 101 523
Other comprehensive income				
<i>Components of other comprehensive income that will be reclassified to profit or loss before tax</i>				
Gains (losses) on financial assets measured at fair value through other comprehensive income, before tax	238 873	111 110	(74 358)	(388 976)
<i>Income tax relating to components of other comprehensive income that will be reclassified to profit or loss</i>				
Income tax relating to changes in reevaluation of financial assets measured at fair value through other comprehensive income	—	—	—	—
Total amount of other comprehensive income	238 873	111 110	(74 358)	(388 976)
Total amount of comprehensive income	(266 745)	(2 415 742)	723 153	712 547

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Chairman of the Management Board**Serhii IERMAKOV****Chief Accountant****Nataliia POTESKA**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for six months ended June 30, 2022

(UAH, thousand)

	<i>Issued capital</i>	<i>Result from transactions with the shareholder</i>	<i>Reserve and other funds of the bank</i>	<i>Revaluation surplus</i>	<i>Other reserves</i> <i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Retained earnings</i>	<i>Equity</i>
As at January 1, 2021 (recalculated)	45 570 041	635 104	207 458	1 013 287	(424 183)	(63 421)	(36 589 390)	10 348 896
Profit for the period	–	–	–	–	–	–	1 101 523	1 101 523
Other comprehensive income for the period (Note 16)	–	–	–	–	(389 165)	189	–	(388 976)
Total comprehensive income for the period	–	–	–	–	(389 165)	189	1 101 523	712 547
Increase (decrease) through transfers and other changes, equity (Note 16)	–	–	–	(9 861)	–	–	9 861	–
Profit allocation to the reserve funds	–	–	525 244	–	–	–	(525 244)	–
Loss recovery out of the reserve funds	–	–	(732 702)	–	–	–	732 702	–
As at June 30, 2021 (unaudited) (recalculated)	45 570 041	635 104	–	1 003 426	(813 348)	(63 232)	(35 270 548)	11 061 443
As at January 1, 2022	45 570 041	635 104	–	926 276	(962 130)	(62 775)	(33 653 771)	12 452 745
Loss for the period	–	–	–	–	–	–	(2 526 852)	(2 526 852)
Other comprehensive income for the period (Note 16)	–	–	–	–	112 194	(1 084)	–	111 110
Total comprehensive income for the period	–	–	–	–	112 194	(1 084)	(2 526 852)	(2 415 742)
Increase (decrease) through transfers and other changes, equity (Note 16)	–	–	–	(9 131)	–	–	9 131	–
As at June 30, 2022 (unaudited)	45 570 041	635 104	–	917 145	(849 936)	(63 859)	(36 171 492)	10 037 003

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Chairman of the Management Board

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Chief Accountant

Nataliia POTESKA

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

for six months ended June 30, 2022

(UAH, thousand)

	<i>For the period ended June 30</i>	
	<i>2022</i>	<i>2021</i>
<i>Notes</i>	<i>(unaudited)</i>	<i>(recalculated)</i>
Cash flows from (used in) operating activities		
Interest received	5 388 885	5 549 380
Commission income received	479 219	481 527
Net (increase) / decrease from operations with financial instruments at fair value through profit or loss	80 223	(41 248)
Net (increase) / decrease from trading in foreign currencies	453 249	340 477
Other cash receipts from operating activities	45 427	54 644
Interest paid	(3 802 019)	(4 090 303)
Commission expenses paid	(134 851)	(184 347)
Payments to and on behalf of employees	(1 052 273)	(711 842)
Administrative expenses and other paid operating expenses	(312 955)	(348 020)
Net (increase)/decrease in loans and advances to banks	8 163 327	(8 539 786)
Net (increase)/decrease in loans and advances to customers	(12 072 890)	(4 951 318)
Net (increase)/decrease in other financial assets	(15 154)	(60 650)
Net (increase)/ decrease in other assets	(18 184)	50 875
Net increase/(decrease) in due to other banks	(801 124)	4 459 224
Net increase/(decrease) in customer accounts	19 434 682	25 181 291
Net increase/(decrease) in other financial liabilities	146 728	(516 018)
Net increase/(decrease) in other liabilities	(39 953)	(4 272)
Income taxes (paid) refund	(245 681)	-
Cash flows from (used in) operating activities	15 696 656	16 669 614
Cash flows from (used in) investing activities		
Purchase of securities	(19 925 813)	(25 292 126)
Proceeds from sale of investment in securities	29 187 429	38 060 634
Purchase of property, plant and equipment	(102 949)	(11 615)
Purchase of intangible assets	(128)	(4 157)
Proceeds from sale of investment property	59 033	-
Dividends received	-	933
Cash flows from (used in) investing activities	9 217 572	12 753 669
Cash flows from (used in) financing activities		
Receipt of other debt	208 497	1 127 740
Return of subordinated debt	(293 196)	(290 505)
Return of other debt	(6 831 698)	(11 913 607)
Payments of lease liabilities	(1 852)	(1 829)
Dividends paid	(1 364 209)	-
Cash flows from (used in) financing activities	(8 282 458)	(11 078 201)
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	16 631 770	18 345 082
Effect of exchange rate changes on cash and cash equivalents	472 485	(1 517 326)
Impact of expected credit losses on cash and cash equivalents	(1 731)	7 782
Increase (decrease) in cash and cash equivalents	17 102 524	16 835 538
Cash and cash equivalents at the beginning of the period	42 882 371	49 912 943
Cash and cash equivalents at the end of the period	59 984 895	66 748 481

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September 23, 2022

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Chief Accountant

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(UAH thousand, unless otherwise stated)

1. Principal activities

“The State Export-Import Bank of Ukraine” Joint Stock Company (hereinafter – “Ukreximbank” or the Bank) was founded in 1992 and entered to the State Register of Banks on January 23, 1992 under №5. The Bank operates under banking licence No. 2.

As at June 30, 2022 and December 31, 2021 100% of the authorized capital of Ukreximbank is owned by the state represented by the Cabinet of Ministers of Ukraine.

Ukreximbank’s head office is located in Kyiv at 127 Antonovycha Str. It has 22 branches and 29 sub-branches (December 31, 2021: 22 branches and 38 sub-branches) and two representative offices located in London and New-York. Ukreximbank and its branches form a single legal entity.

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

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

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

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

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

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

2. Basis of preparation and summary of significant accounting policies

Basis of preparation

These interim condensed consolidated financial statements for the six months ended June 30, 2022 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*.

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

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

Going concern

These interim condensed consolidated financial statements for the six months ended June 30, 2022 have been prepared on a going concern basis. In preparing the financial statements for the 1st half of 2022, the Bank’s management assessed the Bank’s

(UAH thousand, unless otherwise stated)

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

Taking into account the payment of dividends for 2021 in the amount of UAH 1,364 million (50% of profits for 2021) and the expected costs of forming reserves to cover losses due to the military aggression of the Russian Federation against Ukraine, there may be a lack of capital to meet the NBU's regulatory requirements in mid-2022. Under such conditions, the Bank activates the Recovery Plan, approved by the Supervisory Board in December 2021, which provides for, inter alia, additional capitalization at the expense of the shareholder, the amounts of which are not foreseeable but may be significant. However, in accordance with Resolution No.23 of the National Bank of Ukraine dated 25 February 2022 (as amended), the Bank is not subject to sanctions during martial law for violations of capital, liquidity, credit risk and investment ratios.

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

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

Reclassifications

In preparing the consolidated financial statements for 2021, the Bank decided to approximate the format of disclosure of indicators and line titles of the main forms of financial statements to the format of financial statements in accordance with international standards in a single electronic format, approved by the Order #595 of the Ministry of Finance of Ukraine “On Approval of Translation of the Financial Statements Taxonomy according to International Financial Reporting Standards 2021” of 12 November 2021”.

Accordingly, some changes have been made in the presentation of comparative information for 2021 in these interim condensed consolidated financial statements for the six months ended June 30, 2022, to bring it in line with the new reporting format.

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

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

The table below shows the effect of respective reclassifications on disclosures in the Interim Condensed Consolidated Statement of Profit and Loss for the six months ended June 30, 2021:

(UAH thousand, unless otherwise stated)

	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Net (losses)/ gains on investment securities at fair value through gains or losses	(1 647 660)	1 647 660 ^(a)	–
Net gains / (losses) from transactions with derivatives	640 442	(640 442) ^(a)	–
Net gains / (losses) from transactions with financial instruments at fair value through gains or losses	–	(1 007 218) ^(a)	(1 007 218)
Net gains / (losses) from trading in foreign currencies	340 223	(340 223) ^(b)	–
Net gains / (losses) from trading in precious metals	254	(254) ^(b)	–
Net gains / (losses) from dealing in foreign currencies	–	340 477 ^(b)	340 477
Net gains / (losses) from translation differences on trading in foreign currencies	955 223	(955 223) ^(c)	–
Net gains / (losses) from revaluation of precious metals	(712)	712 ^(c)	–
Net gains / (losses) from revaluation of foreign currency	–	954 511 ^(c)	954 511
Expenses for expected credit losses	(1 090 624)	1 090 624 ^(d)	–
Expenses for expected credit losses on credit-related commitments	(309 963)	309 963 ^(d)	–
Impairment profit and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	–	(1 400 587) ^(d)	(1 400 587)
Other income	52 148	(428) ^(e)	51 720
Net gains / (losses) on modification of financial assets at amortised cost	(2 574)	2 574 ^(f)	–
Other operating expenses	(317 035)	317 035 ^{(e), (f), (g)}	–
Other administrative and operating expenses	–	(334 901) ^(f)	(334 901)
Gains / (losses) on initial recognition of financial assets at interest rates above or below market	–	366 ^(e)	366
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	–	15 354 ^(g)	15 354
Gains for the period	1 101 523	–	1 101 523

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

The table below shows the effect of respective reclassifications on disclosures in Interim Condensed Consolidated Statement of Profit and Loss for the six months ended June 30, 2021:

	<i>As previously reported</i>	<i>Effect of reclassification</i>	<i>Restated</i>
Interest expense	(3 735 570)	(36 722)	(3 772 292)
Fee expense	(184 347)	36 722	(147 625)
Gains for the period	1 101 523	–	1 101 523

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

The table below shows the effect of respective reclassifications on disclosures in Interim Condensed Consolidated Statement of Changes in Equity for the six months ended June 30, 2021:

(UAH thousand, unless otherwise stated)

	<i>Revaluation reserve</i>	<i>Revaluation surplus</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>
January 01, 2021 (as previously reported)	525 683	–	–	–
Effect of bringing in new format	(525 683)	1 013 287	(424 183)	(63 421)
January 01, 2021 (restated)	–	1 013 287	(424 183)	(63 421)
June 30, 2021 (as previously reported)	126 846	–	–	–
Effect of bringing in new format	(126 846)	1 003 426	(813 348)	(63 232)
June 30, 2021 (restated)	–	1 003 426	(813 348)	(63 232)

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

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

The table below shows the effect of respective reclassifications on disclosures in Interim Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2021:

	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Indebtedness to the National Bank of Ukraine	4 418 124	(4 418 124) ^(a)	–
Indebtedness to credit institutions	41 100	(41 100) ^(a)	–
Net increase / (decrease) in the bank funds	–	4 459 224 ^(a)	4 459 224
Redemption of issued Eurobonds	(10 438 575)	10 438 575 ^(b)	–
Repayment of loans received from credit institutions	(1 475 032)	1 475 032 ^(b)	–
Repayment of other borrowed funds	–	(11 913 607) ^(b)	(11 913 607)
Other assets	(9 775)	9 775 ^(c)	–
Net increase / (decrease) in other financial assets	–	(60 650) ^(c)	(60 650)
Net increase / (decrease) in other assets	–	50 875 ^(c)	50 875
Other liabilities	(520 290)	520 290 ^(d)	–
Net increase / (decrease) in other financial liabilities	–	(516 018) ^(d)	(516 018)
Net increase / (decrease) in other liabilities	–	(4 272) ^(d)	(4 272)

The respective changes were made in the comparative information presented in the notes to the interim condensed consolidated financial statements for the six months ended June 30, 2022.

Operating environment

In the second quarter of 2022, Ukraine's economy continued being under effect of the full-scale military invasion of the Russian Federation into Ukraine, which began on February 24, 2022. The Russian Federation's attack on Ukraine has led to rapid decrease in economic activities, disruptions in supply chains, fundamental change in the structure of supply and demand, temporary occupation and physical destruction of assets of a part of enterprises, destruction of infrastructure and a decrease in the load of production capacities.

As a result, annual consumer inflation accelerated to 21.5% in June 2022 (from 18% in May 2022), reached maximum level for the last six years.

At the same time, in order to curb inflationary pressures, in the second quarter the NBU and the Government of Ukraine continued to maintain the following measures:

(UAH thousand, unless otherwise stated)

- UAH exchange rate against USD stayed fixed at the level of UAH 29.2549 per USD, to promote the stability of prices for critical imported goods;
- the moratorium on increasing tariffs for heat and gas distribution continued to apply for the period of martial law and 6 months after its end.

The adjustment of product supplies through the western borders and the excess supply of agricultural products formed as a result of the blockade of sea ports also had a restraining effect on prices.

It is expected that due to the impact of full-scale military operations, the inflation level will exceed 30% by the end of 2022, but will slow down in the following years, although it will remain above the NBU's target guidelines.

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

In June, the recovery of economic activity continued in most sectors of the economy: the population and business are adapting to new conditions, new processes are set up. However, the recovery is curbed by logistical difficulties and the destruction of production facilities and infrastructure. Real GDP in the II quarter, according to NBU estimates, decreased by almost 40%.

In the coming years, a moderate recovery of consumer demand, adjustment of technological and logistics processes, revitalization of investment activity is expected, including thanks to the prospects of Ukraine's European integration. However, taking into account the significant losses of production and human potential, as well as still high security risks, it is expected that the rate of recovery of the Ukrainian economy in 2023-2024 will be about 5-6% per year.

International aid contributes to the formation of a temporary surplus of the current account, but in the future its balance will return to negative values due to the high import needs of the economy, including for its recovery.

The deficit of the state budget will show tendencies towards further growth due to the increase of expenditures in the conditions of low incomes. The negative balance was covered mainly by international and monetary financing against the background of limited domestic market borrowings.

The June increase in the discount rate has already begun to be reflected in the increase in deposit and government bond rates, while the pressure on the foreign exchange market increased rapidly, in particular due to a significant increase in imports and high demand for cash currency.

Assets (net) of the banking system of Ukraine decreased to UAH 2,043 billion at the end of the second quarter of 2022 (UAH -10.3 billion. eq. compared to December 2021), mostly due to the reduction of investments in government bonds (UAH -41.1 billion). The reduction in liabilities took place, primarily, due to a decrease in the authorized capital of banks as a result of the liquidation of Russian banks (UAH -75.0 billion) against the background of an increase in liabilities by UAH +14.5 billion due to the increase in the volume of clients' funds by UAH +23.1 billion (June 2022 to December 2021).

The banking sector of Ukraine suffered a loss of UAH 4.6 billion in the first half of 2022, due to significant contributions to reserves of UAH 57.9 billion (an increase by UAH 52.4 billion compared to the first half of 2021).

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

Changes in accounting policies

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

Amendments to IFRS 3 – “Reference to Conceptual Principles”

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

(UAH thousand, unless otherwise stated)

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

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

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

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

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

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

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

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

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

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

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

As part of the annual IFRS improvement process for the period 2018-2020, the IFRS Board has issued an amendment to IFRS 9. The amendment specifies the composition of the amounts of commission fees that the entity considers when assessing whether the terms of a new or modified financial liability differ significantly from the terms of the original financial liability. Such amounts include only those commissions that have been paid or received between the creditor and the borrower, including commissions paid or received by the creditor or the borrower on behalf of the other party. An entity shall apply this amendment to financial liabilities that have been modified or replaced at the beginning (or after) of the annual reporting period in which the entity first applies the amendment.

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

3. Segment information

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

Corporate banking	business unit that focuses on corporate customers and on selling the products that require an individual approach and are mainly offered to corporate clients.
Medium-sized business, municipalities and utilities sector	business unit aimed at servicing customers of municipalities and utilities sector, small and medium-sized business (including individual entrepreneurs) and the sale of products provided mainly in a standardized form (according to approved tariffs and standard procedures).
Retail banking	Business unit that focuses on servicing individuals (except individual entrepreneurs) on the full list of products, and selling products that are provided to individuals (population) mainly in a standardised form (as per the tariffs approved and the standard procedures) and generally do not require any individual approach to be applied.

(UAH thousand, unless otherwise stated)

Interbank and investment business unit that focuses on providing services to participants in the financial markets (money, currency, stock, etc.) and on selling the products related to transactions in the financial markets.

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

Unallocated amounts include:

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

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

During the six months ended June 30, 2022, the Bank had revenues from transactions with a single external customer, that accounted for more than 10% of the Bank's total income, namely: UAH 1,833,200 thousand; (six months of 2021: UAH 1,816,256 thousand). Revenue from transactions with this external customer is reported in the segment “Interbank and investments business”.

Analysis of the Bank's revenue by banking products and services is presented in the interim condensed consolidated profit and loss statement in the items “Interest income” and “Interest expenses”.

The following table presents income and expenses, profit and loss, assets and liabilities of the Bank's operating segments for the six months ended June 30, 2022:

30 June 2022 (unaudited)	Corporate banking	Medium-sized business, municipalities and utilities sector	Retail banking	Interbank and investment business	Unallocated amounts	Total
External						
Interest income calculated using the effective interest method	3 202 175	353 382	9 205	2 267 066	–	5 831 828
Other interest income	98 379	16 197	–	562 175	–	676 751
Fee income	277 847	90 286	135 266	32 557	595	536 551
Other income	12 520	4 873	7 436	19 671	4 035	48 535
Net income from operations in financial instruments at fair value through profit or loss	–	–	–	1 900 720	–	1 900 720
Net income from operations with debt financial instruments at fair value through other comprehensive income	1 051	95	998	13 850	–	15 994
Net profit from trading in foreign currencies	96 851	32 678	47 763	302 761	–	480 053
Net profit from foreign currency revaluation	60 344	222	–	22 313	–	82 879
Impairment gain and reversal of impairment loss determined in accordance with IFRS	–	–	2 195	–	–	2 195
Gain arising from derecognition of financial assets measured at amortised cost	–	–	–	19 716	–	19 716
Income from other segments	2 958 548	727 613	684 714	2 414 925	(6 785 800)	–
Total income	6 707 715	1 225 346	887 577	7 555 754	(6 781 170)	9 595 222
Interest expense	(1 039 973)	(330 303)	(274 144)	(2 211 050)	(340)	(3 855 810)
Fee expense	(22 302)	(11 965)	(78 011)	(12 704)	(9 869)	(134 851)
Net loss from financial instruments at fair value through profit or loss	–	–	–	–	(112 537)	(112 537)
Net loss from trading in foreign currencies	–	–	–	–	(26 804)	(26 804)
Net loss from foreign currency revaluation	–	–	–	–	(1 314 570)	(1 314 570)
Expense on initial recognition of financial assets at interest rates above or below	–	–	–	(570)	–	(570)

(UAH thousand, unless otherwise stated)

30 June 2022 (unaudited)	Corporate banking	Medium-sized business, municipalities and utilities sector	Retail banking	Interbank and investment business	Unallocated amounts	Total
market						
Impairment loss determined in accordance with IFRS 9	(4 598 870)	(227 645)	–	(424 505)	(23 875)	(5 274 895)
Personnel expenses	(255 643)	(232 969)	(180 749)	(60 192)	(262 950)	(992 503)
Amortisation	(13 233)	(15 469)	(14 284)	(2 223)	(11 145)	(56 354)
Other administrative and operating expenses	(63 686)	(51 498)	(168 112)	(18 717)	(35 725)	(337 738)
Impairment loss for non-financial assets	(1 003)	(1 173)	(7 452)	(40)	(5 796)	(15 464)
Impairment loss arising from derecognition of financial assets measured at amortized cost	(26)	–	–	–	–	(26)
Expenses from other segments	(3 635 803)	(285 341)	(43 806)	(2 539 987)	6 504 937	–
Segment results	(2 922 824)	68 983	121 019	2 285 766	(2 079 844)	(2 526 900)
Income tax expenses						48
Loss for the period						(2 526 852)
Assets and liabilities as at 30 June 2022 (unaudited)						
Segment assets	74 406 871	6 692 619	1 840 757	118 673 839		201 614 086
Unallocated assets					3 696 609	3 696 609
Total assets						205 310 695
Segment liabilities	94 590 435	21 176 727	27 952 015	50 755 514		194 474 691
Unallocated liabilities					799 000	799 000
Total liabilities						195 273 691
Other segment information						
Capital expenditure	(2 242)	(2 606)	(2 576)	(369)	(1 910)	(9 703)

The following table presents income and expenses, profit and loss for six months ended June 30, 2021, and certain assets and liabilities of the Bank's operating segments as at December 31, 2021:

June 30, 2021 (unaudited)	Corporate banking	Medium-Sized banking, municipalities and utilities sector	Retail banking	Interbank and investments business	Unallocated	Total
External						
Interest income calculated using the effective interest method	2 037 549	163 834	25 693	2 619 349	–	4 846 425
Other interest income	156 032	–	–	608 052	–	764 084
Fee income	220 228	99 847	141 876	30 720	3	492 674
Other income	35 092	2 807	5 550	2 795	5 476	51 720
Net income from operations with financial instruments at fair value through profit or loss	–	–	–	640 442	–	640 442
Net income from operations with financial instruments measured at fair value through other comprehensive income	–	–	–	9 578	257	9 835
Net income from foreign currency transactions	130 418	35 214	6 313	182 595	–	354 540
Net profit from foreign currency revaluation	–	–	40	25 702	928 769	954 511
Gains on initial recognition of financial assets at interest rates above or below market	–	–	–	366	–	366
Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	–	14 052	34	26 814	457	41 357
Impairment gain and reversal of impairment loss for non-financial assets	–	–	–	–	15 354	15 354
Impairment gain arising from derecognition of financial assets measured at amortized cost	1 215 931	–	–	–	–	1 215 931
Income from other segments	2 384 859	646 323	811 954	1 914 167	(5 757 303)	–
Total income	6 180 109	962 077	991 460	6 060 580	(4 806 987)	9 387 239
Interest expense	(1 205 910)	(365 209)	(462 768)	(1 737 894)	(511)	(3 772 292)
Fee expense	(37 227)	(24 549)	(77 744)	(7 987)	(118)	(147 625)
Net loss from financial instruments at fair value through profit or loss	–	–	–	–	(1 647 660)	(1 647 660)

(UAH thousand, unless otherwise stated)

<i>June 30, 2021 (unaudited)</i>	<i>Corporate banking</i>	<i>Medium-Sized banking, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
Net loss from trading in foreign currencies	–	–	–	–	(14 063)	(14 063)
Impairment loss determined in accordance with IFRS 9	(1 441 944)	–	–	–	–	(1 441 944)
Employee benefits expense	(225 995)	(199 245)	(180 935)	(63 135)	(200 148)	(869 458)
Amortisation expense	(13 091)	(15 598)	(17 135)	(2 087)	(9 862)	(57 773)
Other administrative and operating expenses	(57 288)	(38 124)	(166 193)	(10 800)	(62 496)	(334 901)
Expenses from other segments	(2 372 785)	(116 139)	(17 327)	(2 970 547)	5 476 798	–
Segment results	825 869	203 213	69 358	1 268 130	(1 265 047)	1 101 523
Profit for the period						1 101 523
Assets and liabilities as at December 31, 2021						
Segment assets	65 221 785	6 256 048	1 386 107	117 172 073		190 036 013
Unallocated assets					2 057 519	2 057 519
Total assets						192 093 532
Segment liabilities	75 976 009	18 103 674	27 004 342	56 847 395		177 931 420
Unallocated liabilities					1 709 367	1 709 367
Total liabilities						179 640 787
Other segment information						
Capital expenditure	(3 022)	(3 622)	(5 573)	(486)	(2 307)	(15 010)

Geographical information

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

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Cash		
Cash on hand	1 195 851	1 344 580
Current account with the National Bank of Ukraine	4 329 941	2 479 707
Correspondent accounts with banks	32 783 484	15 778 690
Overnight deposits and loans with banks	11 126 398	2 924 272
	49 435 674	22 527 249
Cash equivalents		
Deposit certificates issued by the National Bank of Ukraine	7 204 537	16 004 872
Short term deposits classified as cash equivalents	3 364 552	4 367 064
	10 569 089	20 371 936
Less: allowance for expected credit losses	(19 868)	(16 814)
Cash and cash equivalents	59 984 895	42 882 371

(UAH thousand, unless otherwise stated)

5. Changes in liabilities in financial activities

Changes in liabilities in financial activities were as follows:

	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Carrying amount at 1 January 2022	28 820 004	3 605 597	6 099	32 431 700
Proceeds	208 497	–	–	208 497
Repayments	(6 831 698)	(293 196)	(1 852)	(7 126 746)
Translation differences	1 480 115	246 670	–	1 726 785
Other	6 530	(3 664)	3 286	6 152
Carrying amount at 30 June 2022 (unaudited)	23 683 448	3 555 407	7 533	27 246 388
	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Carrying amount at 1 January 2021	43 108 994	4 341 176	7 291	47 457 461
Proceeds	1 127 740	–	–	1 127 740
Repayments	(11 913 607)	(290 505)	(1 829)	(12 205 941)
Translation differences	(1 541 248)	(160 825)	–	(1 702 073)
Other	691 107	(5 368)	1 168	686 907
Carrying amount at 30 June 2021 (unaudited)	31 472 986	3 884 478	6 630	35 364 094

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

As at 30 June 2022, "Other borrowings" includes funds in the amount of UAH 687,515 thousand belonging to non-resident banks, which are included in "Due to other banks" of the consolidated statement of financial position (31 December 2021: UAH 1,643,168 thousand).

As at 30 June 2022, "Other borrowings" does not include funds in the amount of UAH 60,895 thousand, attracted from Ukrainian financial institutions, which were included in the category of funds for operating activities of the consolidated statement of cash flows (31 December 2021: UAH 60,818 thousand).

6. Expenses for expected credit losses

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

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
For three months ended June 30, 2022 (unaudited)							
Cash and cash equivalents	4 413	–	–	–	–	–	4 413
Loans and advances to banks	302	–	(2)	–	–	–	300
Loans and advances to customers	1 137 283	291 653	212 262	114 818	260 228	642 806	2 659 050
Recovery of previously written-off assets	–	–	–	(4 638)	(19 172)	–	(23 810)
Investment securities at fair value through other comprehensive income	220 163	–	–	–	–	–	220 163
Investment securities at amortized cost	177 931	–	–	–	–	–	177 931
Other financial assets	25 404	–	–	–	–	–	25 404
Financial guarantees	370	1 720	–	(1 720)	–	–	370
Undrawn loan commitments	200 913	(21 268)	(19 473)	5 196	–	–	165 368
Letters of credit	41 075	–	–	–	–	–	41 075
Avals on promissory notes	99	–	–	–	–	–	99
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	1 807 953	272 105	192 787	113 656	241 056	642 806	3 270 363

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
For six months ended June 30, 2022							
(unaudited)							
Cash and cash equivalents	1 731	–	–	–	–	–	1 731
Loans and advances to banks	609	–	160	–	(6)	–	763
Loans and advances to customers	1 492 308	368 438	498 171	551 642	642 805	1 066 202	4 619 566
Recovery of previously written-off assets	–	–	–	(8 917)	(47 861)	–	(56 778)
Investment securities at fair value through other comprehensive income	238 903	–	–	–	–	–	238 903
Investment securities at amortized cost	172 387	–	–	–	–	–	172 387
Other financial assets	28 148	–	–	–	–	–	28 148
Financial guarantees	(1 856)	1 720	–	(1 720)	–	–	(1 856)
Undrawn loan commitments	222 804	7 802	(13 346)	14 528	–	–	231 788
Letters of credit	37 963	–	–	–	–	–	37 963
Avals on promissory notes	85	–	–	–	–	–	85
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	2 193 082	377 960	484 985	555 533	594 938	1 066 202	5 272 700
	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
For three months ended June 30, 2021							
(unaudited)							
Cash and cash equivalents	1 363	–	–	–	–	–	1 363
Loans and advances to banks	2 263	–	–	–	1 594	–	3 857
Loans and advances to customers	424 340	127 837	328 666	19 378	211 445	(11 990)	1 099 676
Recovery of previously written-off assets	–	–	–	(1 805)	(19 791)	–	(21 596)
Investment securities at fair value through other comprehensive income	(6 014)	–	4 495	–	–	–	(1 519)
Investment securities at amortized cost	(5 336)	–	–	–	–	–	(5 336)
Other financial assets	4 132	–	–	–	–	–	4 132
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
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	654 060	127 654	333 161	(5 680)	193 248	(11 990)	1 290 453
For six months ended June 30, 2021							
(unaudited)							
Cash and cash equivalents	(7 783)	–	–	–	–	–	(7 783)
Loans and advances to banks	2 173	–	–	–	10 215	–	12 388
Loans and advances to customers	535 464	69 476	45 721	(42 906)	198 852	359 026	1 165 633
Recovery of previously written-off assets	–	–	–	(3 701)	(51 451)	–	(55 152)
Investment securities at fair value through other comprehensive income	(6 085)	–	(3 205)	–	–	–	(9 290)
Investment securities at amortized cost	(19 733)	–	–	–	–	–	(19 733)
Other financial assets	4 561	–	–	–	–	–	4 561
Financial guarantees	490	–	–	–	–	–	490
Undrawn loan commitments	320 168	(3 703)	–	(25 815)	–	–	290 650

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
Letters of credit	18 799	–	–	–	–	–	18 799
Avals on promissory notes	44	–	–	(20)	–	–	24
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	848 098	65 773	42 516	(72 442)	157 616	359 026	1 400 587

Expenses for expected credit losses on originated credit-impaired financial assets (“POCI”) recognized in profit or loss for the period ended June 30, 2022, include the amount of adjustment of the gross carrying amount of POCI in the amount of UAH 24,123 thousand (for the period ended 30 June 2021: UAH 119,047 thousand).

7. Loans and advances to banks

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Loans and advances to banks		
Deposits in other banks	490 454	8 138 142
short-term	106 812	7 807 763
long-term	383 642	330 379
Loans to other banks	137 578	132 028
short-term	3 225	–
long-term	134 353	132 028
Total amount of loans and advances to banks	628 032	8 270 170

As at 30 June 2022, loans and advances to banks include funds in the amount of UAH 280,543 thousand, placed with banks of Ukraine (31 December 2021: UAH 8,209,543 thousand), banks of other countries – UAH 182,471 thousand (31 December 2021: UAH 182,394 thousand), OECD banks – UAH 249,284 thousand (31 December 2021: UAH 216,803 thousand).

As at June 30, 2022, loans and advances to banks are accounted for at amortised cost, except for current accounts in precious metals in the amount of UAH 72,828 thousand (31 December 2021: UAH 52,274 thousand), at fair value through profit or loss.

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

	<i>Stage 1 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>Total</i>
Allowance at 1 January 2022	8 320	–	74 435	255 815	338 570
New assets originated or purchased	9 862	–	–	–	9 862
Assets completed/(repaid)	(10 630)	–	(6)	–	(10 636)
Transfer to Stage 2	(198)	198	–	–	–
Transfer to Stage 3	(6)	–	6	–	–
Modifications in allowances	1 075	162	–	–	1 237
Translation difference	744	–	19	–	763
Allowance at 31 March 2022 (unaudited)	9 167	360	74 454	255 815	339 796
New assets originated or purchased	1 058	–	–	–	1 058
Assets completed/(repaid)	(614)	–	–	–	(614)
Transfer to Stage 3	–	(358)	–	358	–
Allowance write-off	–	–	–	(255 815)	(255 815)
Modifications in allowances	(142)	(2)	–	–	(144)
Translation difference	(1)	–	(13)	–	(14)
Allowance at 30 June 2022 (unaudited)	9 468	–	74 441	358	84 267

(UAH thousand, unless otherwise stated)

	<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
Assets completed/(repaid)	(10 825)	–	–	(10 825)
Modifications in allowance	(295)	–	8 621	8 326
Translation difference	(146)	(16)	(653)	(815)
Allowance at 31 March 2021 (unaudited)	2 958	74 450	716 567	793 975
New assets originated or purchased	18 812	–	–	18 812
Assets completed/(repaid)	(15 977)	–	–	(15 977)
Modifications in allowance	(572)	–	1 594	1 022
Translation difference	(423)	(5)	(1 190)	(1 618)
Allowance at 30 June 2021 (unaudited)	4 798	74 445	716 971	796 214

8. Loans and advances to customers

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

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Legal entities	64 886 984	57 322 750
State entities	34 868 876	27 878 541
Individuals	1 499 456	1 455 413
	101 255 316	86 656 704
Less: reserve for expected credit losses	(22 450 051)	(17 321 842)
Loans and advances to customers	78 805 265	69 334 862

As at 30 June 2022, loans to state entities include loans to state administration authorities in the amount of UAH 5,860,377 thousand (as of 31 December 2021: UAH 5,520,379 thousand).

Legal entities

The tables below show an analysis of modifications in allowance:

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2022	1 020 730	72 590	138 134	907 715	8 918 077	4 121 967	15 179 213
New assets originated or purchased	49 162	–	–	–	–	–	49 162
Assets completed/(repaid)	(9 204)	–	–	(1)	(202)	–	(9 407)
Transfer to Stage 1	12 959	(12 959)	–	–	–	–	–
Transfer to Stage 2	(227 022)	82 328	144 694	–	–	–	–
Transfer to Stage 3	(148 254)	(526)	–	78 994	69 786	–	–
Interest income adjustment	–	–	–	4 636	41 686	28 573	74 895
Modifications in allowance	(22 887)	75 122	152 984	466 232	382 779	428 770	1 483 000
Translation difference	46 667	2 420	6 563	23 652	530 259	2 048	611 609
Allowance at 31 March 2022 (unaudited)	722 151	218 975	442 375	1 481 228	9 942 385	4 581 358	17 388 472
New assets originated or purchased	110 251	–	–	–	–	–	110 251
Assets completed/(repaid)	(15 416)	(113)	–	(2)	–	–	(15 531)
Transfer to Stage 2	(116 350)	(506)	116 856	–	–	–	–
Transfer to Stage 3	(1 527)	(358)	–	1 895	(10)	–	–
Interest income adjustment	–	–	–	3 939	27 382	(2 079)	29 242
Written off assets	–	–	–	(118 771)	(7 580)	–	(126 351)
Modifications in allowance	(38 611)	27 864	204 533	115 678	260 228	613 479	1 183 171
Modifications in the input data of macromodels	713 944	263 492	–	–	–	–	977 436
Translation difference	(14 403)	(9 415)	(21 449)	(708)	(88 642)	(122)	(134 739)
Allowance at 30 June 2022 (unaudited)	1 360 039	499 939	742 315	1 483 259	10 133 763	5 192 636	19 411 951

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2021	386 157	259 790	470 962	760 030	39 015 411	3 555 997	44 448 347
New assets originated or purchased	125 852	–	–	–	–	–	125 852
Assets completed/(repaid)	(11 062)	(52 877)	–	(8 337)	–	–	(72 276)
Transfer to Stage 1	25	(25)	–	–	–	–	–
Transfer to Stage 2	(61 408)	58 456	2 952	–	–	–	–
Transfer to Stage 3	(6 629)	(2 699)	–	9 328	–	–	–
Interest income adjustment	–	–	–	7 648	379 137	121 316	508 101
Modifications in allowance	(25 983)	(6 095)	(100 611)	11 879	(12 562)	384 901	251 529
Translation difference	(10 355)	(11 200)	(23 592)	(3 326)	(845 535)	(728)	(894 736)
Allowance at 31 March 2021 (unaudited) (recalculated)	396 597	245 350	349 711	777 222	38 536 451	4 061 486	44 366 817
New assets originated or purchased	642 725	–	–	–	–	–	642 725
Assets completed/(repaid)	(21 146)	(1 844)	(7 316)	(5 921)	(227)	–	(36 454)
Transfer to Stage 1	384 763	(250 817)	(133 946)	–	–	–	–
Transfer to Stage 2	(5 819)	46 584	(40 765)	–	–	–	–
Transfer to Stage 3	(1 619)	–	–	1 393	226	–	–
Transfer to POCI	–	–	–	–	(2 826 121)	–	(2 826 121)
Interest income adjustment	–	–	–	13 016	178 526	85 538	277 080
Written off assets	–	–	–	–	(10 809 176)	–	(10 809 176)
Modifications in allowance	(340 213)	192 193	(10 927)	35 354	211 651	93 172	181 230
Modifications in the input data of macromodels	(60 022)	(62 800)	–	–	–	–	(122 822)
Translation difference	(27 860)	(1 359)	2 703	(5 270)	(571 030)	(3 259)	(606 075)
Allowance at 30 June 2021 (unaudited) (recalculated)	967 406	167 307	159 460	815 794	24 720 300	4 236 937	31 067 204

State entities

The tables below show an analysis of modifications in allowance:

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2022	425 092	163	342 045	86 406	–	853 706
New assets originated or purchased	322 807	–	–	–	–	322 807
Assets completed/(repaid)	(2 136)	(5)	–	(32 832)	–	(34 973)
Transfer to Stage 2	(279)	279	–	–	–	–
Transfer to Stage 3	(33 233)	–	–	33 233	–	–
Transfer to POCI	–	–	–	(7 877)	–	(7 877)
Interest income adjustment	–	–	–	2 618	–	2 618
Modifications in allowance	16 330	52	132 925	551	–	149 858
Translation difference	7 907	–	24 769	527	–	33 203
Allowance at 31 March 2022 (unaudited)	736 488	489	499 739	82 626	–	1 319 342
New assets originated or purchased	529	–	–	–	–	529
Assets completed/(repaid)	(7)	–	–	–	–	(7)
Transfer to Stage 3	–	(198)	–	198	–	–
Interest income adjustment	–	–	–	2 993	170	3 163
Modifications in allowance	(216 557)	–	7 729	582	(170)	(208 416)
Modifications in the input data of macromodels	581 651	314	–	–	–	581 965
Translation difference	(243)	–	–	–	–	(243)
Allowance at 30 June 2022 (unaudited)	1 101 861	605	507 468	86 399	–	1 696 333

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>Total</i>
Allowance at 1 January 2021	100 604	697	691 802	121 416	55	914 574
New assets originated or purchased	7 129	–	–	–	–	7 129
Assets completed/(repaid)	(119)	–	–	(6 882)	–	(7 001)
Transfer to Stage 3	(6 883)	(697)	–	7 580	–	–

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>Total</i>
Interest income adjustment	–	–	–	(26)	–	(26)
Modifications in allowance	13 277	–	(182 334)	(57 257)	(31)	(226 345)
Translation difference	(339)	–	(9 529)	(148)	–	(10 016)
Allowance at 31 March 2021 (unaudited) (recalculated)	113 669	–	499 939	64 683	24	678 315
New assets originated or purchased	29 791	–	–	–	–	29 791
Assets completed/(repaid)	–	–	–	–	(24)	(24)
Transfer to Stage 2	(64 055)	9	64 046	–	–	–
Transfer to Stage 3	(28 958)	–	–	28 958	–	–
Interest income adjustment	–	–	–	(27)	–	(27)
Modifications in allowance	173 622	44	346 909	(7 957)	45	512 663
Modifications in the input data of macromodels	(665)	–	–	–	–	(665)
Translation difference	(5 194)	(1)	(12 671)	(231)	–	(18 097)
Allowance at 30 June 2021 (unaudited) (recalculated)	218 210	52	898 223	85 426	45	1 201 956

Individuals

The tables below show an analysis of modifications in allowance:

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>Total</i>
Allowance at 1 January 2022	2 305	1 209	1 285 409	1 288 923
New assets originated or purchased	411	–	–	411
Assets completed/(repaid)	(190)	(99)	(295)	(584)
Transfer to Stage 1	184	(184)	–	–
Transfer to Stage 2	(1 947)	2 011	(64)	–
Transfer to Stage 3	(296)	(1 196)	1 492	–
Interest income adjustment	–	–	1 305	1 305
Modifications in allowance	732	1 715	3 169	5 616
Translation difference	3	8	70 463	70 474
Allowance at 31 March 2022 (unaudited)	1 202	3 464	1 361 479	1 366 145
New assets originated or purchased	798	–	–	798
Assets completed/(repaid)	(76)	(82)	(241)	(399)
Transfer to Stage 1	264	(264)	–	–
Transfer to Stage 2	(65)	102	(37)	–
Transfer to Stage 3	(620)	–	620	–
Interest income adjustment	–	–	544	544
Written off assets	–	–	(16 543)	(16 543)
Modifications in allowance	(797)	(1 410)	(1 199)	(3 406)
Modifications in the input data of macromodels	1 574	1 588	–	3 162
Translation difference	–	(3)	(8 531)	(8 534)
Allowance at 30 June 2022 (unaudited)	2 280	3 395	1 336 092	1 341 767
	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>Total</i>
Allowance at 1 January 2021	1 974	957	2 019 488	2 022 419
New assets originated or purchased	714	–	–	714
Assets completed/(repaid)	(292)	(100)	(1 222)	(1 614)
Transfer to Stage 1	239	(239)	–	–
Transfer to Stage 2	(638)	638	–	–
Transfer to Stage 3	(408)	(618)	1 026	–
Interest income adjustment	–	–	9 340	9 340
Written off assets	–	–	(585 234)	(585 234)
Modifications in allowance	1 608	711	(465)	1 854
Translation difference	(2)	(8)	(45 402)	(45 412)
Allowance at 31 March 2021 (unaudited) (recalculated)	3 195	1 341	1 397 531	1 402 067
New assets originated or purchased	335	–	–	335
Assets completed/(repaid)	(310)	(83)	(819)	(1 212)
Transfer to Stage 1	430	(430)	–	–

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>Total</i>
Transfer to Stage 2	(731)	731	–	–
Transfer to Stage 3	(23)	(594)	617	–
Modifications in allowance	544	441	(1 279)	(294)
Modifications in the input data of macromodels	(321)	(114)	–	(435)
Translation difference	(2)	(9)	(22 632)	(22 643)
Allowance at 30 June 2021 (unaudited) (recalculated)	3 117	1 283	1 373 418	1 377 818

Modified loans

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

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

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

	<i>For the period ended June 30 2022 (unaudited)</i>	
	<i>2022</i>	<i>2022</i>
Loans to customers modified during the period		
Amortised cost before modification	1 035 666	6 372 417
Net modification (loss)/gain	(1 619)	1 530

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

The status of a state-owned Bank specializing in the financing of export-import transactions imposes a special role on the Bank during martial law in meeting the state's needs in financing the supply of critical imports and lending to strategic sectors of the economy for defense, food provisioning and humanitarian purposes, in particular in order to preserve the sovereignty of Ukraine.

Currently, the Bank has updated its credit policy, taking into account the beginning of the armed aggression of the Russian Federation against Ukraine. The Bank has identified a list of sectors of the economy to which it will provide priority credit support, namely the military-industrial complex, critical imports, the agricultural sector, the fuel and energy sector, infrastructure projects, export-oriented industries, humanitarian and social projects.

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

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

The Russian military invasion to Ukraine necessitated an extraordinary revision of approaches and refinement of methods for estimating expected credit losses, including more detailed portfolio segmentation, application of expert judgments, and prompt processing of information on the current and projected state of hostilities and their impact on assets, operating activities, financial condition of debtors and their ability to meet monetary obligations to the Bank. Thus, the Bank reclassified the loan portfolio in stages, in particular, debtors whose main assets are located in the temporarily occupied territories and territories where active hostilities are taking place (depending on whether they have other assets, their ability to conduct or resume operating activities, including taking into account the forecasts for the liberation of the respective territories / cessation of active hostilities and their return to the control of Ukraine), as well as borrowers located in other territories, based on the risks of damage to property and assess their ability to conduct operating activities in the current conditions, forecasts of changes in

(UAH thousand, unless otherwise stated)

the situation, were reclassified in stages and some debtors were transferred to Stage 2 or Stage 3. At the same time, for debtors with significant amounts of debt (regardless of whether the asset stage was worsened or whether it was classified as Stage 2 or Stage 3 before the war), the scenarios of receiving cash flows for debt repayment were revised, which involved changing repayment schedules and expert assessment of their receipt in different scenarios of further events. In addition, the calculation reduced to zero the expected cash flows from the sale of collateral which was destroyed during the hostilities. Besides, the Bank made calculations to determine the increase in the amount of the provision due to the war (calculation without applying appropriate changes to the methods and approaches to evaluation and comparing the result with the one of the calculation with the corresponding changes).

According to the Bank's estimates, the increase in the provision for the 1st half of 2022 on loans, caused by the war, is UAH 4,109,368.1 thousand. The Bank will continue to collect and process information to ensure an adequate assessment of credit risks despite the uncertainties caused by the war.

9. Investments in securities

Investments in securities include:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Investment securities at fair value through profit or loss	23 203 521	23 319 112
Investment securities at fair value through other comprehensive income	16 194 837	12 737 353
Investment securities at amortized cost	17 715 437	30 139 375
Investments in securities	57 113 795	66 195 840

Investment securities at fair value through profit or loss

As at 30 June 2022, investment securities at FVPL with the carrying amount of UAH 23,203,521 thousand (31 December 2021: UAH 23,319,112 thousand) are represented by Ukrainian state bonds. The conditions of issue of those securities provide for indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of UAH to USD per month prior to the date of issue and per month prior to the maturity date. Coupon yield is not subject to indexation.

As at 30 June 2022, the state bonds with a carrying amount of UAH 9,090,350 thousand are pledged as collateral on loans received from the NBU (31 December 2021: UAH 11,290,760 thousand) (Note 13).

Investment securities at fair value through other comprehensive income

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Ukrainian state bonds	15 928 497	12 430 319
Corporate bonds	244 175	283 786
Corporate shares	22 165	23 248
Investment securities at fair value through other comprehensive income	16 194 837	12 737 353

As at 30 June 2022, Ukrainian state bonds with carrying amount of UAH 7,957,973 thousand are pledged as collateral for loans received from the NBU (31 December 2021: UAH 7,529,195 thousand) (Note 13).

As at 30 June 2022, Ukrainian state bonds with carrying amount of UAH 84,724 thousand are pledged as collateral for loans received from other financial institutions (31 December 2021: UAH 86,548 thousand) (Note 14).

As at 30 June 2022, Ukrainian state bonds with carrying amount of UAH 1,074,484 thousand are used to form a guarantee fund for interest rate swaps (31 December 2021: UAH 1,095,864 thousand) (Note 12).

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

(UAH thousand, unless otherwise stated)

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

	Stage 1 collective			
Allowance at 1 January 2022	39 108			
New assets originated or purchased	19 705			
Assets repaid	(932)			
Modifications in allowance	(33)			
Sold assets	(4 141)			
Translation difference	148			
Allowance at 31, March 2022 (unaudited)	53 855			
New assets originated or purchased	1 242			
Assets repaid	(1 499)			
Modifications in allowance	220 420			
Sold assets	(4 192)			
Translation difference	(54)			
Allowance at 30 June 2022 (unaudited)	269 772			

	Stage 1 collective	Stage 2 individual	Stage 3 individual	Total
Allowance at 1 January 2021	37 972	22 175	4 218 021	4 278 168
New assets originated or purchased	6 149	–	–	6 149
Assets repaid	(5 458)	–	–	(5 458)
Modifications in allowance	(762)	(7 700)	–	(8 462)
Sold assets	(907)	–	–	(907)
Translation difference	(110)	–	–	(110)
Allowance at 31 March 2021 (unaudited)	36 884	14 475	4 218 021	4 269 380
New assets originated or purchased	2 348	–	–	2 348
Assets repaid	(6 713)	–	–	(6 713)
Modifications in allowance	(1 649)	4 495	–	2 846
Sold assets	18 970	(18 970)	–	–
Translation difference	(1 464)	–	–	(1 464)
New assets originated or purchased	(141)	–	–	(141)
Allowance at 30 June 2021 (unaudited)	48 235	–	4 218 021	4 266 256

Investment securities at amortized cost

	30 June 2022 (unaudited)	31 December 2021
Ukrainian state bonds	9 160 396	16 417 048
Corporate bonds	8 551 177	13 546 887
Municipal bonds	224 131	222 378
	17 935 704	30 186 313
Less: allowance for expected credit losses	(220 267)	(46 938)
Investment securities at amortized cost	17 715 437	30 139 375

As at 30 June 2022, state bonds with carrying amount of UAH 6,900,185 thousand are pledged as collateral on loans received from the NBU (31 December 2021: UAH 6,983,949 thousand) (Note 13).

As at 30 June 2022, corporate bonds with carrying amount of UAH 8,452,800 thousand are pledged as collateral on loans received from the NBU (31 December 2021: UAH 8,372,405 thousand) (Note 13).

(UAH thousand, unless otherwise stated)

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

	<i>Stage 1 collective</i>
Allowance at 1 January 2022	46 938
New assets originated or purchased	9 213
Assets repaid	(14 572)
Modifications in allowance	(185)
Translation difference	1 548
Allowance at March 31, 2022 (unaudited)	42 942
Assets repaid	(14 019)
Modifications in allowance	191 950
Translation difference	(606)
Allowance at June 30, 2022 (unaudited)	220 267
	<i>Stage 1 collective</i>
Allowance at 1 January 2021	55 471
New assets originated or purchased	11 896
Assets repaid	(26 202)
Modifications in allowance	(91)
Translation difference	(729)
Allowance at March 31, 2021 (unaudited)	40 345
New assets originated or purchased	18 921
Assets repaid	(24 807)
Modifications in allowance	550
Translation difference	12
Allowance at June 30, 2021 (unaudited)	35 021

10. Other financial assets and other financial liabilities

Other financial assets comprise:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Transit accounts on operations with payment cards	123 875	119 363
Other accrued income	75 622	62 812
Accounts receivable on operations with customers	71 032	63 485
Accrued service fee on financial guarantees issued	57 697	18 281
Other	87	121
	328 313	264 062
Less: allowance for expected credit losses	(110 421)	(86 466)
Total other financial assets	217 892	177 596

Other financial liabilities include:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Transit accounts on operations with customers	643 398	496 093
Transit accounts on operations with payment cards	83 556	61 132

(UAH thousand, unless otherwise stated)

	30 June 2022 (unaudited)	31 December 2021
Liabilities on financial guarantees issued	17 156	22 264
Accrued expenses	13 316	10 430
Lease commitments	7 533	6 099
Other	3 995	-
Total other financial liabilities	768 954	596 018

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

	Stage 1 collective
Allowance at 1 January 2022	86 466
New assets originated or purchased	5 212
Assets completed/(repaid)	(5 750)
Modifications in allowance	3 282
Translation difference	2 427
Allowance at March 31, 2022 (unaudited)	91 637
New assets originated or purchased	12 954
Assets completed/(repaid)	(6 431)
Modifications in allowance	18 881
Written off assets	(5 952)
Translation difference	(668)
Allowance at 30 June 2022 (unaudited)	110 421

	Stage 1 collective
Allowance at 1 January 2021	97 061
New assets originated or purchased	2 560
Assets completed/(repaid)	(2 713)
Modifications in allowance	582
Translation difference	(1 738)
Allowance at 31 March 2021 (unaudited)	95 752
New assets originated or purchased	4 132
Assets completed/(repaid)	(2 367)
Modifications in allowance	2 367
Written off assets	(159)
Translation difference	(943)
Allowance at 30 June 2021 (unaudited)	98 782

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

Other non-financial assets include:

	30 June 2022 (unaudited)	31 December 2021
Advance payments	142 875	133 060
Other tax assets, except those related to income tax	97 559	98 721
Cash, which availability is not confirmed	45 812	34 413
Repossessed pledged property	33 112	33 112
Inventories	32 409	30 845
Precious metals	2 386	29 979
Other	1 867	1 752
	356 020	361 882

(UAH thousand, unless otherwise stated)

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Less: allowance for impairment	(86 778)	(69 599)
Total other nonfinancial assets	269 242	292 283
Other non-financial liabilities include:		
	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Accrued unused vacations	167 194	135 812
Accrued salary	118 307	209 423
Payables to the Individual Deposit Guarantee Fund	52 387	50 952
Deferred income	26 481	51 449
Payables on taxes and mandatory contributions, except for income tax	25 107	30 750
Payables on the Bank’s business activities	5 919	16 664
Other	366	306
Total other non-financial liabilities	395 761	495 356

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

Allowance at 1 January 2022	69 599
Accrued	28 368
Translation difference	2 018
Allowance at 31 March 2022 (unaudited)	99 985
Reversal	(12 904)
Translation difference	(303)
Allowance at 30 June 2022 (unaudited)	86 778
Allowance at 1 January 2021	95 009
Accrued	(10 153)
Translation difference	(674)
Allowance at 31 March 2021 (unaudited)	84 182
Reversal	(5 201)
Translation difference	(688)
Allowance at 30 June 2021 (unaudited)	78 293

12. Derivative financial instruments

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

Forward transactions

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

Currency swap

The Bank conducts currency exchange operations, as a result of which the Bank is obliged to provide one currency in exchange for another one under pre-determined exchange rates.

Interest rate swap

(UAH thousand, unless otherwise stated)

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

As at 30 June 2022, the notional amounts are:

	<i>Notional amount</i>		<i>Fair value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Currency swap	437 969	430 261	7 708	–
Interest rate swap	8 647 406	–	2 402 985	–

As at 31 December 2021, the notional amounts are:

	<i>Notional amount</i>		<i>Fair value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Forward	62 420	62 295	125	–
Currency swap	417 694	417 496	205	7
Interest rate swap	8 647 406	–	582 412	–

To form the guarantee fund for interest rate swap operations, the Bank used investment securities – Ukrainian state bonds with the carrying amount of UAH 1,074,484 thousand (31 December 2021: UAH 1,095,864 thousand) (Note 9).

13. Due to other banks

Due to banks comprise:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Amount due to the National Bank of Ukraine		
Correspondent account with the National Bank of Ukraine	–	362
Loans from the National Bank of Ukraine	21 366 578	21 366 867
	21 366 578	21 367 229
Amounts due to banks		
Current accounts	1 672 316	2 418 887
Loans and deposits	123 891	1 754 600
Other amounts due to credit institutions	51 536	36 655
	1 847 743	4 210 142
Amounts due to banks	23 214 321	25 577 371

The amounts due to the National Bank of Ukraine on all refinancing loans are secured by investment securities – Ukrainian state bonds with the carrying amount of UAH 23,948,508 thousand and corporate bonds with the carrying amount of UAH 8,452,800 thousand (Note 9) (31 December 2021: state bonds with a carrying amount of UAH 28,080,477 thousand and corporate bonds with a carrying amount of UAH 83,551 thousand).

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

14. Other borrowed funds

Other borrowed funds include:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Loans from international financial institutions	19 964 964	21 451 751
Loans of other financial institutions	60 895	60 818
Issued Eurobonds	3 716 439	5 725 085
	23 742 298	27 237 654

(UAH thousand, unless otherwise stated)

Loans from other financial organisations include a loan from the Entrepreneurship Development Fund (EDF) attracted under the lending program for micro, small and medium businesses (private entrepreneurs and legal entities of private ownership). Loan debt to the EDF is secured by investment securities – state bonds with a carrying amount of UAH 84,724 thousand (31 December 2021: UAH 86,548 thousand) (Note 9).

Issued Eurobonds

	30 June 2022 (unaudited)			31 December 2021		
	Debt balance (thous.)	Currency	Carrying amount	Debt balance (thous.)	Currency	Carrying amount
Issue of April 2010	–	USD	–	22 928	USD	636 295
Issue of January 2013	101 416	USD	3 097 033	139 764	USD	3 975 535
Issue of October 2010	–	USD	–	11 464	USD	318 148
Issue of April 2013	20 283	USD	619 406	27 953	USD	795 107
Issued Eurobonds			3 716 439			5 725 085

15. Customer accounts

Customer accounts comprise:

	30 June 2022 (unaudited)	31 December 2021
Current accounts:		
- Legal entities	56 207 634	52 248 550
- Budget financed organizations	35 482 312	11 141 261
- Individuals	8 949 029	6 086 642
	100 638 975	69 476 453
Time deposits:		
- Legal entities	17 171 684	26 350 834
- Individuals	17 422 116	19 088 954
- Budget financed organizations	2 141 161	-
	36 734 961	45 439 788
Demand deposits:		
- Legal entities	4 390 677	5 380 130
- Individuals	1 266 960	1 540 865
	5 657 637	6 920 995
Customer accounts	143 031 573	121 837 236
Held as security against guarantees and avals (Note 17)	1 077 832	3 149 849
Held as security against loans to customers (Note 8)	926 682	794 067
Held as security against letters of credit (Note 17)	578 285	570 403
Held as security against undrawn loan commitments (Note 17)	4 107	26 147

As at 30 June 2022, customer accounts included attracted deposits and current accounts in gold, which are measured at fair value with revaluation through profit or loss, in the amount of UAH 49,289 thousand. (December 31, 2021: UAH 45,321 thousand.). The change in the fair value of funds raised in gold, which is due to changes in credit risk, as of 30 June 2022 is not available (31 December 2021: not available).

16. Equity

As at 30 June 2022, the Bank’s authorised capital comprised 31,168,806 ordinary registered shares (December 31, 2021: 31,168,806 ordinary registered shares) with a nominal value of UAH 1,462.04 per share (December 31, 2021: UAH 1,462.04 per share). As at 30 June 2022, 31,168,806 ordinary registered shares were fully paid and registered (December 31, 2021: 31,168,806 ordinary registered shares were fully paid and registered).

(UAH thousand, unless otherwise stated)

In June 2021, according to Resolution #392-p of the Cabinet of Ministers of Ukraine “*Some operational issues of Joint Stock Company “The State Export-Import Bank of Ukraine”*” of 28 April 2021, the Bank allocated the retained earnings of prior years, in the total of UAH 525,244 thousand, to the reserve fund and used the total balance of the reserve fund in the amount of UAH 732,702 thousand to recover the prior-year loss.

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

In the first quarter of 2022 the Bank made an advance deduction of part of the profit for the payment of dividends on financial and economic activities in 2021 in the amount of UAH 1,364,209 thousand, which as at 30 June 2022 is reflected in “Current tax assets” of the consolidated financial statements. In accordance with Article 57 of the Tax Code of Ukraine, the Bank accrued and paid to the budget an advance on income tax in the amount of UAH 245,558 thousand.

Movements in other reserves

Movements in other reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensiv e income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Other reserves</i>
At 1 January 2021	1 013 287	(424 183)	(63 421)	525 683
Depreciation of revaluation reserve, net of tax	(9 861)	–	–	(9 861)
Net (losses)/gains on investment securities at fair value through other comprehensive income, including:	–	(389 165)	189	(388 976)
Reversal of expenses on expected credit losses on investment securities at fair value through other comprehensive income	–	(9 290)	–	(9 290)
Net realised gains from operations with debt financial instruments measured at fair value through other comprehensive income	–	(9 835)	–	(9 835)
Net unrealised (losses) / gains on investment securities at fair value through other comprehensive income	–	(370 040)	189	(369 851)
Income tax related to components of other comprehensive income	–	–	–	–
As at 30 June 2021 (unaudited)	1 003 426	(813 348)	(63 232)	126 846
As at 1 January 2022	926 276	(962 130)	(62 775)	(98 629)
Depreciation of revaluation reserve, net of tax	(9 131)	–	–	(9 131)
Net (losses)/gains on investment securities at fair value through other comprehensive income, including:	–	112 194	(1 084)	111 110
Expenses for expected credit losses on investment securities at fair value through other comprehensive income	–	238 903	–	238 903
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	–	(15 994)	–	(15 994)
Net unrealised (losses) / gains on investment securities at fair value through other	–	(110 715)	(1 084)	(111 799)

(UAH thousand, unless otherwise stated)

	<i>Property revaluation reserve</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensiv e income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Other reserves</i>
comprehensive income				
Income tax related to components of other comprehensive income	–	–	–	–
At 30 June 2022 (unaudited)	917 145	(849 936)	(63 859)	3 350

17. Loan commitments

Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts of the Bank comprise:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Undrawn loan commitments	23 501 267	14 028 060
Financial guarantees	1 695 836	1 566 433
Letters of credit	1 832 763	1 568 278
Avals on promissory notes	616 552	400 443
	27 646 418	17 563 214
Less: provisions	(564 407)	(290 987)
Loan commitments and financial guarantee contracts (before deducting cash held as security)	27 082 011	17 272 227
Less: cash held as security against letters of credit, avals, finance guarantees and loan commitments	(815 107)	(1 047 866)
Loan commitments and financial guarantee contracts	26 266 904	16 224 361

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

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Total</i>
Provision for credit-related commitments as at 1 January 2022	248 247	76	–	593	248 916
New liabilities originated or purchased	138 587	–	–	–	138 587
Liabilities completed/(settled)	(93 890)	(19)	–	(365)	(94 274)
Transfer to Stage 1	24	(8)	–	(16)	–
Transfer to Stage 2	(60 398)	5 893	54 511	(6)	–
Transfer to Stage 3	(448)	(42)	–	490	–
Modifications in allowance	(22 806)	29 089	6 127	9 697	22 107
Translation differences	8 584	(44)	–	–	8 540
Provision for credit-related commitments at 31 March 2022 (unaudited)	217 900	34 945	60 638	10 393	323 876
New liabilities originated or purchased	82 596	–	–	–	82 596

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Total</i>
Liabilities completed/(settled)	(77 720)	(781)	(28 739)	(2 658)	(109 898)
Transfer to Stage 1	47	(21)	–	(26)	–
Transfer to Stage 2	(4 748)	553	4 195	–	–
Transfer to Stage 3	(70)	(172)	–	242	–
Modifications in allowance	(58 535)	(26 783)	9 267	7 854	(68 197)
Modifications in macro model input data	254 571	6 296	–	–	260 867
Translation differences	(1 770)	(1 670)	–	–	(3 440)
Provision for credit-related commitments at 30 June 2022 (unaudited)	412 271	12 367	45 361	15 805	485 804
	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>Total</i>
Provision for credit-related commitments at 1 January 2021	126 706	3 713	402	130 821	
New liabilities originated or purchased	139 963	–	–	–	139 963
Liabilities completed/(settled)	(47 882)	(8 876)	(140)	(56 898)	
Transfer to Stage 1	43	(43)	–	–	–
Transfer to Stage 2	(311)	331	(20)	–	–
Transfer to Stage 3	(47 439)	(80)	47 519	–	–
Modifications in allowance	18 044	5 356	(2 442)	20 958	
Translation differences	(1 321)	(25)	(226)	(1 572)	
Provision for credit-related commitments at 31 March 2021 (unaudited)	187 803	376	45 093	233 272	
New liabilities originated or purchased	413 667	–	–	–	413 667
Liabilities completed/(settled)	(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	–	–
Modifications in allowance	(36 294)	(164)	(23 022)	(59 480)	
Modifications in macro model input data	(20 237)	(2)	–	(20 239)	
Translation differences	(5 661)	6	(538)	(6 193)	
Provision for credit-related commitments at 30 June 2021 (unaudited)	391 834	161	21 711	413 706	

Performance guarantees

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

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Performance guarantees	5 578 222	6 330 080
Less: provisions	(970)	(561)
Commitments related to performance guarantees (before deducting cash held as security)	5 577 252	6 329 519
Less: cash held as security against performance guarantees (Note15)	(845 116)	(2 698 533)
Commitments related to performance guarantees	4 732 136	3 630 986

The provision for performance guarantees is included in other commitments.

(UAH thousand, unless otherwise stated)

Financial covenants

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

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

Pledged assets

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

Assets pledged by the Bank as collateral:

<i>Liability type</i>	<i>Liability amount</i>		<i>Asset type</i>	<i>Asset carrying amount</i>	
	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>		<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
NBU refinancing loans	21 366 578	21 366 867	Ukrainian state bonds at fair value through profit or loss	9 090 350	11 290 760
			Ukrainian state bonds at fair value through other comprehensive income	7 957 973	7 529 194
			Ukrainian state bonds at amortized cost	6 900 185	6 983 949
			Corporate bonds	8 452 800	8 372 405
NBU interest rate swap (notional amount)	8 647 406	8 647 406	Ukrainian state bonds at fair value through other comprehensive income	1 074 484	1 095 864
Loan from the Entrepreneurship Development Fund	60 895	60 818	Ukrainian state bonds at fair value through other comprehensive income	84 724	86 548

18. Employee benefits expense and other administrative and operating expenses

Employee benefits expense and other administrative and operating expenses comprise:

	<i>2022</i>		<i>2021</i>	
	<i>for the three months ended June 30</i>	<i>for the six months ended June 30</i>	<i>for the three months ended June 30</i>	<i>for the six months ended June 30</i>
	<i>(unaudited)</i>			
Salaries and bonuses	320 137	841 229	378 130	758 291
Mandatory contributions to the state funds	58 873	151 274	58 522	111 167
Employee benefits expense	379 010	992 503	436 652	869 458
Payables to the Individual Deposit Guarantee Fund	52 387	103 919	55 090	109 997
Repair and maintenance of property, plant and equipment	21 411	44 007	25 470	51 361
Security	20 598	36 193	14 551	29 341
Maintenance of premises	12 063	29 589	9 231	20 541
Operating taxes	8 608	16 579	10 597	24 000
Expenses for computer processing of information	7 252	13 585	9 368	17 999
Legal and advisory services	6 158	7 776	9 394	10 281
Communication services	4 632	6 248	3 696	7 025

(UAH thousand, unless otherwise stated)

	2022		2021	
	for the three months ended June 30	for the six months ended June 30	for the three months ended June 30	for the six months ended June 30
Business expenses	3 710	6 471	1 814	5 688
Expenses for cash collection	3 069	7 222	6 167	10 440
Marketing and advertising	2 779	6 660	3 031	6 393
Charity	2 476	3 206	–	–
Rent of premises	2 332	4 768	3 906	6 617
Representative offices expenses	806	1 685	761	1 472
Business travel and related expenses	484	786	731	1 593
Results from sale of investment real estate	–	10 900	–	–
Modification of financial assets	(78)	5 012	2 893	2 574
Other	15 862	33 132	15 456	29 579
Other administrative and operating expenses	164 549	337 738	172 156	334 901

Expenses for payment to the non-state pension fund for the period ended 30 June 2022 amounted to UAH 635 thousand (30 June 2021: UAH 416 thousand).

19. Fair value of assets and liabilities

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

Set out below is a comparison by class of the carrying amounts and fair values of the Bank’s financial instruments that are not carried at fair value in the consolidated financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2022 (unaudited)			31 December 2021		
	Carrying amount	Fair value	Unrecognised gain/(loss)	Carrying amount	Fair value	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	59 984 895	59 984 895	–	42 882 371	42 882 371	–
Loans and advances to banks	555 204	555 204	–	8 217 896	8 217 896	–
Loans and advances to customers	78 805 265	75 328 947	(3 476 318)	69 334 862	68 384 011	(950 851)
Investment securities at amortised cost	17 715 437	17 912 366	196 929	30 139 375	29 517 124	(622 251)
Other financial assets	217 892	217 892	–	177 596	177 596	–
Financial liabilities						
Due to other banks	23 214 321	23 214 321	–	25 577 371	25 577 371	–
Customer accounts	142 982 284	142 961 855	20 429	121 791 915	121 766 497	25 418
Other borrowed funds	23 742 298	22 133 410	1 608 888	27 237 654	27 358 028	(120 374)
<i>Incl. Eurobonds issued</i>	<i>3 716 439</i>	<i>2 107 551</i>	<i>1 608 888</i>	<i>5 725 085</i>	<i>5 845 459</i>	<i>(120 374)</i>
Subordinated debt	3 555 407	1 564 774	1 990 633	3 605 597	3 719 327	(113 730)
Other financial liabilities	768 954	768 954	–	596 018	596 018	–
Total unrecognised changes in unrealised fair value			340 561			(1 781 788)

The following describes the methodologies and assumptions used to determine fair values for the financial instruments that are not recorded at fair value in the annual consolidated financial statements.

Assets whose fair value approximates their carrying value

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

(UAH thousand, unless otherwise stated)

Fixed rate financial instruments

The fair values of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing the market interest rates at the date when they were first recognised with the current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money-market interest rates for debts with similar credit risk and maturity. For listed debt instruments issued the fair values are calculated based on quoted market prices. For listed securities issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

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

<i>As at 30 June 2022</i> <i>(unaudited)</i>	<i>Fair value</i> <i>recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Current accounts with other credit institutions in precious metals	72 828	–	72 828
Investment securities at fair value through profit or loss	–	23 203 521	23 203 521
Investment securities at fair value through other comprehensive income	16 172 673	22 164	16 194 837
Derivative financial assets	2 410 693	–	2 410 693
Total assets	18 656 194	23 225 685	41 881 879
Amounts due to customers in precious metals	49 289	–	49 289
Total liabilities	49 289	–	49 289

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

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

Movements in level 3 assets measured at fair value

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

	<i>At</i> <i>January 1 2022</i>	<i>Profit/(loss)</i> <i>recognised in</i> <i>the</i> <i>consolidated</i> <i>statement of</i> <i>profit and loss</i>	<i>Profit/(loss)</i> <i>recognised in</i> <i>the</i> <i>consolidated</i> <i>statement of</i> <i>comprehensive</i> <i>income</i>	<i>Settlements</i>	<i>At</i> <i>30 June</i> <i>2022</i>
Investment securities at fair value through profits and losses	23 319 112	449 639 ^(a)	–	(565 230) ^(c)	23 203 521

(UAH thousand, unless otherwise stated)

Investment securities at fair value through other comprehensive income	23 248	–	(1 084)	–	22 164
Total assets	23 342 360	449 639	(1 084)	(565 230)	23 225 685

	<i>At 1 January 2021</i>	<i>Profit/(loss) recognised in the consolidated statement of profit and loss</i>	<i>Profit/(loss) recognised in the consolidated statement of comprehensive income</i>	<i>Settlements</i>	<i>At 31 December 2021</i>
Investment securities at fair value through profits and losses	29 008 521	(1 117 629) ^(a)	–	(4 571 780) ^(c)	23 319 112
Investment securities at fair value through other comprehensive income	22 603	933 ^(b)	645	(933) ^(d)	23 248
Total assets	29 031 124	(1 116 696)	645	(4 572 713)	23 342 360

(a) Gain in the amount of UAH 449,639 thousand include: UAH 112,537 thousand of revaluation of investment securities at fair value through profit or loss, which is included in "Net gain / (loss) from transactions with financial instruments at fair value through profit or loss" and UAH 562,176 thousand of accrued interest income, which is included in "Interest income" (2021: Losses in the amount of UAH (1,117,629) thousand include: UAH (2,316,453) thousand of revaluation of investment securities at fair value through profit or loss, which is included in the item "Net gain / (loss) on transactions with financial instruments at fair value through profit or loss" and UAH 1,198,825 thousand of accrued interest income, which is included in "Interest income").

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

(c) Redemptions in the amount of UAH 565,230 thousand include: UAH 565,230 thousand of redemption of the coupon (2021: redemption in the amount of UAH 4,571,780 thousand include: UAH 1,222,960 thousand of coupon redemption and UAH 3,348,820 thousand of securities redemption).

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

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

	<i>At 30 June 2022 (unaudited)</i>		
	<i>Realised gains</i>	<i>Unrealised gains</i>	<i>Total</i>
Investment securities at fair value through profit or loss	341 211	108 428	449 639
	<i>At 30 June 2021 (unaudited)</i>		
	<i>Realised gains</i>	<i>Unrealised (losses)</i>	<i>Total</i>
Investment securities at fair value through profit or loss	608 052	(1 647 660)	(1 039 608)
Investment securities at fair value through other comprehensive income	933	–	933
Total	608 985	(1 647 660)	(1 038 675)

The table below provides quantitative information as at 30 June 2022 and 31 December 2021 on significant unobservable market inputs used to determine the fair value of assets classified as level 3 of the fair value hierarchy:

<i>At 30 June 2022 (unaudited)</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values, %</i>
Investment securities at fair value through other comprehensive income	22 164	Discounted cash flows	Expected profitability	13.9
Investment securities at fair value through profit or loss	23 203 501	Garman-Kohlhagen model	Historical volatility of UAH/USD exchange rate	25.504

(UAH thousand, unless otherwise stated)

<i>At 31 December 2021</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values, %</i>
Investment securities at fair value through other comprehensive income	23 248	Discounted cash flows	Expected profitability	12.0
Investment securities at fair value through profit or loss	23 319 112	Garman-Kohlhagen model	Historical volatility of UAH/USD exchange rate	25.754

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

When increasing / decreasing the historical volatility of the exchange rate by 1 percentage point, the fair value of investment securities at fair value through profit or loss will increase by UAH 14,197 thousand/ decrease by UAH 14,001 thousand as at 30 June 2022.

Assumptions about the impact of changes in exchange rate volatility as at 30 June 2022 when estimating the fair value of investment securities at fair value through profit or loss are estimated by the bank at +76.44 percentage points. The effect of such changes in the volatility of the rate on Ukrainian state bonds with an indexed value is UAH 1,364,073.55 thousand and will increase profits.

20. Related party transactions

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

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

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

The outstanding balances with the key management personnel as at 30 June 2022 and 31 December 2021 and the related income and expense for six months ended 30 June 2022 and 2021 are as follows:

	<i>Key management personnel</i>	
	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Loans and advances to customers, gross	1 727	1 683
Less: allowance for impairment	(43)	(25)
Loans and advances to customers, net	1 684	1 658
Other financial assets	–	1
Current accounts	6 299	4 690
Time deposits	2 198	4 092
Customer accounts	8 497	8 782
Other non-financial liabilities	23	14
	<i>For the period ended 30 June</i>	
	<i>2022 (unaudited)</i>	<i>2021</i>
Interest income on loans	107	119
Interest expenses on customer deposits	(49)	–
Fee income	157	9
Foreign exchange translation	(40)	40

(UAH thousand, unless otherwise stated)

During the six months ended 30 June 2022, the total amount of remuneration and other payments to key management personnel amounted to UAH 52,495 thousand (payments to the non-state pension fund – UAH 34 thousand) (30 June 2021: UAH 67,356 thousand, payments to the non-state pension fund – UAH 33 thousand).

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

Balances on transactions with enterprises controlled by the state, directly or indirectly, or subject to significant government influence, which are significant in terms of carrying amount, as at 30 June 2022 were as follows (unaudited):

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to banks</i>	<i>Loans and advances to customers</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Guarantees issued</i>
Client 1	State entities	–	–	–	–	24 693 836	–
Client 2	State entities	–	–	–	–	6 299 159	–
Client 3	Finance	11 534 478	–	2 402 985	21 366 578	–	–
Client 4	Finance	–	–	–	273 894	–	–
Client 5	Power engineering	–	5 571 917	–	–	1 669 706	–
Client 6	Power engineering	–	3 755 905	–	–	2 491 915	–
Client 7	Power engineering	–	–	–	–	2 501 541	1 408 028
Client 8	Mining industry	–	4 202 595	–	–	3 906 731	–
Client 9	Mining industry	–	6 621 783	–	–	–	–
Client 10	Trade	–	829 702	–	–	2 482 964	1 748 043
Client 11	Trade	–	–	–	–	–	1 537 099
Client 12	Road construction	–	5 860 377	–	–	–	–
Client 13	Professional, scientific and technical activities	–	–	–	–	3 021 177	–
Client 14	Professional, scientific and technical activities	–	806 390	–	–	1 690 467	–
Client 15	Mechanical engineering	–	–	–	–	2 370 713	–
Client 16	Mechanical engineering	–	1 567 126	–	–	–	671 978
Client 17	Transport and communications	–	1 133 824	–	–	–	–
Other		–	2 822 924	–	–	16 912 195	–

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

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to banks</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Guarantees issued</i>
Client 2	State entities	–	–	–	–	–	5 691 258	–
Client 1	State entities	–	–	–	–	–	1 250 579	–
Client 3	Finance	18 484 579	7 730 670	–	582 412	21 366 867	–	–
Client 6	Power engineering	–	–	4 051 434	–	–	6 242 309	–
Client 5	Power engineering	–	–	5 197 528	–	–	2 240 595	–
Client 8	Mining industry	–	–	4 051 597	–	–	6 453 998	–
Client 9	Mining industry	–	–	2 662 001	–	–	–	–
Client 18	Transport and communications	–	–	–	–	–	2 470 606	–
Client 19	Transport and communications	–	–	–	–	–	1 701 797	–
Client 17	communications	–	–	1 434 684	–	–	–	–
Client 12	Road construction	–	–	5 520 379	–	–	–	–
Client 16	Mechanical engineering	–	–	1 558 761	–	–	–	604 096
Client 15	Mechanical engineering	–	–	–	–	–	1 387 990	–
Client 10	Trade	–	–	–	–	–	–	1 689 619
Client 11	Trade	–	–	–	–	–	–	1 594 114
Client 14	Professional, scientific and technical activities	–	–	763 216	–	–	1 393 203	–
Other		–	–	1 785 234	–	–	15 750 876	97 208

(UAH thousand, unless otherwise stated)

During the six months ended 30, June 2022, the Bank recorded UAH 1,885,627 thousand for significant transactions with entities controlled by the state (directly or indirectly) or those that are significantly influenced by the state (30 June 2021: UAH 1,368,835 thousand) of interest income, including UAH 286,599 thousand for transactions with NBU deposit certificates with maturity up to 90 days (30 June 2021: UAH 501,137 thousand), as well as UAH 2,007,978 thousand (30 June 2021: UAH 1,045,723 thousand) of interest expenses.

As at 30 June 2022 the Bank's investments in securities issued by the state or entities controlled by the state (directly or indirectly) or significantly influenced by the state amounted to UAH 56,793,582 thousand (December 31, 2021: UAH 65,972,073 thousand), were as follows:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Investment securities at fair value through profit or loss	23 203 521	23 319 113
Investment securities at fair value through other comprehensive income	16 191 728	12 734 480
Investment securities at amortized cost	17 398 333	29 918 480

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

During the six months ended 30 June 2022, the Bank recognized UAH 1,833,200 thousand for Ukrainian state bond transactions (30 June 2021: UAH 1,816,256 thousand) of interest income, on transactions with other investment securities UAH 677,064 thousand (30 June 2021: UAH 886,464 thousand) of interest income.

21. Capital adequacy

The Bank extensively manages its capital adequacy for protection from risks inherent in the business. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

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

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

NBU capital adequacy ratio

The Bank's capital adequacy ratio was as follows:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Main capital	8 602 682	8 589 984
Additional capital, calculated	6 202 898	5 225 345
Additional capital, included in calculation of total capital (limited to main capital)	6 202 898	5 225 345
Total regulatory capital	14 805 580	13 815 329
Risk weighted assets	89 326 216	76 062 721
Main capital adequacy ratio	9.63%	11.29%
Regulatory capital adequacy ratio	16.57%	18.16%

Regulatory capital comprises Tier 1 capital (main capital), consisting of paid-in registered share capital, reserves less losses and part of the carrying amount of assets (non-current assets held for sale; repossessed pledged property; property, plant and equipment), which are not used by the bank in carrying out the activities specified in Article 47 of the Law of Ukraine “On Banks and Banking”, investment property and Tier 2 capital (Additional capital), consisting of a reserve for revaluation of assets, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes, the Tier 2 capital amount is limited to 100% of Tier 1 capital.

Capital adequacy ratio under Basel Capital Accord 1988

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

(UAH thousand, unless otherwise stated)

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Tier 1 capital	9 398 550	11 916 270
Tier 2 capital, calculated	3 563 944	3 434 784
Tier 2 capital, included in calculation of total capital	3 563 944	3 434 784
Total capital	12 962 494	15 351 054
Risk weighted assets	103 119 280	86 350 562
Tier 1 capital adequacy ratio	9.1%	13.8%
Total capital adequacy ratio	12.6%	17.8%