

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

Interim condensed consolidated financial statements

For the nine months ended 30 September 2020

Translation from Ukrainian original

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONSOLIDATED BALANCE SHEET)**

As at 30 September 2020

(thousands of Ukrainian hryvnia)

	<i>Notes</i>	30 September 2020 (unaudited)	31 December 2019
Assets			
Cash and cash equivalents	4	41,600,142	33,469,935
Amounts due from credit institutions	7	510,431	256,172
Loans to customers	8	51,660,607	53,285,804
Investment securities:	9		
- at fair value through profit or loss		29,342,952	25,731,949
- at fair value through other comprehensive income		14,003,764	22,633,899
- at amortized cost		33,558,267	–
Tax assets		250,331	246,882
Investment property		1,035,586	1,035,586
Property and equipment		1,598,548	1,616,461
Intangible assets		57,102	59,173
Deferred income tax asset		1,463,771	1,463,771
Non-current assets held for sale		23,353	–
Other assets	10	661,488	546,692
Total assets		175,766,342	140,346,324
Liabilities			
Amounts due to credit institutions	12	26,714,290	21,825,762
Amounts due to customers	13	98,574,466	77,125,819
Eurobonds issued	14	28,708,509	26,553,076
Subordinated debt	15	4,391,841	5,429,914
Amounts due to the NBU	11	3,412,991	–
Provision for credit-related commitments	17	78,477	49,062
Other liabilities	10	445,798	445,466
Total liabilities		162,326,372	131,429,099
Equity			
	16		
Share capital		38,730,042	38,730,042
Unregistered share capital		6,839,999	–
Revaluation reserves		264,443	337,779
Result from transactions with the shareholder		635,104	635,104
Accumulated deficit		(33,237,076)	(30,948,626)
Reserve and other funds		207,458	162,926
Total equity		13,439,970	8,917,225
Total equity and liabilities		175,766,342	140,346,324

Authorized for release and signed

30 November 2020

Chairman of the Management Board

Ie.V. Metsger

Chief Accountant

N.A. Potemka

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
(CONSOLIDATED INCOME STATEMENT)**
for the nine months ended 30 September 2020
(thousands of Ukrainian hryvnia)

	Notes	2020		2019	
		For the three months ended 30 September	For the nine months ended 30 September	For the three months ended 30 September	For the nine months ended 30 September
<i>(unaudited)</i>					
Interest income					
Interest income calculated using effective interest rate					
- loans to customers		1,293,779	4,116,674	2,071,634	6,217,913
- investment securities at fair value through other comprehensive income		279,226	960,632	536,616	1,865,886
- investment securities at amortized cost		419,795	598,454	293	2,724
- amounts due from credit institutions		57,114	369,985	87,867	250,183
Other interest income					
- investment securities at fair value through profit or loss		309,050	920,530	309,110	917,215
- finance leasing		101,431	316,070	–	–
		2,460,395	7,282,345	3,005,520	9,253,921
Interest expense					
Amounts due to customers		(1,075,816)	(3,025,548)	(1,072,294)	(3,475,533)
Eurobonds issued		(747,192)	(2,230,541)	(769,531)	(2,707,170)
Amounts due to credit institutions		(263,461)	(840,603)	(361,526)	(1,095,911)
Subordinated debt		(105,942)	(334,984)	(73,744)	(237,802)
Amounts due to the NBU		(24,483)	(94,183)	–	(2,877)
Other interest expenses		(315)	(847)	(356)	(1,216)
		(2,217,209)	(6,526,706)	(2,277,451)	(7,520,509)
Net interest income		243,186	755,639	728,069	1,733,412
Net gains from modification of financial assets measured at amortized cost					
(Expenses)/reversal of expenses for expected credit losses on financial assets	6	(694,162)	(621,540)	176,281	(46,643)
(Expenses)/reversal of expenses for expected credit losses on credit-related commitments	6	586,766	(754,211)	(475,293)	(1,131,643)
Commission income		(3,371)	(25,506)	(75,204)	(56,338)
Commission expense		223,230	642,495	282,114	812,746
Net losses on investment securities at fair value through profit or loss		(81,331)	(241,481)	(112,618)	(323,982)
Net gains/(losses) on investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption		1,054,911	3,823,434	(784,925)	(1,039,093)
Net gains from foreign currencies		(13,087)	(33,059)	(7,383)	(7,208)
- dealing		100,925	212,226	149,803	400,379
- translation differences		(1,355,215)	(4,489,042)	2,098,447	3,558,910
Net gains from precious metals		96	221	5	94
- dealing		955	4,382	(305)	576
- revaluation		207,071	293,712	25,411	81,542
Other income		(369,251)	(1,092,545)	(389,445)	(1,074,548)
Personnel expenses	18	(28,255)	(85,511)	(27,843)	(84,784)
Depreciation and amortization		(194,120)	(623,974)	(180,155)	(547,176)
Other operating expenses	18				
(Loss)/ Profit before tax		(321,652)	(2,234,760)	1,406,959	2,276,244
Income tax expense		–	–	(13)	(48)
(Loss)/ Profit for the period		(321,652)	(2,234,760)	1,406,946	2,276,196

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Chairman of the Management Board
Ie.V. Metsger
Chief Accountant
N.A. Potemka
Selected notes on pages 6-40 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

(thousands of Ukrainian hryvnia)

	<i>2020</i>		<i>2019</i>	
	<i>For the three months ended 30 September</i>	<i>For the nine months ended 30 September</i>	<i>For the three months ended 30 September</i>	<i>For the nine months ended 30 September</i>
	<i>(unaudited)</i>			
(Loss)/Profit for the period	(321,652)	(2,234,760)	1,406,946	2,276,196
Other comprehensive (loss)/profit				
Other comprehensive (loss)/profit to be reclassified to the consolidated statement of profit and loss (the consolidated profit statement) in subsequent periods	(21,437)	(63,408)	491,138	32,975
Net (losses)/profit on investment securities at fair value through other comprehensive income	—	—	—	—
Income tax related to components of other comprehensive income	(21,437)	(63,408)	491,138	32,975
Other comprehensive (loss)/income for the period	(343,089)	(2,298,168)	1,898,084	2,309,171

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Ie.V. Metsger

Chief Accountant

N.A. Potemska

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONSOLIDATED STATEMENT OF EQUITY)**
For the nine months ended 30 September 2020
(thousands of Ukrainian hryvnia)

	<i>Share capital</i>	<i>Unregistered share capital</i>	<i>Revaluation reserve</i>	<i>Result from transactions with the shareholder</i>	<i>Accumulated deficit</i>	<i>Reserve and other funds</i>	<i>Total equity</i>
As at 1 January 2019	38,730,042	–	(816,406)	635,104	(30,260,073)	162,926	8,451,593
Profit for the period	–	–	–	–	2,276,196	–	2,276,196
Other comprehensive profit for the period (Note 16)	–	–	32,975	–	–	–	32,975
Total comprehensive profit for the period	–	–	32,975	–	2,276,196	–	2,309,171
Depreciation of revaluation reserve, net of tax (Note 16)	–	–	(9,928)	–	9,928	–	–
Part of profit distributed for payment of dividends (Note 14)	–	–	–	–	(767,070)	–	(767,070)
As at 30 September 2019 (unaudited)	38,730,042	–	(793,359)	635,104	(28,741,019)	162,926	9,993,694
As at 1 January 2020	38,730,042	–	337,779	635,104	(30,948,626)	162,926	8,917,225
Loss for the period	–	–	–	–	(2,234,760)	–	(2,234,760)
Other comprehensive loss for the period (Note 16)	–	–	(63,408)	–	–	–	(63,408)
Total comprehensive loss for the period	–	–	(63,408)	–	(2,234,760)	–	(2,298,168)
Depreciation of revaluation reserve, net of tax (Note 16)	–	–	(9,928)	–	9,928	–	–
Part of profit distributed for payment of dividends (Note 16)	–	–	–	–	(19,086)	–	(19,086)
Distribution of profit to reserve funds	–	–	–	–	(44,532)	44,532	–
Increase of share capital	–	6,839,999	–	–	–	–	6,839,999
As at 30 September 2020 (unaudited)	38,730,042	6,839,999	264,443	635,104	(33,237,076)	207,458	13,439,970

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Chief Accountant
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

For the nine months ended 30 September 2020

(thousands of Ukrainian hryvnia)

	<i>For the period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>
<i>Notes</i>	<i>(unaudited)</i>	
Cash flows from operating activities		
Interest received	6,977,774	8,126,084
Interest paid	(6,811,132)	(7,664,555)
Commissions received	649,009	841,864
Commissions paid	(241,481)	(323,982)
Result from dealing in foreign currencies and precious metals	212,447	400,473
Personnel expenses	(1,150,896)	(1,118,371)
Other operating income received	104,921	81,152
Other operating and administrative expenses paid	(595,909)	(530,583)
Cash flow from operating activities before changes in operating assets and liabilities	(855,267)	(187,918)
<i>Net (increase)/ decrease in operating assets:</i>		
Amounts due from credit institutions	(167,374)	247,967
Loans to customers	7,723,836	4,257,325
Other assets	100,211	343,835
<i>Net increase / (decrease) in operating liabilities</i>		
Amounts due to credit institutions	(98,769)	(469,810)
Amounts due to the National Bank of Ukraine	3,413,000	–
Amounts due to customers	11,801,404	4,254,462
Other liabilities	23,681	(255,854)
Net cash flows from operating activities before income tax	21,940,722	8,190,007
Income tax paid in advance	(3,448)	(138,128)
Net cash flows from operating activities	21,937,274	8,051,879
Cash flows from investing activities		
Proceeds from sale and redemption of investment securities	12,059,350	21,538,376
Purchase of investment securities	(28,154,915)	(10,022,195)
Dividends received	699	394
Purchases of property, equipment and intangible assets	(59,026)	(53,405)
Net cash flows from investing activities	(16,153,892)	11,463,170
Cash flows from financing activities		
Part of profit allocated for payment of dividends	(19,086)	(767,070)
Lease payments	5 (4,144)	(3,753)
Proceeds from Eurobonds issued	5 (1,688,370)	(10,177,147)
Repayment of Eurobonds issued	5 (1,838,315)	–
Proceeds from borrowings from credit institutions	5 5,803,116	4,885,082
Repayment of borrowings from credit institutions	5 (5,314,389)	(3,002,439)
Net cash flows from financing activities	(3,061,188)	(9,065,327)
Effect of exchange rates changes on cash and cash equivalents	5,402,113	(2,372,731)
Effect of expected credit losses on cash and cash equivalents	5,900	(5,313)
Net change in cash and cash equivalents	8,130,207	8,071,678
Cash and cash equivalents, 1 January	4 33,469,935	18,545,858
Cash and cash equivalents, 30 September	4 41,600,142	26,617,536

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

Notes to the interim condensed consolidated
financial statements for the nine months ended 30 September 2019

(thousands of Ukrainian hryvnia, unless otherwise stated)

1. Principal activities

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

As at 30 September 2020 and 31 December 2019, 100% of Ukreximbank shareholder capital was owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

Ukreximbank head office is located in Kyiv at 127 Antonovycha Str. It has 22 branches and 38 operating outlets (31 December 2019: 22 branches and 38 operating 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 activities was servicing of various export-import transactions. Currently, Ukreximbank customer base is diversified and includes a number of large industrial and state-owned enterprises. Ukreximbank accepts deposits from entities and individuals, issues loans, transfers payments in Ukraine and internationally, exchanges currencies, makes investments, provides cash and settlements, and renders other banking services to its customers.

One of Ukreximbank 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.

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

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

“Ukreximleasing”, 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 accounting policies

Basis of preparation

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

These interim condensed consolidated financial statements do not include all information and data subject to disclosure in the annual financial statements and should be read in conjunction with the Bank’s annual consolidated financial statements as at 31 December 2019, which have been prepared in accordance with IFRS.

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

Operating environment

The Ukrainian economy is open, weakly diversified and deemed to be of market status with certain characteristics of the emerging market, and it has critical dependence on world commodity prices and low levels of liquidity in the capital markets. Under such circumstances, high risks not typical for mature markets are inherent in banking in Ukraine.

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The development of Ukraine economy depends on foreign trade environment, international financial assistance, coordinated policies and decisions of the Verkhovna Rada, the Government, the NBU and the President's Office to overcome the pandemic and the effects of the global economic crisis, in particular on controlling the COVID-19 pandemic support for macroeconomic stability and job preservation, the continuation of necessary reforms, the preservation of socio-political stability, and the development of the situation in the east of the country.

After recovering during 2016-2019 for the period of 9 months of 2020, the economy of Ukraine was negatively affected by the global economic crisis, burdened by the COVID-19 pandemic. The rapid spread of the pandemic in 2020 has prompted governments in many countries, including Ukraine, to introduce various measures to combat the outbreak, including travel restrictions, business closures, isolation, quarantine, and more. These measures affected the global supply chain, demand for goods and services, and the scale of business activity, leading to volatility in the financial and commodity markets.

Overall, during the first 9 months of the current year, the price dynamics for traditional Ukrainian exports was moderately declining. However, the outstripping fall in energy prices compared to agricultural products exported from Ukraine against the background of the trend of outpacing reduction in imports of goods and services led to a reduction in the foreign trade deficit and a positive current account balance.

The moderate foreign trade deficit was offset by the inflow of currency into the financial account, including through the placement of Ukraine's Eurobonds, the receipt of financial assistance from international financial institutions (IFIs) and private transfers from abroad. The new SBA agreement with the IMF will facilitate financial assistance from other official lenders (World Bank, European Commission) and IFIs to finance the budget deficit, balance of payments, international reserves and exchange rate stability. As at September 30, 2020, the official exchange rate of the national currency was 28.30 UAH/ USD (as at December 31, 2019 - 23.69). As at October 1, 2020, the NBU's international reserves exceeded \$ 26.5 billion. USD (as at January 1, 2020 - USD 25.3 billion).

The crisis in the world economy and the introduction of quarantine measures to combat coronavirus infection have caused a decline in most sectors of Ukraine's economy in the I-III quarters of this year. According to the State Statistics Service for January-September 2020, the index of industrial production decreased by -7.0%, agricultural production - by -13.1%, the index of construction work increased slightly - by 0.2%. The retail trade turnover index remained positive - 6.7%. In the third quarter of 2020, there is a slight recovery of Ukraine's economy. Thus, the real GDP of Ukraine in the III quarter of 2020 increased by 8.5% compared to the previous quarter (taking into account the seasonal factor), and compared to the III quarter of 2019 - decreased by 3.5%.

In the first and third quarters of the current year, inflation dynamics remained moderate due to the preservation of exchange rate stability against the background of falling investment and consumer demand. According to the State Statistics Service, consumer inflation in January-September this year was 1.7% (until December 2019). The slowdown in inflation and the need to intensify credit support to the economy led to a easing of monetary policy of the NBU with a consistent reduction of the discount rate to 10% from March 13, 2020, 8% - from March 24, 2020 and 6% - from June 12, 2020.

The crisis in the real sector, burdened by quarantine measures, had a negative impact on production volumes, capital investment and employment. This worsened the financial condition of a large part of enterprises and households, increased the risks of asset-side operations. Under such conditions, the available liquidity was directed by banking institutions mainly to low-risk instruments (NBU certificates of deposit, government securities) and sectoral support of the economy using Government guarantees and refinancing from the NBU.

Prolonged excess of expenditures over incomes and reduction of household savings, falling incomes of enterprises, the actual lack of opportunities for external borrowing - significantly limit the Bank funding opportunities in Ukraine and foreign capital markets.

In March-September 2020, the Government and the NBU introduced a number of support measures to counter the economic downturn caused by the COVID-19 pandemic. These measures include, but are not limited to, subsidized lending to affected industries and individuals, credit vacations, easing certain regulatory constraints to help the financial sector maintain its resource capacity, and help customers avoid liquidity shortages as a result of COVID-19 containment measures.

The economic crisis against the background of continuing the risks of the next waves of the COVID-19 pandemic, the devaluation of the national currency, the need to make significant payments on liabilities - negatively affect the financial condition and performance of the Bank. The Bank continues to assess the impact of the pandemic and changes in micro and macroeconomic conditions on operating activities, economic condition and financial results. Depending on the receipt of

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such information, the Bank carries out an operational review of the assessment of future cash flows and takes the necessary measures to maintain the stability of its activities.

Changes in accounting policies

The accounting principles adopted in the preparation of the interim condensed consolidated financial statements comply with the principles applied in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for the application of the new standards described below from 1 January 2020. The nature and impact of these changes are disclosed below.

The Bank has applied an amendment to IFRS 16, “COVID-19 Preferential Lease Terms,” ahead of schedule, which gives landlords an exemption from assessing whether COVID-19-related lease terms are a modification of the lease. The Bank did not apply in advance any other standards, interpretations and amendments to them that have been published but have not yet entered into force.

Amendments to IFRS 3 Business Definitions

In October 2018, the IFRS Board issued amendments to IFRS 3 Business Combinations, which changed the definition of the term “business” and should help organizations determine whether a set of activities and assets acquired is a business or not. These amendments clarify the minimum requirements for business, eliminate the assessment of whether market participants are able to replace any missing element, provide clarifications to help organizations assess whether the acquired process is significant, narrow the definition of “business” and “return”, and introduce an optional fair value concentration test. These amendments did not have an impact on the Bank's financial statements.

Amendments to IAS 1 and IAS 8 Determination of Materiality

In October 2018, the IFRS Board issued amendments to IAS 1 “Presentation of Financial Statements” and IFRS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” to reconcile materiality in different standards and clarify some aspects of this definition. Under the new definition, “information is material if it can reasonably be expected that its omission, distortion or disguise will affect the decisions of key users of general purpose financial statements made on the basis of those financial statements that provide financial information about the particular reporting entity.” These amendments did not have an impact on the Bank financial statements.

Base Rate Reform: amendments to IFRS 9, IAS 39 and IFRS 7

The amendments to IFRS 9, IAS 39 and IFRS 7 include a number of exemptions that apply to all hedging relationships that are directly affected by the base interest rate reform. Hedging relationships will be affected if the reform creates uncertainty about the timing and / or cash flows based on the base interest rate for the hedged item or hedging instrument. The reform may create uncertainties about the timing and / or cash flows based on the base interest rate for the hedged item or hedging instrument during the period before the existing base interest rate is replaced by an alternative to a virtually risk-free interest rate. This can lead to uncertainty about estimating the probability of a forecast transaction and assessing whether a hedging relationship will be highly effective. These amendments did not have an impact on the Bank's financial statements.

3. Segment information

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

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

Selected notes on pages 6-40 form an integral part of these interim condensed consolidated financial statements.

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Notes to the interim condensed consolidated
financial statements for the nine months ended 30 September 2019

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2019, the Bank changed its approach to dividing of activities into operating segments, namely: a new Small and Medium-Sized Business Unit was separated from the Retail Business Unit. Accordingly, the Bank recalculated comparative information on income and expenses and gains and losses of new operating segments of the Bank for the corresponding period last year.

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

Unallocated amounts include:

- ▶ income tax receivables and payables, the share of assets and costs associated with the work of the Bank top management, i.e. personnel performing general management functions at the level of the whole Bank 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 nine months ended 30 September 2020, the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely: UAH 1,997,949 thousand (30 September 2019: UAH 2,591,970 thousand). Revenue from transactions with this external customer is reflected in the segment “Interbank and investments business”.

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

The following table presents income and expenses, profit and loss, as well as specific assets and liabilities of the Bank’s operating segments for the nine months ended 30 September 2020 (unaudited):

<i>(unaudited)</i>	<i>Corporate banking</i>	<i>Medium- Sized and Small banking</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External clients						
Interest income	4,146,340	250,906	35,499	2,849,600	–	7,282,345
Commission income	266,300	142,583	201,972	31,640	–	642,495
Other income	60,088	13,218	13,448	191,117	15,841	293,712
Reversal of expenses for expected credit losses	–	74,810	–	54,694	–	129,504
Net gains from investment securities at fair value through profit or loss	–	–	–	–	3,823,434	3,823,434
Net gains from foreign currencies	118,853	50,269	55,696	177,331	–	402,149
Net gains from precious metals	1	4	216	–	5,372	5,593
Income from other segments	2,005,926	673,096	1,605,056	3,700,433	(7,984,511)	–
Total income	6,597,508	1,204,886	1,911,887	7,004,815	(4,139,864)	12,579,232
Interest expense	(1,456,442)	(440,450)	(1,078,359)	(3,551,298)	(157)	(6,526,706)
Commission expense	(68,048)	(32,721)	(124,204)	(15,909)	(599)	(241,481)
Expenses for expected credit losses on financial assets	(616,923)	(2,079)	(2,538)	–	–	(621,540)
Expenses for expected credit losses	(868,620)	–	(15,037)	–	(58)	(883,715)
Expenses for expected credit losses on credit-related commitments	(5,244)	(8,763)	(1,779)	(9,720)	–	(2,506)

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<i>(unaudited)</i>	<i>Corporate banking</i>	<i>Medium- Sized and Small banking</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
Net losses on investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption	–	–	–	–	(33,059)	(33,059)
Net losses from foreign currencies	–	–	–	–	(4,678,965)	(4,678,965)
Net losses from precious metals	–	–	–	(990)	–	(990)
Personnel expenses	(350,930)	(240,312)	(233,974)	(64,764)	(202,565)	(1,092,545)
Depreciation and amortization	(26,107)	(23,000)	(26,216)	(2,930)	(7,258)	(85,511)
Other operating expenses	(122,267)	(86,285)	(273,166)	(18,268)	(123,988)	(623,974)
Expenses from other segments	(4,347,402)	(205,881)	(41,307)	(3,203,162)	7,797,752	–
Segment results	(1, 264,475)	165,395	115,307	137,774	(1,388,761)	(2,234,760)
Loss for the period						(2,234,760)
Assets and liabilities as at 30 September 2020						
(unaudited)						
Segment assets	51,268,624	2,798,987	2,278,032	117,430,256		173,775,899
Unallocated assets					1,990,443	1,990,443
Total assets						175,766,342
Segment liabilities	48,045,525	14,766,422	28,729,579	70,351,030		161,892,556
Unallocated liabilities					433, 816	433,816
Total liabilities						162,326,372
Other segment information						
Capital expenditure	(13,895)	(12,744)	(20,217)	(1,695)	(4,670)	(53,221)

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

<i>(unaudited)</i>	<i>Corporate banking</i>	<i>Medium- Sized and Small banking</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External clients						
Interest income	5,850,235	321,438	48,965	3,033,283	–	9,253,921
Commission income	386,976	189,585	215,347	20,838	–	812,746
Other income	40,487	13,815	16,485	2,959	7,796	81,542
Net gains from modification of financial assets measured at amortized cost	–	2,682	–	–	–	2,682
Reversal of expenses for expected credit losses	–	–	4,793	1 686	116	6 595
Reversal of expenses for expected credit losses on credit-related commitments	–	1,777	–	4	–	1, 781
Net gains from foreign currencies	147, 452	65 ,069	4,297	164,692	3,577,779	3,959,289
Net gains from precious metals	–	–	126	–	558	684
Income from other segments	1,866,194	642, 439	1,706,395	4,655,877	(8,870,905)	–
Total income	8,291,344	1,236, 805	1,996,408	7, 879,339	(5,284,656)	14,119,240
Interest expense	(1,378,394)	(485,502)	(1,224,981)	(4,431,528)	(104)	(7,520,509)

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<i>(unaudited)</i>	<i>Corporate banking</i>	<i>Medium- Sized and Small banking</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
Commission expense	(155,344)	(47,027)	(107,285)	(14,122)	(204)	(323,982)
Net losses on modification of financial assets measured at amortized cost	(49,049)	–	(276)	–	–	(49,325)
Expenses for expected credit losses	(1,121,831)	(16,407)	–	–	–	(1,138,238)
Expenses for expected credit losses on credit-related commitments	(57,834)	–	(285)	–	–	(58,119)
Net losses on investment securities at fair value through profit or loss	–	–	–	–	(1,039,093)	(1,039,093)
Net losses on investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption	–	–	–	–	(7,208)	(7,208)
Net losses from precious metals	–	–	–	(14)	–	(14)
Personnel expenses	(340,948)	(258,199)	(234,689)	(69,790)	(170,922)	(1,074,548)
Depreciation and amortization	(25,600)	(24,202)	(22,458)	(5,907)	(6,617)	(84,784)
Other operating expenses	(105,742)	(93,643)	(264,944)	(23,777)	(59,070)	(547,176)
Expenses from other segments	(4,960,622)	(260,341)	(54,055)	(2,720,119)	7,995,137	–
Segment results	95,980	51,484	87,435	614,082	1,427,263	2,276,244
Income tax expense						(48)
Profit for the period						2,276,196
Assets and liabilities as at 30 September 2019						
Segment assets	52,555,748	3,008,322	2,284,467	80,599,906		138,448,443
Unallocated assets					1,897,881	1,897,881
Total assets						140,346,324
Segment liabilities	29,291,998	10,936,883	26,184,320	64,521,949		130,935,150
Unallocated liabilities					493,949	493,949
Total liabilities						131,429,099
Other segment information						
Capital expenditure	(13,490)	(13,987)	(19,903)	(1,669)	(3,987)	(53,036)

Geographical information

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

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Overnight deposits with other credit institutions	12,795,789	2,280,117
Current accounts with other credit institutions	12,414,218	10,383,491
Term deposits with other credit institutions up to 90 days	6,791,823	10,682,215
Certificates of deposit of the National Bank of Ukraine up to 90 days	4,504,426	5,008,938
Current account with the National Bank of Ukraine	3,658,289	3,744,605
Cash on hand	1,447,067	1,387,450
	41,611,612	33,486,816
Less: allowance for expected credit losses	(11,470)	(16,881)
Cash and cash equivalents	41,600,142	33,469,935

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5. Changes in liabilities in financial activities

Changes in liabilities in financial activities were as follows:

	<i>Borrowings from credit institutions</i>	<i>Eurobonds issued</i>	<i>Subordinated debt</i>	<i>Lease liabilities</i>	<i>Total</i>
Carrying amount As at 31 December 2019	21,031,227	26,553,076	5,429,914	6,006	53,020,223
Additions	5,803,116	–	–	–	5,803,116
Repayments	(5,314,389)	(1,688,370)	(1,838,315)	(4,144)	(8,845,218)
Translation differences	4,352,793	4,198,719	822,285	–	9,373,797
Other	127,781	(354,916)	(22,043)	6,529	(242,649)
Carrying amount As at 30 September 2020 (unaudited)	26,000,528	28,708,509	4,391,841	8,391	59,109,269
	<i>Borrowings from credit institutions</i>	<i>Eurobonds issued</i>	<i>Subordinated debt</i>	<i>Lease liabilities</i>	<i>Total</i>
Carrying amount As at 31 December 2018	22,706,497	42,541,905	3,584,690	–	68,833,092
Impact of IFRS16 implementation	–	–	–	10,818	10,818
Additions	4,885,082	–	–	223	4,885,305
Repayments	(3,002,439)	(10,177,147)	–	(3,753)	(13,183,339)
Translation differences	(3,119,196)	(3,981,945)	(460,174)	–	(7,561,315)
Other	255,134	(276,859)	(79,040)	36	(100,729)
Carrying amount As at 30 September 2019 (unaudited)	21,725,078	28,105,954	3,045,476	7,324	52,883,832

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

6. Expenses for expected credit losses

The following tables present the expenses/reversal of expenses for expected credit losses on financial assets recognized in profit or loss (unaudited).

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
For the three months ended 30 September 2020 (unaudited)							
Cash and cash equivalents	(775)	–	–	–	–	–	(775)
Amounts due from credit institutions	(335)	–	–	–	(14,434)	–	(14,769)
Loans to customers	(110,162)	64,151	219,677	(367,519)	(358,683)	(9,155)	(561,691)
Investment securities at fair value through other comprehensive income	(7,232)	–	–	–	–	–	(7,232)
Investment securities at amortized cost	(2,119)	–	–	–	–	–	(2,119)
Other financial assets	(180)	–	–	–	–	–	(180)
	(120,803)	64,151	219,677	(367,519)	(373,117)	(9,155)	(586,766)
For the nine months ended 30 September 2020 (unaudited)							
Cash and cash equivalents	(5,901)	–	–	–	–	–	(5,901)

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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
For the three months ended							
30 September 2020 (unaudited)							
Amounts due from credit institutions	10,075	–	–	–	(42,056)	–	(31,981)
Loans to customers	258,609	118,307	465,144	(101,631)	211,461	(160,875)	791,015
Investment securities at fair value through other comprehensive income	(13,114)	–	–	–	–	–	(13,114)
Investment securities at amortized cost	7,859	–	–	–	–	–	7,859
Other financial assets	6,333	–	–	–	–	–	6,333
	263,861	118,307	465,144	(101,631)	169,405	(160,875)	754,211

Expenses on expected credit losses on POCI recognized in profit or loss for the period ended September 30, 2020 include the amount of adjustment of the gross carrying amount of POCI in the amount of UAH 140,746 for the period ended September 30, 2019: UAH 79,040 thousand).

The Bank continues to improve its risk assessment approaches, in particular, a problem assets workout unit has been established, all significant borrowers have been analyzed, and a strategy and operational plan for problem assets workout have been identified and approved. Accordingly, the plans for working with debtors, which were recognized by the Bank as impaired, were adjusted, which led to an increase in the cost of expected credit losses for a period from March to September 2020 in the amount of UAH 634,329 thousand.

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
For the three months ended							
30 September 2019 (unaudited)							
Cash and cash equivalents	35	–	–	–	–	–	35
Amounts due from credit institutions	(2,268)	–	–	–	–	–	(2,268)
Loans to customers	(32,179)	9,764	1,773	34,948	552,622	(88,654)	478,274
Investment securities at fair value through other comprehensive income	(1,446)	–	–	–	–	–	(1,446)
Other financial assets	698	–	–	–	–	–	698
	(35,160)	9,764	1,773	34,948	552,622	(88,654)	475,293
For the nine months ended							
30 September 2019 (unaudited)							
Cash and cash equivalents	5,313	–	–	–	–	–	5,313
Amounts due from credit institutions	(9,463)	–	–	–	–	–	(9,463)
Loans to customers	(219,696)	(9,565)	91,724	50,437	1,202,488	18,122	1,133,510
Investment securities at fair value through other comprehensive income	(2,492)	–	–	–	–	–	(2,492)
Other financial assets	4,775	–	–	–	–	–	4,775
	(221,563)	(9,565)	91,724	50,437	1,202,488	18,122	1,131,643

The following tables present the expenses for expected credit losses on credit-related commitments recognized in profit or loss.

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>TOTAL</i>
For the three months ended				
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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>TOTAL</i>		
For the three months ended 30 September 2020 (unaudited)						
Guarantees	(1)	–	728	727		
Credit-related commitments	4,878	(2,131)	36	2,783		
Letters of credit	(134)	–	–	(134)		
Avals on promissory notes	(6)	1	–	(5)		
	<u>4,737</u>	<u>(2,130)</u>	<u>764</u>	<u>3,371</u>		
For the nine months ended 30 September 2020 (unaudited)						
Guarantees	(134)	9	1,120	995		
Credit-related commitments	26,723	(2,704)	(28)	23,991		
Letters of credit	512	–	–	512		
Avals on promissory notes	5	3	–	8		
	<u>27,106</u>	<u>(2,692)</u>	<u>1,092</u>	<u>25,506</u>		
For the three months ended 30 September 2019 (unaudited)						
	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>TOTAL</i>
Guarantees	(10)	(2)	–	–	–	(12)
Credit-related commitments	25,375	55	–	(223)	50,188	75,395
Letters of credit	(175)	–	–	–	–	(175)
Avals on promissory notes	(4)	–	–	–	–	(4)
	<u>25,186</u>	<u>53</u>	<u>–</u>	<u>(223)</u>	<u>50,188</u>	<u>75,204</u>
For the nine months ended 30 September 2019 (unaudited)						
Guarantees	(334)	38	–	833	–	537
Credit-related commitments	21,563	29	(8,182)	(2,441)	46,120	57,089
Letters of credit	(1,290)	–	–	–	–	(1,290)
Avals on promissory notes	2	–	–	–	–	2
	<u>19,941</u>	<u>67</u>	<u>(8,182)</u>	<u>(1,608)</u>	<u>46,120</u>	<u>56,338</u>

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Loans and deposits		
Ukrainian banks	786,827	791,494
OECD banks	207,457	173,642
CIS and other banks	53,175	23,595
	<u>1,047,459</u>	<u>988,731</u>
Amounts due from other credit institutions		
Current accounts with other credit institutions in precious metals	22,649	15,203
Other amounts due from credit institutions	240,155	74,928
	<u>1,310,263</u>	<u>1,078,862</u>
Less: Allowance for impairment	(799,832)	(822,690)
Amounts due from credit institutions	<u>510,431</u>	<u>256,172</u>

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As at 30 September 2020, amounts due from credit institutions are designated at amortized cost, except for current accounts in precious metals in the amount of UAH 22,646 thousand (31 December 2019: UAH 15,201 thousand including allowance for impairment), at fair value through profit or loss.

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

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2020	260,715	74,390	743,757	1,078,862
New assets originated or purchased	210,478	–	–	210,478
Assets derecognized/(repaid)	(38,444)	–	–	(38,444)
Change in carrying amount	(3,025)	–	–	(3,025)
Translation differences	52,563	36	5,043	57,642
Gross carrying amount at 30 June 2020 (unaudited)	482,287	74,426	748,800	1,305,513
New assets originated or purchased	3,701	–	–	3,701
Assets derecognized/(repaid)	(3,672)	–	–	(3,672)
Change in carrying amount	(4,674)	–	(13,749)	(18,423)
Translation differences	20,420	28	2,696	23,144
Gross carrying amount at 30 September 2020 (unaudited)	498,062	74,454	737,747	1,310,263
	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	585,521	74,448	755,793	1,415,762
New assets originated or purchased	117,608	–	–	117,608
Assets derecognized/(repaid)	(226,353)	–	–	(226,353)
Change in carrying amount	(75,098)	–	–	(75,098)
Translation differences	(25,257)	(20)	(2,553)	(27,830)
Gross carrying amount at 30 June 2019 (unaudited)	376,421	74,428	753,240	1,204,089
New assets originated or purchased	5,680	–	–	5,680
Assets derecognized/(repaid)	(80,842)	–	–	(80,842)
Change in carrying amount	(11)	–	–	(11)
Translation differences	(17,806)	(32)	(3 496)	(21,334)
Gross carrying amount at 30 September 2019 (unaudited)	283,442	74,396	749,744	1,107,582
Allowance as at 1 January 2020	4,543	74,390	743,757	822,690
New assets originated or purchased	13,947	–	–	13,947
Assets derecognized/(repaid)	(2,231)	–	–	(2,231)
Change in carrying amount	(1,306)	–	(27,622)	(28,928)
Translation differences	1,080	36	5,043	6,159
Allowance at 30 June 2020 (unaudited)	16,033	74,426	721,178	811,637
New assets originated or purchased	161	–	–	161
Assets derecognized/(repaid)	(159)	–	–	(159)
Change in carrying amount	(337)	–	(14,434)	(14,771)
Translation differences	240	28	2,696	2,964
Allowance at 30 September 2020 (unaudited)	15,938	74,454	709,440	799,832

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	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance as at 1 January 2019	15,631	74,448	755,793	845,872
New assets originated or purchased	3,840	–	–	3,840
Assets derecognized/(repaid)	(6,758)	–	–	(6,758)
Modifications in allowance	(4,277)	–	–	(4,277)
Translation differences	(511)	(20)	(2,553)	(3,084)
Allowance as at 30 June 2019 (unaudited)	7,925	74,428	753,240	835,593
New assets originated or purchased	110	–	–	110
Assets derecognized/(repaid)	(2,799)	–	–	(2,799)
Modifications in allowance	421	–	–	421
Translation differences	(562)	(32)	(3,496)	(4,090)
Allowance as at 30 September 2019 (unaudited)	5,095	74,396	749,744	829,235

8. Loans to customers

Loans to customers include:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Commercial loans	94,378,687	106,196,634
Accounts receivable for financial lease	2,095,660	2,401,967
Overdrafts	751,026	890,961
Promissory notes	14,246	58,089
	97,239,619	109,547,651
Less: provisions for expected loans losses	(45,579,012)	(56,261,847)
Loans to customers	51,660,607	53,285,804

Loans and advances to customers were issued to such categories of customers:

	<i>30 September 2020 (unaudited)</i>	<i>31 September 2019</i>
Legal entities	77,989,890	89,837,204
State-owned enterprises	16,688,274	17,746,303
Individuals	2,154,223	1,834,507
Municipal and communal enterprises	407,232	129,637
	97,239,619	109,547,651

Commercial loans

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
Gross carrying amount as at 1 January 2020	34,576,277	913,212	2,617,032	6,381,029	57,695,897	4,013,187	106,196,634
New assets originated or purchased	4,841,679	–	–	–	–	851,792	5,693,471
Assets derecognized/(repaid)	(2,498,159)	(39,939)	–	(1,538)	(2,956,196)	–	(5,495,832)
Transfer to Stage 1	222,432	(222,432)	–	–	–	–	–
Transfer to Stage 2	(8,260,696)	1,417,891	6,846,370	(3,565)	–	–	–

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	<i>Stage 1</i> <i>Collective</i>	<i>Stage 2</i> <i>Collective</i>	<i>Stage 2</i> <i>Individual</i>	<i>Stage 3</i> <i>Collective</i>	<i>Stage 3</i> <i>Individual</i>	<i>POCI</i>	<i>Total</i>
Transfer to Stage 3	(3,011)	(252,298)	(1,760,698)	(23,178)	2,039,185	–	–
POCI adjustment	–	–	–	–	–	116,439	116,439
Change in carrying amount	(4,672,997)	(252,367)	(184,279)	130,749	326,711	210,548	(4,441,635)
Translation differences	3,210,130	79,244	145,704	395,360	5,661,355	107,538	9,599,331
Gross carrying amount as at 30 June 2020 (unaudited)	27,415,655	1,643,311	7,664,129	6,878,857	62,766,952	5,299,504	111,668,408
New assets originated or purchased	3,466,135	–	–	–	–	1,408,798	4,874,933
Assets derecognized/(repaid)	(1,147,795)	(161,633)	(8,239)	(493,136)	(4,282,090)	–	(6,092,893)
Transfer to Stage 1	86,112	(86,112)	–	–	–	–	–
Transfer to Stage 2	(1,105,084)	806,961	300,829	(2,706)	–	–	–
Transfer to Stage 3	(2,781)	(145,387)	(392,064)	462,333	77,899	–	–
POCI adjustment	–	–	–	–	–	24,307	24,307
Written-off assets	–	–	–	(3,621,870)	(13,238,266)	–	(16,860,136)
Change in carrying amount	(5,119,255)	(244,773)	(150,883)	(163,082)	292,060	203,482	(5,182,451)
Translation differences	1,406,810	111,008	754,394	231,822	3,377,244	65,241	5,946,519
Gross carrying amount at 30 September 2020 (unaudited)	24,999,797	1,923,375	8,168,166	3,292,218	48,993,799	7,001,332	94,378,687

	<i>Stage 1</i> <i>Collective</i>	<i>Stage 2</i> <i>Collective</i>	<i>Stage 2</i> <i>Individual</i>	<i>Stage 3</i> <i>Collective</i>	<i>Stage 3</i> <i>Individual</i>	<i>POCI</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	51,764,581	568,180	2,371,484	6,549,919	71,369,112	1,707,874	134,331,150
New assets originated or purchased	5,210,928	–	–	–	–	–	5,210,928
Assets derecognized/(repaid)	(1,222,193)	(10,756)	(10)	(45,493)	(137,157)	–	(1,415,609)
Transfer to Stage 1	40,661	(40,590)	–	(71)	–	–	–
Transfer to Stage 2	(1,267,823)	210,482	1,333,677	–	(276,336)	–	–
Transfer to Stage 3	(271,484)	(73,736)	–	74,558	270,662	–	–
Change in carrying amount	(6,562,798)	(55,103)	(122,633)	150,396	1,422,085	(57,946)	(5,225,999)
Translation differences	(2,191,715)	(27,589)	(118,604)	(192,447)	(3,043,308)	(65,840)	(5,639,503)
Gross carrying amount at 30 June 2019 (unaudited)	45,500,157	570,888	3,463,914	6,536,862	69,605,058	1,584,088	127,260,967
New assets originated or purchased	1,668,876	–	–	–	–	1,056,840	2,725,716
Assets derecognized/(repaid)	(787,443)	(14,185)	–	(2,437)	(6,645,389)	–	(7,449,454)
Transfer to Stage 1	20,061	(19,945)	–	(116)	–	–	–
Transfer to Stage 2	(1,177,120)	418,007	759,113	–	–	–	–
Transfer to Stage 3	(67)	(70,854)	(1,333,996)	70,921	1,333,996	–	–
POCI adjustment	–	–	–	–	–	79,040	79,040
Change in carrying amount	(730,301)	(115,544)	(50,104)	66,903	1,782,725	1,753	955,432
Translation differences	(3,155,160)	(42,330)	(150,424)	(278,421)	(4,359,761)	(87,262)	(8,073,358)
Gross carrying amount as at 30 September 2019 (unaudited)	41,339,003	726,037	2,688,503	6,393,712	61,716,629	2,634,459	115,498,343

	<i>Stage 1</i> <i>Collective</i>	<i>Stage 2</i> <i>Collective</i>	<i>Stage 2</i> <i>Individual</i>	<i>Stage 3</i> <i>Collective</i>	<i>Stage 3</i> <i>Individual</i>	<i>POCI</i>	<i>Total</i>
Allowance as at 1 January 2020	389,088	50,542	173,965	6,049,750	47,781,797	1,762,559	56,207,701
New assets originated or purchased	44,977	–	–	–	–	–	44,977
Assets derecognized/(repaid)	(29,928)	(1,293)	–	(1,533)	–	–	(32,754)
Transfer to Stage 1	6,026	(6,026)	–	–	–	–	–

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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
Transfer to Stage 2	(279,864)	23,445	259,983	(3,564)	–	–	–
Transfer to Stage 3	(999)	(15,856)	(144,170)	(261,632)	422,657	–	–
Transfer to POCI	–	–	–	–	(2,264,910)	–	(2,264,910)
Interest income adjustment	–	–	–	108,590	861,343	247,547	1,217,480
Recoveries	–	–	–	2,641	20,552	–	23,193
Changes in allowance	70,404	22,858	245,500	267,429	570,144	(35,281)	1,141,054
Changes in macromodels	255,274	33,082	–	–	–	–	288,356
Translation differences	36,361	4,620	8,234	371,655	4,660,228	3,321	5,084,419
Allowance as at 30 June 2020 (unaudited)	491,339	111,372	543,512	6,533,336	52,051,811	1,978,146	61,709,516
New assets originated or purchased	44,911	–	–	–	–	–	44,911
Assets derecognized/(repaid)	(20,765)	(1,232)	(295)	(465,031)	(308,511)	–	(795,834)
Transfer to Stage 1	4,599	(4,599)	–	–	–	–	–
Transfer to Stage 2	(36,311)	24,976	14,041	(2,706)	–	–	–
Transfer to Stage 3	(364)	(23,277)	(73,509)	26,757	70,393	–	–
Transfer to POCI	–	–	–	–	(2,677,944)	–	(2,677,944)
Interest income adjustment	–	–	–	47,272	431,460	199,524	678,256
Written-off assets	–	–	–	(3,621,870)	(13,238,266)	–	(16,860,136)
Recoveries	–	–	–	133	1,089	–	1,222
Changes in allowance	(88,052)	54,355	219,999	97,900	(50,172)	15,152	249,182
Changes in macromodels	(11,185)	10,435	–	–	–	–	(750)
Translation differences	24,759	6,599	49,479	220,743	2,880,184	1,921	3,183,685
Allowance as at 30 September 2020 (unaudited)	408,931	178,629	753,227	2,836,534	39,160,044	2,194,743	45,532,108
	<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 as at 1 January 2019	999,187	91,661	198,347	6,258,715	57,110,096	–	64,658,006
New assets originated or purchased	132,775	–	–	–	–	–	132,775
Assets derecognized/(repaid)	(20,754)	(1,166)	–	(27,780)	(12,757)	–	(62,457)
Transfer to Stage 1	395	(325)	–	(70)	–	–	–
Transfer to Stage 2	(52,999)	9,480	64,699	–	(21,180)	–	–
Transfer to Stage 3	(18,937)	(18,334)	–	18,783	18,488	–	–
Interest income adjustment	–	–	–	131,200	1,175,049	–	1,306,249
Recoveries	–	–	–	8,051	72,056	–	80,107
Changes in allowance	(312,956)	(17,223)	89,951	43,165	665,490	106,776	575,203
Translation differences	(44,300)	(4,391)	(7,260)	(186,481)	(2,502,487)	–	(2,744,919)
Allowance as at 30 June 2019 (unaudited)	682,411	59,702	345,737	6,245,583	56,504,755	106,776	63,944,964
New assets originated or purchased	31,545	–	–	–	–	–	31,545
Assets derecognized/(repaid)	(13,523)	(632)	–	(1,259)	(567,964)	–	(583,378)
Transfer to Stage 1	1,642	(1,527)	–	(115)	–	–	–
Transfer to Stage 2	(14,482)	18,207	(3,725)	–	–	–	–
Transfer to Stage 3	(67)	(4,597)	(104,626)	4,664	104,626	–	–
Transfer to POCI	–	–	–	–	(4,544,771)	–	(4,544,771)
Interest income adjustment	–	–	–	50,410	418,700	1,199	470,309
Recoveries	–	–	–	840	7,017	–	7,857
Changes in allowance	(53,967)	11,496	1,773	36,218	1,120,586	(9,614)	1,106,492
Translation differences	(50,413)	(4,730)	(17,866)	(268,060)	(3,538,934)	(7,883)	(3,887,886)
Allowance as at 30 September 2019 (unaudited)	583,146	77,919	221,293	6,068,281	49,504,015	90,478	56,545,132

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Overdrafts

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Gross carrying amount as at 1 January 2020	879,552	10,958	451	890,961
New assets originated or purchased	235,193	–	–	235,193
Assets derecognized/(repaid)	(374,123)	(7,418)	(2)	(381,543)
Transfer to Stage 1	5,799	(5,799)	–	–
Transfer to Stage 2	(25,251)	25,251	–	–
Transfer to Stage 3	–	(99)	99	–
Change in carrying amount	(17,013)	(18,124)	(97)	(35,234)
Translation differences	12,649	–	–	12,649
Gross carrying amount as at 30 June 2020 (unaudited)	716,806	4,769	451	722,026
New assets originated or purchased	80,448	–	–	80,448
Assets derecognized/(repaid)	(159,682)	(4,109)	(451)	(164,242)
Transfer to Stage 1	2,222	(2,222)	–	–
Transfer to Stage 2	(4,455)	4,455	–	–
Transfer to Stage 3	–	(1,304)	1,304	–
Change in carrying amount	110,159	89	(34)	110,214
Translation differences	2,580	–	–	2,580
Gross carrying amount as at 30 September 2020 (unaudited)	748,078	1,678	1,270	751,026

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount as at 1 January 2019	1,384,401	12,278	324	60,969	890,961
New assets originated or purchased	432,938	–	–	–	432,938
Assets derecognized/(repaid)	(588,484)	(27,002)	(2)	(58,463)	(673,951)
Transfer to Stage 1	541	(541)	–	–	–
Transfer to Stage 2	(31,936)	31,936	–	–	–
Transfer to Stage 3	(676)	–	–	676	–
Change in carrying amount	(100,157)	(5,562)	142	(3,182)	(108,759)
Translation differences	(5,881)	–	–	–	(5,881)
Gross carrying amount as at 30 June 2019 (unaudited)	1,090,746	11,109	464	–	1,102,319
New assets originated or purchased	205,165	–	–	–	205,165
Assets derecognized/(repaid)	(198,204)	(691)	(13)	–	(198,908)
Transfer to Stage 2	(1,282)	1,282	–	–	–
Change in carrying amount	314,943	(4,996)	–	–	309,947
Translation differences	(8,295)	–	–	–	(8,295)
Gross carrying amount as at 30 September 2019 (unaudited)	1,403,073	6,704	451	–	1,410,228

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Allowance as at 1 January 2020	15,896	173	372	16,441
New assets originated or purchased	2,993	–	–	2,993
Assets derecognized/(repaid)	(6,568)	(152)	(2)	(6,722)

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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Transfer to Stage 1	134	(134)	–	–
Transfer to Stage 2	(637)	637	–	–
Transfer to Stage 3	–	(8)	8	–
Modifications in allowance	8,723	(339)	(6)	8,378
Translation differences	92	–	–	92
Allowance as at 30 June 2020 (unaudited)	20,633	177	372	21,182
New assets originated or purchased	2,220	–	–	2,220
Assets derecognized/(repaid)	(4,734)	(165)	(372)	(5,271)
Transfer to Stage 1	112	(112)	–	–
Transfer to Stage 2	(423)	423	–	–
Transfer to Stage 3	–	(1,017)	1,017	–
Modifications in allowance	(310)	758	(16)	432
Translation differences	47	–	–	47
Allowance as at 30 June 2020 (unaudited)	17,545	64	1,001	18,610

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance as at 1 January 2019	31,442	458	249	2,817	34,966
New assets originated or purchased	11,753	–	–	–	11,753
Assets derecognized/(repaid)	(14,666)	(2,057)	(1)	(4,959)	(21,683)
Transfer to Stage 1	4	(4)	–	–	–
Transfer to Stage 2	(1,691)	1,691	–	–	–
Transfer to Stage 3	(50)	–	–	50	–
Modifications in allowance	(3,672)	1,117	105	2,092	(358)
Translation differences	(158)	(1)	–	–	(159)
Allowance as at 30 June 2019 (unaudited)	22,962	1,204	353	–	24,519
New assets originated or purchased	4,149	–	–	–	4,149
Assets derecognized/(repaid)	(4,454)	(7)	(11)	–	(4,472)
Transfer to Stage 2	(10)	10	–	–	–
Modifications in allowance	6,463	(1,093)	–	–	5,370
Translation differences	(134)	–	–	–	(134)
Allowance as at 30 September 2019 (unaudited)	28,976	114	342	–	29,432

Finance lease receivables

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount as at 1 January 2020	2,397,185	137	4,645	2,401,967
New assets originated or purchased	1,337	–	–	1,337
Assets derecognized/(repaid)	(188,374)	–	–	(188,374)
Change in carrying amount	(17,101)	(45)	–	(17,146)
Gross carrying amount as at 30 June 2020 (unaudited)	2,193,047	92	4,645	2,197,784
Assets derecognized/(repaid)	(94,087)	–	–	(94,087)
Change in carrying amount	(8,009)	(28)	–	(8,037)
Gross carrying amount as at 30 September 2020 (unaudited)	2,090,951	64	4,645	2,095,660

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	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>	
Gross carrying amount as at 1 January 2019	1,356,252	4,645	1,360,897	
New assets originated or purchased	1,881,748	–	1,881,748	
Assets derecognized/(repaid)	(712,973)	–	(712,973)	
Change in carrying amount	77,232	–	77,232	
Gross carrying amount as at 30 June 2019 (unaudited)	2,602,259	4,645	2,606,904	
New assets originated or purchased	52,548	–	52,548	
Assets derecognized/(repaid)	(94,198)	–	(94,198)	
Change in carrying amount	(61,294)	–	(61,294)	
Gross carrying amount as at 30 September 2019 (unaudited)	2,499,315	4,645	2,503,960	
	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance as at 1 January 2020	32,497	125	4,645	37,267
Assets derecognized/(repaid)	(1,730)	–	–	(1,730)
Changes in allowance	24,298	(33)	–	24,265
Allowance as at 30 June 2020 (unaudited)	55,065	92	4,645	59,802
Assets derecognized/(repaid)	(2,412)	–	–	(2,412)
Changes in allowance	(29,270)	(27)	–	(29,297)
Allowance as at 30 September 2020 (unaudited)	23,383	65	4,645	28,093
	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>	
Allowance as at 1 January 2019	29,798	4,645	34,443	
New assets originated or purchased	41,400	–	41,400	
Assets derecognized/(repaid)	(22,072)	–	(22,072)	
Change in carrying amount	758	–	758	
Allowance as at 30 June 2019 (unaudited)	49,884	4,645	54,529	
Assets derecognized/(repaid)	(2,257)	–	(2,257)	
Change in carrying amount	(37)	–	(37)	
Allowance as at 30 September 2019 (unaudited)	47,590	4,645	52,235	

Promissory notes

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

	<i>Stage 1 Collective</i>
Gross carrying amount as at 1 January 2020	58,089
New assets originated or purchased	57,373
Assets derecognized/(repaid)	(67,556)
Change in carrying amount	4,016
Gross carrying amount as at 30 June 2020 (unaudited)	51,922
New assets originated or purchased	8,684
Assets derecognized/(repaid)	(46,618)
Change in carrying amount	258
Gross carrying amount as at 30 September 2020 (unaudited)	14,246

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	<i>Stage 1 Collective</i>
Gross carrying amount as at 1 January 2019	74,717
New assets originated or purchased	112,909
Assets derecognized/(repaid)	(119,506)
Change in carrying amount	5,279
Gross carrying amount as at 30 June 2019 (unaudited)	73,399
New assets originated or purchased	78,728
Assets derecognized/(repaid)	(96,009)
Change in carrying amount	1,892
Gross carrying amount as at 30 September 2019 (unaudited)	58,010
	<i>Stage 1 Collective</i>
Allowance as at 1 January 2020	438
New assets originated or purchased	435
Assets derecognized/(repaid)	(489)
Changes in allowance	382
Allowance as at 30 June 2020 (unaudited)	766
New assets originated or purchased	55
Assets derecognized/(repaid)	(664)
Changes in allowance	44
Allowance as at 30 September 2020 (unaudited)	201
	<i>Stage 1 Collective</i>
Allowance as at 1 January 2019	963
New assets originated or purchased	1,194
Assets derecognized/(repaid)	(1,269)
Changes in allowance	(8)
Allowance as at 30 June 2019 (unaudited)	880
New assets originated or purchased	979
Assets derecognized/(repaid)	(1,090)
Changes in allowance	13
Allowance as at 30 September 2019 (unaudited)	782

Modified loans

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

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

Due to the adverse effect of quarantine restrictions related to the coronavirus pandemic (COVID-19), the Bank is taking measures to support the Bank's customers affected by the pandemic, in particular, debt restructuring, namely: postponement of principal repayment and/or accrued interest payment. The Bank currently uses short-term restructuring instruments on the terms that do not result in significant modification of assets.

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

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	<i>For the period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	
Loans to customers modified during the period		
Amortized cost before modification	22,345,065	12,185,605
Net modification losses	(618,881)	(46,643)

Pandemic impact

The Government and the National Bank of Ukraine are taking measures to counteract the economic downturn caused by the COVID-19 pandemic, including through introduction of special lending programs (changes to the program of financial state support for micro and small businesses, which in particular include financial state support in the form of partial compensation by the Entrepreneurship Development Fund (hereinafter - the "Fund") of loan interests and the provision of guarantees by the Fund to prevent the occurrence and spread, for localization and elimination of outbreaks of COVID-19 epidemics and pandemics caused by Coronavirus – SARS-Cov-2, as well as to prevent and overcome their consequences, refinancing of existing debts in banks of Ukraine under the terms of the above program).

In the context of the COVID-19 pandemic, the Bank introduced changes in the procedure for estimating expected credit losses: based on updated forecast information on macroeconomic indicators, the model of their impact on the probability of debtors default was updated. Relevant revised estimates based on information available to the Bank as at September 30, 2020, were reflected by the Bank in its estimate of expected assets losses, which resulted in an increase in the cost of expected loan losses by UAH 289,815 thousand.

9. Investment securities

Investment securities at fair value through profit or loss

As at 30 September 2020, investment securities at FVPL with the carrying value of UAH 29 342 952 thousand (31 December 2018: UAH 25 731 949 thousand) are represented by Ukrainian state bonds. The conditions of issue of those securities provide for indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of Hryvnia to US Dollar per month prior to the date of issue and per month prior to the maturity date. Coupon yield is not subject to indexation.

As at September 30, 2020, Ukrainian state bonds in the carrying amount of UAH 4,964,980 thousand were pledged as collateral for loans received from the NBU (Note 11).

Investment securities at fair value through other comprehensive income

	<i>30 September 2020</i> <i>(unaudited)</i>	<i>31 December</i> <i>2019</i>
Ukrainian state bonds	13,640,330	22,254,733
Corporate bonds	342,147	361,226
Corporate shares	21,287	17,940
Investment securities at fair value through other comprehensive income	14,003,764	22,633,899

As at September 30, 2020, Ukrainian state bonds in the carrying amount of UAH 4,974,200 thousand were pledged as collateral for loans received from the NBU (December 31, 2019: n/a) (Note 11).

As at September 30, 2020, Ukrainian state bonds in the carrying amount of UAH 330,742 thousand were used to form a guarantee fund for interest rate swap operations (December 31, 2019: n/a).

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

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	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount as at 1 January 2020	22,656,710	4,218,021	26,874,731
New assets originated or purchased	92,246	–	92,246
Assets derecognized/(repaid)	(8,223,022)	–	(8,223,022)
Change in carrying amount	102,193	–	102,193
Translation differences	1,125,532	–	1,125,532
Gross carrying amount as at 30 June 2020 (unaudited)	15,753,659	4,218,021	19,971,680
New assets originated or purchased	1,435,656	–	1,435,656
Assets derecognized/(repaid)	(3,430,053)	–	(3,430,053)
Change in carrying amount	4,408	–	4,408
Translation differences	251,055	–	251,055
Gross carrying amount as at 30 September 2020 (unaudited)	14,014,725	4,218,021	18,232,746
	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount as at 1 January 2019	35,794,632	4,218,021	40,012,653
New assets originated or purchased	7,063,578	–	7,063,578
Assets derecognized/(repaid)	(9,387,744)	–	(9,387,744)
Change in carrying amount	(92,893)	–	(92,893)
Translation differences	(1,117,776)	–	(1,117,776)
Gross carrying amount at 30 June 2019 (unaudited)	32,259,797	4,218,021	36,477,818
New assets originated or purchased	3,012,932	–	3,012,932
Assets derecognized/(repaid)	(11,913,450)	–	(11,913,450)
Change in carrying amount	430,284	–	430,284
Translation differences	(1,370,284)	–	(1,370,284)
Gross carrying amount at 30 September 2019 (unaudited)	22,419,279	4,218,021	26,637,300
	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance as at 1 January 2020	22,811	4,218,021	4,240,832
New assets originated or purchased	86	–	86
Assets derecognized/(repaid)	(7,495)	–	(7,495)
Changes in allowance	1,527	–	1,527
Translation differences	1,035	–	1,035
Allowance as at 30 June 2020 (unaudited)	17,964	4,218,021	4,235,985
New assets originated or purchased	623	–	623
Assets derecognized/(repaid)	(3,152)	–	(3,152)
Changes in allowance	(4,703)	–	(4,703)
Translation differences	229	–	229
Allowance as at 30 September 2020 (unaudited)	10,961	4,218,021	4,228,982
	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance as at 1 January 2019	5,537	4,218,021	4,223,558
Changes in allowance	(1,046)	–	(1,046)
Allowance as at 30 June 2019 (unaudited)	4,491	4,218,021	4,222,512
Changes in allowance	(1,446)	–	(1,446)
Allowance as at 30 September 2019 (unaudited)	3,045	4,218,021	4,221,066

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Investment securities at amortized cost

	30 September 2020 (unaudited)
Ukrainian state bonds	19,653,766
Corporate bonds	13,913,027
	33,566,793
Less: allowance for impairment	(8,526)
Investment securities at amortized cost	33,558,267

10. Other assets and liabilities

Other assets comprise:

	30 September 2020 (unaudited)	31 December 2019
Other financial assets		
Derivative financial assets	183,802	–
Transit accounts on operations with payment cards	106,135	182,067
Accounts receivable on operations with customers	78,020	56,664
Other accrued income	29,404	332,949
Accrued service fee on financial guarantees issued	9,399	15,936
Other	125	105
	406,885	587,721
Less: allowance for impairment	(99,235)	(388,117)
Other financial assets	307,650	199,604
Other assets		
Other tax assets, except those related to income tax	149,002	149,818
Advance payments	108,131	111,311
Precious metals	97,130	70,919
Property that became the property of the bank as a pledgee	39,321	39,321
Cash, which availability is not confirmed	35,639	30,491
Inventories	27,568	35,597
Other	2,221	2,067
	459,012	439,524
Less: allowance for impairment	Less: allowance for impairment	Less: allowance for impairment
Other assets	353,838	347,088
Total other assets	661,488	546,692
Other liabilities comprise:		
	30 September 2020 (unaudited)	31 December 2019
Other financial liabilities		
Transit accounts on operations with customers	78,844	32,873
Transit accounts on operations with payment cards	20,456	53,121
Accrued expenses	11,733	5,655
Lease liabilities	8,391	6,006
Liabilities on financial guarantees issued	4,319	4,964
Other financial liabilities	123,743	102,619
Other liabilities		
Accrued unused vacations	97,995	125,469
Payables to the Individual Deposit Guarantee Fund	68,856	63,411
Deferred income	35,379	34,702
Payables on taxes and mandatory contributions, except for income tax	33,405	35,229
Accrued salary	30,528	60,427

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	30 September 2020 (unaudited)	31 December 2019
Payables on the Bank’s business activities	27,358	11,416
Deductions from salary	9,368	763
Allowance for performance guarantees	7,680	244
Accrued pension contributions	1,314	2,293
Other	10,172	8,893
Other liabilities	322,055	342,847
Total other liabilities	445,798	445,466

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

	Stage 1 Collective	Stage 3 Individual	Total
Gross carrying amount as at 1 January 2020	102,702	302,952	405,654
New assets originated or purchased	76,971	–	76,971
Assets derecognized/(repaid)	(59,504)	(302,952)	(362,456)
Change in carrying amount	3,406	–	3,406
Translation differences	4,465	–	4,465
Gross carrying amount as at 30 June 2020 (unaudited)	128,040	–	128,040
New assets originated or purchased	24,321	–	24,321
Assets derecognized/(repaid)	(41,432)	–	(41,432)
Change in carrying amount	2,668	–	2,668
Written-off assets	(381)	–	(381)
Translation differences	3,732	–	3,732
Gross carrying amount as at 30 September 2020 (unaudited)	116,948	–	116,948
	Stage 1 Collective	Stage 3 Individual	Total
Gross carrying amount as at 1 January 2019	144,942	302,952	447,894
New assets originated or purchased	36,865	–	36,865
Assets derecognized/(repaid)	(44,536)	–	(44,536)
Change in carrying amount	(27,745)	–	(27,745)
Written-off assets	(121)	–	(121)
Translation differences	(2,416)	–	(2,416)
Gross carrying amount as at 30 June 2019 (unaudited)	106,989	302,952	409,941
New assets originated or purchased	29,844	–	29,844
Assets derecognized/(repaid)	(26,083)	–	(26,083)
Change in carrying amount	(657)	–	(657)
Written-off assets	(41)	–	(41)
Translation differences	(3,735)	–	(3,735)
Gross carrying amount as at 30 September 2019 (unaudited)	106,317	302,952	409,269
	Stage 1 Collective	Stage 3 Individual	Total
Allowance as at 1 January 2020	85,165	302,952	388,117
New assets originated or purchased	20,159	–	20,159
Assets derecognized/(repaid)	(17,192)	(302,952)	(320,144)
Changes in allowance	3,546	–	3,546
Translation differences	4,440	–	4,440
Allowance as at 30 June 2020 (unaudited)	96,118	–	96,118
New assets originated or purchased	4,908	–	4,908
Assets derecognized/(repaid)	(4,860)	–	(4,860)
Changes in allowance	(228)	–	(228)

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	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Written-off assets	(381)	–	(381)
Translation differences	3,678	–	3,678
Allowance as at 30 September 2020 (unaudited)	99,235	–	99,235
	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance as at 1 January 2019	86,643	302,952	389,595
New assets originated or purchased	5,932	–	5,932
Assets derecognized/(repaid)	(4,678)	–	(4,678)
Changes in allowance	2,823	–	2,823
Written-off assets	(121)	–	(121)
Translation differences	(2,507)	–	(2,507)
Allowance as at 30 June 2019 (unaudited)	88,092	302,952	391,044
New assets originated or purchased	3,013	–	3,013
Assets derecognized/(repaid)	(2,789)	–	(2,789)
Changes in allowance	474	–	474
Written-off assets	(41)	–	(41)
Translation differences	(3,709)	–	(3,709)
Allowance as at 30 September 2019 (unaudited)	85,040	302,952	387,992

For the period ended September 30, 2020, the Bank stopped recognizing other accrued income in the amount of UAH 302,952 thousand (the amount of allowance is UAH 302,952 thousand) and recognized the new POCI as Loans to customers.

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

Allowance as at 1 January 2020	92,436
Charge	18,577
Translation differences	3,222
Allowance as at 30 June 2020 (unaudited)	114,235
Charge	(10,987)
Translation differences	1,926
Allowance as at 30 September 2020 (unaudited)	105,174
Allowance as at 1 January 2019	82,233
Charge	13,956
Translation differences	(1,534)
Allowance as at 30 June 2019 (unaudited)	94,655
Charge	867
Translation differences	(2,379)
Allowance at 30 September 2019 (unaudited)	93,143

11. Amounts due to the NBU

As at September 30, 2020, debt on refinancing loans to the National Bank of Ukraine includes (December 31, 2019: n/a):

<i>Date of the agreement</i>	<i>Repayment date</i>	<i>Type of interest rate</i>	<i>Effective interest rate</i>	<i>Carrying value</i>
August 14, 2020	July 17, 2023	Floating (discount rate of the NBU + 0.0%)	6.1682 %	2,897,992
September 11, 2020	August 30, 2024	Floating (discount rate of the NBU + 0.0%)	6.1676 %	514,999
Amounts due to the NBU				3,412,991

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Amounts due to the NBU are secured by investment securities (Note 9).

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Current accounts		
Ukrainian banks	606,329	705,342
CIS and other banks	1,170	2,975
	607,499	708,317
Loans and deposits		
International financial institutions	26,000,528	20,943,326
Ukrainian banks	106,263	86,218
OECD banks	–	87,901
	26,106,791	21,117,445
Amounts due to credit institutions	26,714,290	21,825,762

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

13. Amounts due to customers

Amounts due to customers comprise:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Current accounts		
- Legal entities	24,899,169	16,809,617
- Budget financed organizations	8,056,977	7,358,773
- Individuals	5,055,591	4,189,134
- Funds under the Bank’s management	–	1
	38,011,737	28,357,525
Time deposits		
- Legal entities	34,150,416	27,122,765
- Individuals	23,356,008	21,645,529
- Budget financed organizations	3,056,305	–
	60,562,729	48,768,294
Amounts due to customers	98,574,466	77,125,819
Held as security against guarantees and avals (Note 17)	621,518	689,701
Held as security against loans to customers	391,508	962,789
Held as security against L/Cs (Note 17)	5,633	178,683
Held as security against undrawn loan commitments (Note 17)	3,628	12,384

As at September 30, 2020, amounts due to customers included deposit funds and current accounts in gold, which are measured at fair value with revaluation due to profit or loss, in the amount of UAH 81,398 thousand (December 31, 2019: UAH 53,156,000). The change in the fair value of funds attracted in gold, which is due to changes in credit risk, as at September 30, 2020 is absent (December 31, 2019: absent).

14. Eurobonds issued

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	30 September 2020			31 December 2019		
	<i>(unaudited)</i>					
	<i>Nominal</i>		<i>Carrying</i>	<i>Nominal</i>		<i>Carrying</i>
	<i>value</i>	<i>Currency</i>	<i>amount</i>	<i>value</i>	<i>Currency</i>	<i>amount</i>
	<i>(‘000)</i>			<i>(‘000)</i>		
April 2010 issue	500,000	USD	4,909,392	500,000	USD	5,021,247
October 2010 issue	250,000	USD	2,454,696	250,000	USD	2,510,623
January 2013 issue	500,000	USD	14,371,801	500,000	USD	12,304,890
April 2013 issue	100,000	USD	2,874,360	100,000	USD	2,460,978
March 2018 issue	4,051,000	UAH.	4,098,260	4,051,000	UAH.	4,255,338
Eurobonds issued			<u>28,708,509</u>			<u>26,553,076</u>

15. Subordinated debt

In February 2006, the Bank received a loan in the amount of USD 95,000 thousand. USA (UAH 1,120,165,000) from Credit Suisse International. This loan was financed through the issuance of Credit Suisse International bonds at a rate of 8.4% without the right of recourse solely for the purpose of financing the Bank's subordinated debt. In February 2011, the interest rate was changed by 5.79% in accordance with the maturity of the loan. Interest is paid every six months for the previous period on February 9 and August 9 of each year, starting on August 9, 2006.

In November 2006, the Bank received another loan in the amount of USD 30,000 thousand. USA (UAH 353,736 thousand) from Credit Suisse International. This loan was financed by issuing bonds at a rate of 8.4%, followed by consolidation and the formation of a single series of securities issued in February 2006. In February 2011, the interest rate was changed by 5.79% in accordance with the maturity of the loan. Interest is paid every six months for the previous period on February 9 and August 9 of each year, starting on August 9, 2006.

On May 29, 2015 between the Bank as a borrower, Credit Suisse International as a lender and BIZ Finance PLC. as a new lender, a second additional loan agreement was concluded, under the terms of which, from the date of its signing, the lender was changed from "Credit Suisse International" to "BIZ Finance PLC". under the above agreements.

On July 9, 2015 an agreement was signed between the Bank and BIZ Finance PLC to amend and set out a new version of the loan agreement (Agreement on borrowing funds on subordinated terms in the form of a subordinated loan) in the amount of 125,000 thousand dollars. Of the United States of February 7, 2006, as amended by the Supplementary Loan Agreement of November 9, 2006 and the Second Supplementary Loan Agreement of May 29, 2015, pursuant to which:

- ▶ the interest rate from August 9, 2015 is set in accordance with the terms and conditions of the agreement and is 7% + 6-month LIBOR and as at September 30, 2020 is 7,28913%;
- ▶ the deadline is 7 years, ie until February 9, 2023, with February 9, 2020 - repayment of 50% of the loan amount, the remaining 50% of the loan amount will be repaid during August 9, 2020 - February 9, 2023 in six equal semi-annual payments.

As at September 30, 2020, the book value of this loan amounted to UAH 1,487,532 thousand. (December 31, 2019: UAH 3,063,230,000)..

In November 2019, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of bonds of participation in the loan with a total nominal value of 100,000 thousand dollars. US with a fixed coupon rate of 9.95% per annum and repayment in November 2029 with the possibility of early repayment in November 2024, solely for the purpose of financing the subordinated debt of the Bank. Interest is paid every six months for the previous period on May 14 and November 14 each year, starting from May 14, 2020. As at September 30, 2020, the book value of this loan amounted to UAH 2,904,309 thousand. (December 31, 2019: UAH 2,366,684 thousand).

16. Capital

As at September 30, 2020, the authorized capital of the Bank consisted of 26,490,412 ordinary registered shares (December 31, 2019: 26,490,412 ordinary registered shares) with a par value of UAH 1,462.04 each (December 31, 2019: UAH 1,462.04

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each).). As at September 30, 2020, 26,490,412 ordinary registered shares were fully paid for and registered (December 31, 2019: all shares were fully paid for and registered).

In September 2020, in accordance with Resolution of the Cabinet of Ministers of Ukraine No. 881 dated September 23, 2020 "On increasing the authorized capital of the joint-stock company" State Export-Import Bank of Ukraine "" the authorized capital of the Bank was increased by UAH 6,839,999 thousand. by issuing 4,678,394 additional shares with a nominal value of UAH 1,462.04 each, retaining 100 percent of such shares in state ownership. As at September 30, 2020, these shares have not yet been registered, so this amount was included in the article "Unregistered authorized capital".

In June 2020, in accordance with the Resolution of the Cabinet of Ministers of Ukraine No. 328 dated April 24, 2020 "On approval of the basic standard for deducting the share of profits directed to the payment of dividends on financial and economic activities in 2019 of companies with corporate rights The Bank directed part of the profit to the payment of dividends in the amount of UAH 19,086 thousand. 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 3,435 thousand.

Revaluation reserves movement

The movement in revaluation reserves was as follows:

	<i>Fixed assets revaluation reserve</i>	<i>Unrealized gains/ (losses) on investment securities at fair value through other comprehensive income</i>	<i>Revaluation reserves</i>
As at 1 January 2019	710,805	(1,527,211)	(816,406)
Depreciation of the revaluation reserve, net of taxes	(9,928)	–	(9, 928)
Other aggregate loss that will be reclassified to the consolidated income statement in subsequent periods			
Net income from investment securities at fair value through other comprehensive income, including:	–	32,975	32,975
Changes in provisions for expected credit losses on investment securities at fair value through other comprehensive income	–	2, 492	2,492
Net realized losses on investment securities at fair value through other comprehensive income, reclassified to the consolidated income statement	–	7,208	7,208
Net unrealized gains on investment securities at fair value through other comprehensive income	–	23,275	23, 275
Income tax related to components of other comprehensive income	–	–	–
As at 30 September 2019 (unaudited)	700,877	(1,494,236)	(793,359)
As at 1 January 2020	697,568	(359,789)	337,779
Depreciation of the revaluation reserve, net of taxes	(9, 928)	–	(9,928)
Other aggregate loss that will be reclassified to the consolidated income statement in subsequent periods			
Net impairment losses on investment securities at fair value through other comprehensive income, including:	–	(63,408)	(63,408)
Changes in provisions for expected credit losses on	–	13,114	13,114

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	<i>Fixed assets revaluation reserve</i>	<i>Unrealized gains/ (losses) on investment securities at fair value through other comprehensive income</i>	<i>Revaluation reserves</i>
investment securities at fair value through other comprehensive income			
Net realized losses on investment securities at fair value through other comprehensive income, reclassified to the consolidated income statement	–	33,059	33,059
Net unrealized losses on investment securities at fair value through other comprehensive income	–	(109,581)	(109,581)
Income tax related to components of other comprehensive income	–	–	–
As at 30 September 2020 (unaudited)	687,640	(423,197)	264,443

17. Credit liabilities

The Bank credit liabilities included:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Credit commitments	5,895,637	8,806,875
Financial guarantees	299,800	830,808
Letters of credit	45,123	226,691
Avalisation of bills	417,153	178,269
	6,657,713	10,042,643
Less: reserves	(78,477)	(49,062)
Credit liabilities (before deducting the cost of providing cash)	6,579,236	9,993,581
Less: cash held as collateral for letters of credit, avals, financial guarantees and credit commitments (Note 13)	(174,797)	(271,420)
Credit liabilities	6,404,439	9,722,161

The tables below provide an analysis of changes in loan commitments and related provisions:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Credit liabilities as at January 1, 2020	8,164,028	12,358	2,520	627,969	8,806,875
New liabilities created or acquired	3,825,828	–	–	–	3,825,828
Completed (repaid) liabilities	(7,930,465)	(77,855)	(2,195)	(594,735)	(8,605,250)
Transfer to Stage 1	10,965	(10,965)	–	–	–
Transfer to Stage 2	(196,143)	196,747	(604)	–	–
Transfer to Stage 3	(659)	(878)	1,537	–	–
Changes in liabilities	419,896	(79,082)	(69)	(33,223)	307,522
Exchange difference	280,262	3,852	–	–	284,114
Credit commitments as at 30 June 2020	4,573,712	44,177	1,189	11	4,619,089

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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>	
(unaudited)						
New liabilities created or acquired	2,407,700	–	–	–	2,407,700	
Completed (repaid) liabilities	(1,109,134)	(51,813)	(531)	–	(1,161,478)	
Transfer to Stage 1	7,635	(7,635)	–	–	–	
Transfer to Stage 2	(6,158)	6,655	(497)	–	–	
Transfer to Stage 3	(471)	(301)	772	–	–	
Changes in liabilities	(161,253)	45,756	47	–	(115,450)	
Exchange difference	145,758	18	–	–	145,776	
Credit commitments on September 30, 2020 (not confirmed by audit)	5,857,789	36,857	980	11	5,895,637	
	<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>
Lending commitments as at January 1, 2019	5,475,800	6,664	–	6,229	100,069	5,588,762
New liabilities created or acquired	4,263,992	–	–	–	–	4,263,992
Completed (repaid) liabilities	(3,411,370)	(14,147)	–	(5,182)	(22,581)	(3,453,280)
Transfer to Stage 1	2,639	(2,316)	–	(323)	–	–
Transfer to Stage 2	(468,144)	14,345	453,799	–	–	–
Transfer to Stage 3	(4,805)	(614)	–	970	4,449	–
Changes in liabilities	513,100	1,564	64,684	(61)	(80,974)	498,313
Exchange difference	(154,558)	(100)	–	–	–	(154,658)
Lending commitments as at June 30, 2019 (unaudited)	6,216,654	5,396	518,483	1,633	963	6,743,129
New liabilities created or acquired	2,870,899	–	–	–	–	2,870,899
Completed (repaid) liabilities	(1,618,949)	(5,730)	–	(606)	(952)	(1,626,237)
Transfer to Stage 1	913	(847)	–	(66)	–	–
Transfer to Stage 2	(6,054)	6,054	–	–	–	–
Transfer to Stage 3	(730)	(268)	(518,483)	998	518,483	–
Changes in liabilities	(376,336)	7,079	–	265	98,557	(270,435)
Exchange difference	(238,854)	(9)	–	–	–	(238,863)
Lending commitments as at September 30, 2019 (unaudited)	6,847,543	11,675	–	2,224	617,051	7,478,493
	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>	
Reserves for lending obligations as at January 1, 2020	47,357	206	646	48,209		
New liabilities created or acquired	39,265	–	–	39,265		
Completed (repaid) liabilities	(60,094)	(2,596)	(457)	(63,147)		
Transfer to Stage 1	354	(354)	–	–		
Transfer to Stage 2	(3,211)	3,496	(285)	–		
Transfer to Stage 3	(102)	(133)	235	–		
Changes in reserves	42,674	2,023	393	45,090		
Exchange difference	1,346	152	–	1,498		
Reserves for lending obligations as at June 30, 2020 (unaudited)	67,589	2,794	532	70,915		
New liabilities created or acquired	23,139	–	–	23,139		
Completed (repaid) liabilities	(11,237)	(4,993)	(199)	(16,429)		
Transfer to Stage 1	285	(285)	–	–		
Transfer to Stage 2	(126)	340	(214)	–		
Transfer to Stage 3	(8)	(63)	71	–		
Changes in reserves	(7,024)	2,862	235	(3,927)		

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	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Exchange difference	2,155	2	–	2,157
Reserves for lending obligations as at September 30, 2020 (unaudited)	74,773	657	425	75,855

	<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>
Reserves for lending obligations as at January 1, 2019	61,657	91	–	2,956	3,981	68,685
New liabilities created or acquired	76,813	–	–	–	–	76,813
Completed (repaid) liabilities	(45,902)	(144)	–	(2,345)	(1,450)	(49,841)
Transfer to Stage 1	229	(20)	–	(209)	–	–
Transfer to Stage 2	(8,316)	134	8,182	–	–	–
Transfer to Stage 3	(255)	(70)	–	238	87	–
Changes in reserves	(34,723)	118	(8,182)	127	(2,618)	(45,278)
Exchange difference	(1,792)	–	–	–	–	(1,792)
Reserves for lending obligations as at June 30, 2019 (unaudited)	47,711	109	–	767	–	48,587
New liabilities created or acquired	52,579	–	–	–	–	52,579
Completed (repaid) liabilities	(15,420)	(96)	–	(312)	–	(15,828)
Transfer to Stage 1	48	(16)	–	(32)	–	–
Transfer to Stage 2	(123)	123	–	–	–	–
Transfer to Stage 3	(37)	(39)	–	76	–	–
Changes in reserves	(11,784)	151	–	89	50,188	38,644
Exchange difference	(2,280)	–	–	–	–	(2,280)
Reserves for lending obligations as at September 30, 2019 (unaudited)	70,694	232	–	588	50,188	121,702

Performance guarantees

Performance guarantees are an agreement to provide compensation in the event of a counterparty's failure to fulfill its contractual obligations. Performance guarantees do not involve credit risk. The risk is related to the possibility of non-fulfillment of contractual obligations by the other party.

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Performance guarantees	3,108,908	2,505,110
Less: reserves	(7,680)	(244)
Liabilities for performance guarantees (before deducting the cost of providing cash)	3,101,228	2,504,866
Less: cash held as security for performance guarantees (Note 13)	(455,982)	(609,348)
Commitment obligations	2,645,246	1,895,518

The provision for performance guarantees is included in other liabilities.

Financial terms and conditions of contracts

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 values of indicators are set by the terms of agreements, other documents agreed by the parties to the agreements, with reference to both international and local regulatory requirements.

These financial commitments may limit the Bank ability to pursue certain business strategies and engage in other significant transactions in the future.

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18. Personnel and other operating expenses

Personnel and other operating expenses include:

	<i>2020</i>		<i>2019</i>	
	<i>In three months ended on September 30</i>	<i>In the nine months ended September 30</i>	<i>In three months ended on September 30</i>	<i>In the nine months ended September 30</i>
	<i>(unaudited)</i>			
Salaries and bonuses	315,251	925,988	334,361	911,201
Mandatory contributions to state funds	54,000	166,557	55,084	163,347
Personnel expenses	369,251	1,092,545	389,445	1,074,548
Payments to the Deposit Guarantee Fund of individuals	68,855	200,199	63,513	192,364
Repair and maintenance of fixed assets	37,010	103,824	34,696	96,406
Legal and consulting services	27,076	53,625	1,533	10,655
Protection	14,704	43,012	13,379	41,398
Maintenance of premises	9,666	26,521	8,856	31,523
Operating taxes	9,356	47,063	9,155	31,474
Computer processing costs	8,465	21,716	7,217	22,280
Staffing costs	6,581	12,337	–	–
Cash collection costs	4,464	14,097	5,100	15,511
Household costs	4,295	13,163	4,723	14,665
Connection services	3,662	12,056	4,017	11,846
Premises rent	3,165	9,213	3,715	10,704
Marketing and advertising	1,483	6,601	1,570	5,947
Travel and related expenses	441	2,288	2,419	6,392
(Reversal of losses) losses from impairment of performance guarantees	(7,039)	7,393	–	–
(Reversal of losses) / impairment losses non-financial assets	(10,987)	7,590	867	14,823
Others	12,923	43,276	19,395	41,188
Other operating expenses	194,120	623,974	180,155	547,176

Expenditures on contributions to the private pension fund for the period ended September 30, 2020 amounted to UAH 15,970 thousand. (September 30, 2019: UAH 17,063 thousand).

19. Fair value of assets and liabilities

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

The following is a comparison of the Bank's financial instruments that are not carried at fair value in the interim condensed consolidated statement of financial position, by category of book value and fair value. The table does not reflect the fair value of non-financial assets and non-financial liabilities.

	<i>30 September 2020 (unaudited)</i>			<i>31 December 2019</i>		
	<i>Balance sheet value</i>	<i>Fair value</i>	<i>Unadmitted income/ (loss)</i>	<i>Balance sheet value</i>	<i>Fair value</i>	<i>Unadmitted income/ (loss)</i>
Financial assets						
Cash and cash equivalents	41,600,142	41,600,142	–	33,469,935	33,469,935	–
Debts of credit institutions	487,785	487,785	–	240,971	240,971	–
Loans to customers	51,660,607	51,183,453	(477,154)	53,285,804	52,604,116	(681,688)
Investment securities at	33,558,267	33,429,715	(128,552)	–	–	–

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	30 September 2020 (unaudited)			31 December 2019		
	Balance sheet value	Fair value	Unadmitted income/ (loss)	Balance sheet value	Fair value	Unadmitted income/ (loss)
amortized cost						
Other assets	123,848	123,848	–	199,604	199,604	–
Financial liabilities						
Debt to the National Bank of Ukraine	3,412,991	3,412,991	–	–	–	–
Debts to credit institutions	26,714,290	26,714,290	–	21,825,762	21,825,762	–
Debts to customers	98,493,068	98,530,102	(37,034)	77,072,663	77,060,661	12,002
Eurobonds issued	28,708,509	29,456,479	(747,970)	26,553,076	28,166,079	(1,613,003)
Subordinated debt	4,391,841	4,479,468	(87,627)	5,429,914	5,573,947	(144,033)
Other obligations	123,743	123,743	–	102,619	102,619	–
Total unrecognized changes in unrealized fair value			(1,478,337)			(2,426,722)

The following are the techniques and assumptions used to determine the fair value of financial instruments that are not carried at fair value in the interim condensed consolidated financial statements.

Assets whose fair value is approximately equal to their carrying amount

The carrying amount of liquid or short-term (up to three months) financial assets and financial liabilities is estimated to be approximately equal to the fair value. This assumption also applies to demand deposits, savings deposits without a fixed maturity and financial instruments with a variable interest rate.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost is determined by comparing market interest rates at the date of initial recognition with current market rates offered for similar financial instruments. The estimated fair value of fixed rate interest deposits is determined on the basis of discounted cash flows using existing money market interest rates on debt obligations with similar credit risk characteristics and maturities. The fair value of listed debt instruments is determined on the basis of established market prices. If there are no market prices for the quoted securities issued, the discounted cash flow model is used based on the yield curve at the current interest rate, taking into account the residual maturity.

Fair value of financial assets and financial liabilities carried at fair value

The Bank uses a hierarchical structure of measurement methods to determine and disclose the fair value of financial assets and financial liabilities, which includes changes in fair value due to certain alternative assumptions used in the measurement model:

- ▶ Level 2: for non-quoted financial instruments, fair value is determined using valuation models based on assumptions confirmed by observable market prices and rates effective at the reporting date, ie directly or indirectly based on information observed in the market;
- ▶ Level 3: for financial instruments whose fair value cannot be determined on the basis of market quotations or valuation models based on information observed on the market, the Bank uses valuation models that use input data that significantly affect the reported fair value. financial instruments that are not based on information observed in the market. This approach is appropriate for investments in unquoted shares and debt securities.

The table below presents an analysis of financial instruments measured at fair value, in terms of levels of the hierarchy of sources of fair value:

**As at 30 September 2020
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**Fair value is
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	Stage 2	Stage 3	Total
Current accounts with other credit institutions in bank metals	22,646	–	22,646
Investment securities at fair value through profit or loss	–	29,342,952	29,342,952
Investment securities at fair value through other comprehensive income	13,982,477	21,287	14,003,764
Derivative financial assets	183,802	–	183,802
Total assets	14,188,925	29,364,239	43,553,164
Debts to customers in banking metals	81,398	–	81,398
Total liabilities	81,398	–	81,398

Fair value is
determined on a periodic basis

As at 31 December 2019	Stage 2	Stage 3	Total
Current accounts with other credit institutions in bank metals	15,201	–	15,201
Investment securities at fair value through profit or loss	25,731,949	–	25,731,949
Investment securities at fair value through other comprehensive income	22,615,959	17,940	22,633,899
Total assets	48,363,109	17,940	48,381,049
Debts to customers in banking metals	53,156	–	53,156
Total liabilities	53,156	–	53,156

The Bank determines the need to transfer between the levels of the fair value hierarchy at the end of each reporting period.

As at September 30, 2020, the Bank transferred investment securities at fair value via income or loss with balance sheet value of UAH 29,342,952 thousand as at the date of the transfer from 2 to 3 level of fair value sources. Such transfer was stipulated by significant impact of historical volatility of UAH/USD exchange rate in Garman-Kolhagen model used to calculate the fair value of indexed government bond.

The Bank measures financial assets by discounting the cash flows of such instruments, using rates determined on the basis of data that are not observed in the market.

The fair value of financial assets and liabilities, reflected at fair value

Changes in the category of Level 3 financial instruments measured at fair value

The table below sets out the reconciliation of the amounts recognized at the beginning and end of the previous period for financial assets and liabilities of level 3, which are measured at fair value:

	As at 1 January 2020	Profit is recognized in the consolidated report about profits and losses	Profit is recognized in the consolidated report about total income	Settlements Transfer to 3 level	As at 30 September 2020
Investment securities at fair value through other aggregate income	17,940	699	3,347	(699)	21,287
	As at 1 January 2019	Profit is recognized in the consolidated	Profit is recognized in the consolidated report	Settlements	As at 31 December 2019

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	<i>report about profits and losses</i>	<i>about total income</i>
Investment securities at fair value through other aggregate income	16,603	394
		1,337
		(394)
		17,940

The table below provides quantitative information as at September 30, 2020 on significant non-market inputs used to determine the fair value of financial instruments classified as level 3 of the fair value hierarchy:

<i>As at 30 September 2020 (unaudited)</i>	<i>Balance sheet value</i>	<i>Evaluation method</i>	<i>Unobserved parameter</i>	<i>The value of the parameter</i>
Investment securities at fair value through other comprehensive income	21,287	Discounted cash flows	Expected return	14.9%
Investment securities at fair value via income or loss	29,342,952	Garman-Kollhagen model	Historical volatility	28,119%
<i>As at 31 December 2019 (unaudited)</i>	<i>Balance sheet value</i>	<i>Evaluation method</i>	<i>Unobserved parameter</i>	<i>The value of the parameter</i>
Investment securities at fair value through other comprehensive income	17,940	Discounted cash flows	Expected return	19.2%–20.4%

20. Related party transactions

In accordance with IAS 24 Related Party Disclosures, related parties are those parties that are jointly controlled or one of which has the ability to control or significantly influence the other party's operating and financial decisions. In considering each possible case of a related party relationship, the substance of the relationship is taken into account, not just the legal form.

Related parties may carry out transactions that would not be made between unrelated parties. The terms of such transactions may differ from the terms of transactions between unrelated parties.

Volumes of transactions and balances of related party transactions are transactions with government-controlled entities (directly or indirectly, or subject to significant government influence) and key management personnel.

The balances of key management personnel operations as at 30 September 2020 and 31 December 2019 and the corresponding amounts of income and expenses for the nine months ended 30 September 2020 and 2019 are as follows:

	<i>Key management staff</i>	
	<i>30 September 2020 (audited)</i>	<i>31 December 2019</i>
Loans to customers, total	1,676	153
Less the reserve for expected credit losses	(31)	(1)
Loans to customers, net	1,645	152
Other assets	–	5
Current accounts	1,561	6,434
Time deposits	–	19,701
Debt to customers	1,561	26,135
Other liabilities	4	23

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	<i>For the period that has ended</i>	
	<i>September 30</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	
Interest income on loans	21	21
Interest expenses on customer deposits	(338)	(870)
Commission income	9	12
Exchange rate differences	(1,823)	3,982

During the nine months ended September 30, 2020, the total amount of remuneration and other payments to key management personnel amounted to UAH 46,638,000. (payments to the non-state pension fund - UAH 108 thousand) (September 30, 2019: UAH 42,675 thousand, payments to the non-state pension fund - UAH 673 thousand).

In the normal course of business, the Bank enters into contractual agreements with the Ukrainian government and enterprises that are controlled by the state, directly or indirectly, or that are 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 state-controlled enterprises, which are significant given the book value, as at September 30, 2020 were as follows (unaudited):

<i>Customer</i>	<i>Area</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Debt to the NBU</i>	<i>Debts to customers</i>	<i>Guarantees issued</i>
Customer 1	State-owned enterprises	–	–	–	3,851,293	–
Customer 2	State-owned enterprises	–	–	–	1,460,018	–
Customer 3	Financial services	8,158,289	–	3,412,991	–	–
Customer 4	Mining industry	–	4,262,175	–	2,747,951	–
Customer 5	Mining industry	–	594,539	–	–	–
Customer 6	Agriculture and food industry	–	–	–	7,379,711	–
Customer 7	Energy	–	5,370,936	–	1,723,217	–
Customer 8	Engineering	–	2,208,636	–	–	557,446
Customer 9	Engineering	–	–	–	808,401	–
Customer 10	Engineering	–	–	–	–	264,286
Customer 11	Trade	–	1,125,050	–	–	582,161
Customer 12	Trade	–	–	–	985,169	754,400
Customer 13	Trade	–	–	–	–	44,688
Customer 14	Transport and communication	–	2,028,444	–	–	–
Others	–	–	963,215	–	9,492,329	–

Balances on transactions with state-controlled enterprises, which are significant given the book value, as at December 31, 2019 were as follows:

<i>Customer</i>	<i>Area</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Debt to customers</i>	<i>Provided guarantees</i>
Customer 1	State-owned enterprises	–	–	4,041,851	–
Customer 2	State-owned enterprises	–	–	1,049,756	–
Customer 15	State-owned enterprises	–	–	614,338	–
Customer 6	Agriculture and food industry	–	–	10,970,272	–
Customer 16	Agriculture and food industry	–	720,824	–	–
Customer 3	Financial services	8,748,919	–	–	–

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<i>Customer</i>	<i>Area</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Debt to customers</i>	<i>Provided guarantees</i>
Customer 7	Energy	–	4,581,405	–	–
Customer 4	Mining industry	–	4,337,341	–	–
Customer 8	Engineering	–	2,103,673	–	542,352
Customer 10	Engineering	–	–	–	282,719
Customer 14	Transport and communication	–	2,308,319	–	–
Customer 12	Trade	–	–	1,001,638	609,862
Customer 11	Trade	–	–	–	506,954
Customer 13	Trade	–	–	–	49,770
Customer 17	Professional, scientific and technical activities	–	538,546	–	–
Others	–	–	1,030,327	6,702,779	–

During the nine months ended September 30, 2020, the Bank recognized UAH 1,347,187 thousand for significant transactions with state-controlled enterprises. (September 30, 2019: UAH 1,782,915 thousand) of interest income, including UAH 288,871 thousand for transactions with NBU certificates of deposit for up to 90 days. (September 30, 2019: UAH 46,919 thousand), as well as UAH 518,723 thousand. (September 30, 2019: UAH 973,138 thousand) of interest expenses.

As at September 30, 2020 and December 31, 2019, the Bank's investments in securities issued by the state or state-controlled enterprises were as follows:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Investment securities at fair value through profit or loss	29,342,952	25,731,949
Investment securities at fair value through other comprehensive income	13,998,161	22,629,191
Investment securities at amortized cost	33,558,267	–

During the nine months ended September 30, 2020, the Bank recognized UAH 1,997,949 thousand for IGLBs transactions. (September 30, 2019: UAH 2,591,970 thousand) interest income, on transactions with other investment securities UAH 481,667 thousand. (September 30, 2019: UAH 193,854 thousand) of interest income.

21. Capital adequacy

The Bank manages the level of capital adequacy to protect against the risks inherent in its activities. The Bank's capital adequacy is monitored using standards set by the NBU and the 1988 Basel Capital Accord.

The main purpose of the Bank's capital management is to ensure compliance with external capital requirements and to maintain high credit ratings and appropriate capital ratios necessary to conduct business and maximize shareholder value.

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

Capital adequacy ratio in accordance with the requirements of the NBU

The Bank's capital adequacy ratio was as follows:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Fixed assets	12,702,737	7,259,391
Additional capital calculated	4,065,173	6,432,082
Additional capital that is taken into account in the calculation of capital (limited to the amount of fixed capital)	4,065,173	6,432,082
Total regulatory capital	16,767,910	13,691,473

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	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Risk-weighted assets	66,953,437	67,763,579
Fixed capital adequacy ratio	18,97%	10,71%
Regulatory capital adequacy ratio	25,04%	20,20%

Regulatory capital includes tier 1 capital (fixed capital), consisting of paid-in registered share capital, reserve funds less expected losses, and tier two capital (additional capital), consisting of the revaluation reserve for assets, current income, subordinated debt and retained earnings. For the purposes of calculating regulatory capital, Tier 2 capital is limited to the amount of Tier 1 capital of up to 100%.

Capital adequacy ratio under the 1988 Basel Accord

The Bank capital adequacy ratio, calculated in accordance with the provisions of the 1988 Basel Accord, was:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Tier 1 capital Tier 2 capital, calculated Tier 2 capital, which is taken into account in the calculation of capital	12,540,424	7,944,342
Tier 1 capital Tier 2 capital, calculated Tier 2 capital, which is taken into account in the calculation of capital	4,318,997	4,945,054
Tier 1 capital Tier 2 capital, calculated Tier 2 capital, which is taken into account in the calculation of capital	4,318,997	4,945,054
Total capital	16,859,421	12,889,396
Risk-weighted assets	66,943,375	66,009,562
Tier 1 capital adequacy ratio Capital adequacy ratio, total	18,7%	12,0%
Tier 1 capital adequacy ratio Capital adequacy ratio, total	25,2%	19,5%

22. Events following the reporting date

On November 10, 2020, the Bank made a partial repurchase of Eurobonds in the aggregate principal amount of USD 299,995 thousand issued in the form of loan participation notes through BIZ Finance PLC, including:

- the aggregate principal amount of USD 215,948 thousand of Eurobonds with a coupon rate of 9.75% per annum and maturity in January 2025.
- the aggregate principal amount of USD 84,047 thousand of Eurobonds with a coupon rate of 9.625% per annum and maturity in April 2022.

The repurchased Eurobonds were cancelled and the debt on them was reduced by the corresponding amounts.