

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

Interim condensed consolidated financial statements

For nine months ended September 30, 2022

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**as at September 30, 2022****(UAH, thousand)**

	<i>Notes</i>	<i>September 30, 2022 (unaudited)</i>	<i>December 31, 2021</i>
Assets			
Cash and cash equivalents	4	60 501 826	42 882 371
Loans and advances to banks	7	776 125	8 270 170
Loans and advances to customers	8	82 682 910	69 334 862
Investments in securities	9	62 004 467	66 195 840
Current tax assets		1 859 986	250 048
Derivative financial assets	12	2 549 102	582 742
Non-current assets classified as held for sale		224 551	8 332
Investment property		772 804	984 056
Property, plant and equipment		1 781 475	1 850 466
Intangible assets		68 904	74 463
Deferred tax assets		1 190 303	1 190 303
Other financial assets	10	291 909	177 596
Other non-financial assets	11	110 668	292 283
Total assets		214 815 030	192 093 532
Liabilities			
Due to other banks	13	22 322 906	25 577 371
Customer accounts	15	154 757 516	121 837 236
Derivative financial liabilities	12	37 703	7
Other borrowed funds	14	27 934 002	27 237 654
Subordinated debt		4 140 240	3 605 597
Provisions for loan commitments and financial guarantee contracts	17	577 773	290 987
Other provisions		1 142	561
Other financial liabilities	10	1 736 874	596 018
Other non-financial liabilities	11	329 595	495 356
Total liabilities		211 837 751	179 640 787
Equity	16		
Issued capital		45 570 041	45 570 041
Other reserves		(1 694 565)	(98 629)
Result from transactions with the shareholder		635 104	635 104
Retained earnings		(41 533 301)	(33 653 771)
Total equity		2 977 279	12 452 745
Total equity and liabilities		214 815 030	192 093 532

Authorised for release and signed

December 14, 2022

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

V. M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
for nine months ended September 30, 2022

(UAH, thousand)

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December 14, 2022

Chairman of the Management Board

Sergii IERMAKOV

Chief Accountant

Nataliia POTESKA

V. M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for nine months ended September 30, 2022

(UAH, thousand)

	2022		2021	
	For the three months ended September 30	For the nine months ended September 30	For the three months ended September 30	For the nine months ended September 30
	(unaudited)			
Profit/ (loss) for the period	(5 371 330)	(7 898 182)	627 471	1 728 994
Other comprehensive income				
<i>Components of other comprehensive income that will be reclassified to profit or loss before tax</i>				
Gains (losses) on financial assets measured at fair value through other comprehensive income, before tax	(1 688 394)	(1 577 284)	(2 580)	(391 556)
<i>Income tax relating to components of other comprehensive income that will be reclassified to profit or loss</i>				
Income tax relating to changes in revaluation of financial assets measured at fair value through other comprehensive income	—	—	—	—
Total other comprehensive income	(1 688 394)	(1 577 284)	(2 580)	(391 556)
Total comprehensive income	(7 059 724)	(9 475 466)	624 891	1 337 438

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Chairman of the Management Board

Sergii IERMAKOV

Chief Accountant

Nataliia POTESKA

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for nine months ended September 30, 2022

(UAH, thousand)

					<i>Other reserves</i>			
					<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Retained earnings</i>	<i>Equity</i>
	<i>Issued capital</i>	<i>Result from transactions with the shareholder</i>	<i>Reserve and other funds of the bank</i>	<i>Revaluation surplus</i>				
As at January 1, 2021 (recalculated)	45 570 041	635 104	207 458	1 013 287	(424 183)	(63 421)	(36 589 390)	10 348 896
Profit for the period	–	–	–	–	–	–	1 728 994	1 728 994
Other comprehensive income for the period (Note 16)	–	–	–	–	(391 623)	67	–	(391 556)
Total comprehensive income for the period	–	–	–	–	(391 623)	67	1 728 994	1 337 438
Increase (decrease) through transfers and other changes, equity (Note 16)	–	–	–	(14 793)	–	–	14 793	–
Profit allocation to the reserve funds	–	–	525 244	–	–	–	(525 244)	–
Loss recovery out of the reserve funds	–	–	(732 702)	–	–	–	732 702	–
As at September 30, 2021 (unaudited) (recalculated)	45 570 041	635 104	–	998 494	(815 806)	(63 354)	(34 638 145)	11 686 334
As at January 1, 2022	45 570 041	635 104	–	926 276	(962 130)	(62 775)	(33 653 771)	12 452 745
Loss for the period	–	–	–	–	–	–	(7 898 182)	(7 898 182)
Other comprehensive income for the period (Note 16)	–	–	–	–	(1 576 204)	(1 080)	–	(1 577 284)
Total comprehensive income for the period	–	–	–	–	(1 576 204)	(1 080)	(7 898 182)	(9 475 466)
Increase (decrease) through transfers and other changes, equity (Note 16)	–	–	–	(18 652)	–	–	18 652	–
As at September 30, 2022 (unaudited)	45 570 041	635 104	–	907 624	(2 538 334)	(63 855)	(41 533 301)	2 977 279

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Chief Accountant

Nataliia POTESKA

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

for nine months ended September 30, 2022

(UAH, thousand)

		<i>For the period ended September 30</i>	
		<i>2022</i>	<i>2021</i>
	<i>Notes</i>	<i>(unaudited)</i>	<i>(recalculated)</i>
Cash flows from (used in) operating activities			
Interest received		9 025 081	8 620 200
Commission income received		712 729	794 167
Net (increase) / decrease from operations with financial instruments at fair value through profit or loss		371 568	(41 082)
Net (increase) / decrease from trading in foreign currencies		825 400	551 318
Other cash receipts from operating activities		111 655	64 290
Interest paid		(6 638 062)	(5 922 124)
Commission expenses paid		(194 535)	(300 346)
Payments to and on behalf of employees		(1 537 773)	(1 105 667)
Administrative expenses and other paid operating expenses		(515 141)	(547 299)
Net (increase)/decrease in loans and advances to banks		8 146 080	(8 690 769)
Net (increase)/decrease in loans and advances to customers		(15 723 648)	(17 617 157)
Net (increase)/decrease in other financial assets		17 878	(62 540)
Net (increase)/ decrease in other assets		(33 657)	121 959
Net increase/(decrease) in due to other banks		(2 077 254)	6 746 292
Net increase/(decrease) in customer accounts		10 466 428	16 138 223
Net increase/(decrease) in other financial liabilities		1 116 592	(951 578)
Net increase/(decrease) in other liabilities		(37 524)	(22 195)
Income taxes (paid) refund		(245 681)	–
Cash flows from (used in) operating activities		3 790 136	(2 224 308)
Cash flows from (used in) investing activities			
Purchase of securities		(27 069 691)	(34 455 680)
Proceeds from sale of investments in securities		33 694 257	49 947 607
Purchase of property, plant and equipment		(114 340)	(57 315)
Purchase of intangible assets		(14 801)	(4 457)
Proceeds from sale of investment property		241 577	104 813
Dividends received		795	933
Other inflows (outflows) of cash		(216 220)	9 608
Cash flows from (used in) investing activities		6 521 577	15 545 509
Cash flows from (used in) financing activities			
Receipt of other debt		208 497	1 393 500
Return of subordinated debt		(674 119)	(570 811)
Return of other debt		(8 672 376)	(12 949 670)
Payments of lease liabilities		(2 073)	(2 873)
Dividends paid		(1 364 209)	–
Cash flows from (used in) financing activities		(10 504 280)	(12 129 854)
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes		(192 567)	1 191 347
Effect of exchange rate changes on cash and cash equivalents		17 830 513	(2 362 417)
Impact of expected credit losses on cash and cash equivalents		(18 491)	12 982
Increase (decrease) in cash and cash equivalents		17 619 455	(1 158 088)
Cash and cash equivalents at the beginning of the period	4	42 882 371	49 912 943
Cash and cash equivalents at the end of the period	4	60 501 826	48 754 855

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December 14, 2022

Chairman of the Management Board

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Chief Accountant

Nataliia POTEWSKA

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

(UAH thousand, unless otherwise stated)

1. Principal activities

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

As at September 30, 2022 and December 31, 2021, 100% of Ukreximbank’s shares were owned by the state represented by the Cabinet of Ministers of Ukraine.

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

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

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

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

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

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

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

2. Basis of preparation and summary of significant accounting policies

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

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

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

Going concern

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

(UAH thousand, unless otherwise stated)

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

In October 2022, the Bank violated the requirements of the NBU on N2 and N3 capital ratios in connection with the provisioning to cover losses in connection with the military aggression of the Russian Federation against Ukraine. However, in accordance with the Resolution of the National Bank of Ukraine No. 23 dated February 25, 2022 (as amended), during the martial law, no measures of influence are applied to the Bank for violations of capital, liquidity, credit risk and investment ratios. The Bank plans to settle the issue of compliance with the ratios after the end of martial law by implementing measures that were predetermined in the Recovery Plan.

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

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

Reclassifications

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

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

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

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

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

(UAH thousand, unless otherwise stated)

	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Net (losses)/ gains on investment securities at fair value through gains or losses	(2 301 063)	2 301 063 ^(a)	–
Net gains / (losses) from transactions with derivatives	583 683	(583 683) ^(a)	–
Net gains / (losses) from transactions with financial instruments at fair value through gains or losses	–	(1 717 380) ^(a)	(1 717 380)
Net gains / (losses) from trading in foreign currencies	550 322	(550 322) ^(b)	–
Net gains / (losses) from trading in precious metals	996	(996) ^(b)	–
Net gains / (losses) from dealing in foreign currencies	–	551 318 ^(b)	551 318
Net gains / (losses) from translation differences on trading in foreign currencies	1 401 332	(1 401 332) ^(c)	–
Net gains / (losses) from revaluation of precious metals	(1 794)	1 794 ^(c)	–
Net gains / (losses) from revaluation of foreign currency	–	1 399 538 ^(c)	1 399 538
(Expenses)/ reversal of expenses for expected credit losses	(1 441 019)	1 441 019 ^(d)	–
Reversal of expenses / (expenses) for expected credit losses on credit-related commitments	(136 575)	136 575 ^(d)	–
Impairment profit and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	–	(1 577 594) ^(d)	(1 577 594)
Other income	76 486	(542) ^(d)	75 944
Net losses on modification of financial assets at amortised cost	(9 987)	9 987 ^(e)	–
Other operating expenses	(521 213)	521 213 ^{(d), (e), (f)}	–
Other administrative and operating expenses	–	(546 296) ^(e)	(546 296)
Gains / (losses) on initial recognition of financial assets at interest rates above or below market	–	389 ^(d)	389
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	–	15 249 ^(f)	15 249
Gains for the period	1 728 994	–	1 728 994

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

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

	<i>As previously reported</i>	<i>Effect of reclassification</i>	<i>Restated</i>
Interest expense	(5 578 491)	(50 383)	(5 628 874)
Fee expense	(300 346)	50 383	(249 963)
Gains for the period	1 728 994	–	1 728 994

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

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

	<i>Revaluation reserve</i>	<i>Revaluation surplus</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>
January 01, 2021 (as previously reported)	525 683	–	–	–
Effect of bringing in new format	(525 683)	1 013 287	(424 183)	(63 421)
January 01, 2021 (restated)	–	1 013 287	(424 183)	(63 421)
September 30, 2021 (as previously reported)	119 334	–	–	–

(UAH thousand, unless otherwise stated)

	<i>Revaluation reserve</i>	<i>Revaluation surplus</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>
Effect of bringing in new format	(119 334)	998 494	(815 806)	(63 354)
September 30, 2021 (restated)	–	998 494	(815 806)	(63 354)

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

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

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

	<i>As previously reported</i>	<i>Effect of bringing in new format</i>	<i>Restated</i>
Indebtedness to the National Bank of Ukraine	5 358 304	(5 358 304) ^(a)	–
Indebtedness to credit institutions	1 387 988	(1 387 988) ^(a)	–
Net increase / (decrease) in the bank funds	–	6 746 292 ^(a)	6 746 292
Redemption of issued Eurobonds	(11 090 589)	11 090 589 ^(b)	–
Repayment of loans received from credit institutions	(1 859 081)	1 859 081 ^(b)	–
Repayment of other borrowed funds	–	(12 949 670) ^(b)	(12 949 670)
Other assets	59 419	(59 419) ^(c)	–
Net increase / (decrease) in other financial assets	–	(62 540) ^(c)	(62 540)
Net increase / (decrease) in other assets	–	121 959 ^(c)	121 959
Other liabilities	(973 773)	973 773 ^(d)	–
Net increase / (decrease) in other financial liabilities	–	(951 578) ^(d)	(951 578)
Net increase / (decrease) in other liabilities	–	(22 195) ^(d)	(22 195)

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

Operating environment

In the third quarter of 2022, the economy of Ukraine continued to be affected by the full-scale military invasion of Ukraine by the Russian Federation, which began on February 24, 2022.

In September, consumer inflation in Ukraine was 24.6%. The main factors in the growth of inflation remain the consequences of the full-scale war of the Russian Federation against Ukraine. Among them: disruption of supply chains, destruction of production facilities, reduction in supply of goods and services, increase in business costs. Another pro-inflationary factor was the effect of transferring the adjustment of the official exchange rate of hryvnia to US dollar on prices. Further growth of inflation in the world also affected prices in Ukraine.

At the same time, the actual price dynamics were expected and even slightly lower than the July NBU forecast. The fixation of tariffs for housing and utility services and the saturation of the domestic market with fuel, together with the preservation of its preferential taxation, inhibited the growth of prices. The planned reduction in the amount of budget monetization, as well as additional measures of the NBU to calibrate currency restrictions contributed to reducing the pressure on the foreign exchange market and, accordingly, restrained the deterioration of expectations.

Inflation will reach about 30% this year, but it should slow down in the coming years, provided security risks are reduced and monetary and fiscal policies are coordinated. The NBU expects price growth to start slowing down next year due to the gradual recovery of logistics and production, lower global inflation and moderately tight monetary conditions.

(UAH thousand, unless otherwise stated)

Economic activity in the II-III quarters of 2022 slowly recovered due to the further liberation of Ukrainian lands, business adaptation to new conditions and the operation of the "grain corridor". The latter factor led to a positive contribution to GDP compared to the July forecast. However, the existing logistical problems, especially in metallurgy, the destruction of capacities, in particular in energy, and the decrease in real incomes of the population hold back the recovery of the economy. Agriculture is also expected to have a significant negative contribution to the change in real GDP - both due to lower yield indicators this year and much smaller cultivated areas. Because of this, the NBU only slightly improved the estimate of the fall in GDP in the current year - to 31.5%.

Further cooperation with international partners remains an important factor in maintaining the functioning of the economy in the conditions of a full-scale war and post-war recovery.

Maintaining exchange rate stability and protecting international reserves requires ensuring an attractive yield on hryvnia assets over a long period of time. This, in particular, will be facilitated by maintaining the discount rate at the current level. Interest rates on hryvnia deposits continue to rise in response to the June increase in the discount rate on a trajectory close to the expected.

The (net) assets of the banking system of Ukraine increased to UAH 2,168 billion at the end of the third quarter of 2022 (+ UAH 114 million equivalent compared to December 2021), which is mainly due to the growth of balances on correspondent accounts opened in other banks (+ UAH 97.8 million equivalent), as well as an increase in lending to business entities (+ UAH 40.9 million equivalent). The increase in liabilities occurred primarily due to an increase in the amount of liabilities (+ UAH 158 million eq.), which, in turn, increased mainly due to the growth of balances on the accounts of individuals (+ UAH 134 million eq. compared to December 2021).

The banking sector of Ukraine received a profit of UAH 7.4 billion for 9 months of 2022, despite significant deductions to reserves of almost UAH 99 billion (by UAH 91.3 billion more than for 9 months of 2021).

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

Changes in accounting policies

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

Amendments to IFRS 3 – “Reference to Conceptual Principles”

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

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

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

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

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

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

(UAH thousand, unless otherwise stated)

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

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

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

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

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

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

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

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

3. Segment information

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

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

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

Unallocated amounts include:

- ▶ income tax receivables and payables, the share of unallocated assets and costs associated with the work of the Bank's top management, i.e. personnel performing general management functions at the level of the whole Bank's system and personnel supporting directly the work of the top management;
- ▶ the result of revaluation of an open currency position of the bank (except for the portion of the open currency position allocated by the Bank for carrying out transactions on purchase/sale/conversion of cash foreign currency and precious metals and conversion of non-cash foreign currency);

(UAH thousand, unless otherwise stated)

- ▶ the difference between inter-segment revenues and costs of all business lines, obtained as a result of transfer rates application.

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 cost of the Bank.

During the nine months ended September 30, 2022, the Bank had revenues from transactions with a single external customer, that accounted for more than 10% of the Bank's total income, namely: UAH 2,720,760 thousand; (nine months of 2021: UAH 2,776,900 thousand). Revenue from transactions with this external customer is reported in the segment “Interbank and investments business”.

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

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

30 September 2022 (unaudited)	Corporate banking	Medium-sized business, municipalities and utilities sector	Retail banking	Interbank and investment business	Unallocated amounts	Total
External						
Interest income calculated using the effective interest method	5 349 378	573 111	18 257	3 442 451	—	9 383 197
Other interest income	147 675	23 328	—	848 488	—	1 019 491
Fee income	423 212	150 602	204 437	48 519	1 144	827 914
Other income	17 002	7 570	12 188	33 590	48 774	119 124
Net income from operations in financial instruments at fair value through profit or loss	—	—	—	5 996 652	—	5 996 652
Net income from operations with debt financial instruments at fair value through other comprehensive income	1 050	95	998	61 439	—	63 582
Net profit from trading in foreign currencies	94 042	51 476	83 417	627 128	—	856 063
Net profit from foreign currency revaluation	238 312	2 535	—	8 531	—	249 378
Income on initial recognition of financial assets at interest rates above or below market	—	—	—	4 046	—	4 046
Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	—	—	5 466	—	—	5 466
Gain arising from derecognition of financial assets measured at amortised cost	—	—	—	19 716	—	19 716
Income from other segments	5 535 168	1 345 785	1 202 802	4 397 699	(12 481 454)	—
Total income	11 805 839	2 154 502	1 527 565	15 488 259	(12 431 536)	18 544 629
Interest expense	(2 059 188)	(598 852)	(453 451)	(4 055 568)	(373)	(7 167 432)
Fee expense	(29 359)	(16 357)	(114 868)	(18 205)	(15 746)	(194 535)
Net loss from trading in foreign currencies	—	—	—	—	(30 663)	(30 663)
Net loss from foreign currency revaluation	—	—	—	—	(6 040 624)	(6 040 624)
Impairment loss determined in accordance with IFRS 9	(9 429 902)	(555 845)	—	(644 611)	(30 263)	(10 660 621)
Personnel expenses	(364 577)	(321 173)	(244 106)	(86 094)	(381 039)	(1 396 989)
Amortisation	(19 346)	(22 577)	(20 682)	(3 232)	(16 239)	(82 076)
Other administrative and operating expenses	(64 152)	(97 727)	(248 445)	(23 113)	(144 547)	(577 984)
Impairment loss for non-financial assets	(7 113)	(15 332)	(5 530)	(150)	(16 670)	(44 795)
Impairment loss arising from derecognition of financial assets measured at amortised cost	(247 140)	—	—	—	—	(247 140)
Expenses from other segments	(6 283 507)	(489 366)	(72 237)	(3 826 447)	10 671 557	—
Segment results	(6 698 445)	37 273	368 246	6 830 839	(8 436 143)	(7 898 230)
Income tax expenses						48
Loss for the period						(7 898 182)
Assets and liabilities as at 30 September 2022 (unaudited)						
Segment assets	78 878 319	6 371 866	2 132 562	123 859 476		211 242 223

(UAH thousand, unless otherwise stated)

<i>30 September 2022 (unaudited)</i>	<i>Corporate banking</i>	<i>Medium-sized business, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investment business</i>	<i>Unallocated amounts</i>	<i>Total</i>
Unallocated assets					3 572 807	3 572 807
Total assets						214 815 030
Segment liabilities	99 274 637	24 127 559	31 992 397	54 718 609		210 113 202
Unallocated liabilities					1 724 549	1 724 549
Total liabilities						211 837 751
Other segment information						
Capital expenditure	(4 284)	(4 987)	(4 889)	(704)	(3 641)	(18 505)

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

<i>30 September 2021 (unaudited)</i>	<i>Corporate banking</i>	<i>Medium-Sized banking, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External						
Interest income calculated using the effective interest method	3 347 395	280 051	34 160	3 937 583	—	7 599 189
Other interest income	234 606	228	—	913 155	—	1 147 989
Fee income	372 595	160 462	230 815	48 776	—	812 648
Other income	33 985	6 136	11 913	5 308	18 602	75 944
Net income from operations with financial instruments at fair value through profit or loss	—	—	—	583 683	—	583 683
Net income from operations with debt financial instruments measured at fair value through other comprehensive income	—	—	—	18 168	1 223	19 391
Net income from foreign currency transactions	330 604	83 168	13 861	140 254	—	567 887
Net income from foreign currency revaluation	2 068	—	39	278 970	1 118 461	1 399 538
Gains on initial recognition of financial assets at interest rates above or below market	—	—	—	389	—	389
Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	—	—	17 103	20 637	1 155	38 895
Impairment gain and reversal of impairment loss for non-financial assets	—	—	—	—	22 421	22 421
Impairment gain arising from derecognition of financial assets measured at amortised cost	1 220 941	—	—	—	—	1 220 941
Income from other segments	2 602 251	1 020 327	1 147 654	2 887 691	(7 657 923)	—
Total income	8 144 445	1 550 372	1 455 545	8 834 614	(6 496 061)	13 488 915
Interest expense	(1 795 655)	(577 702)	(636 156)	(2 618 654)	(707)	(5 628 874)
Fee expense	(59 327)	(30 861)	(117 941)	(35 014)	(6 820)	(249 963)
Net loss from financial instruments at fair value through profit or loss	—	—	—	—	(2 301 063)	(2 301 063)
Net loss from trading in foreign currencies	—	—	—	—	(16 569)	(16 569)
Impairment loss determined in accordance with IFRS 9	(1 553 155)	(63 334)	—	—	—	(1 616 489)
Employee benefits expense	(337 655)	(304 715)	(267 975)	(92 256)	(303 798)	(1 306 399)
Amortisation expense	(19 663)	(23 436)	(24 689)	(3 178)	(15 607)	(86 573)
Other administrative and operating expenses	(93 128)	(77 866)	(254 223)	(21 539)	(99 540)	(546 296)
Impairment loss for non-financial assets	—	—	(7 172)	—	—	(7 172)
Impairment loss arising from derecognition of financial assets measured at amortised cost	—	—	(523)	—	—	(523)
Expenses from other segments	(2 645 838)	(199 132)	(24 403)	(4 560 443)	7 429 816	—
Segment results	1 640 024	273 326	122 463	1 503 530	(1 810 349)	1 728 994
Profit for the period						1 728 994
Assets and liabilities as at						

(UAH thousand, unless otherwise stated)

<i>30 September 2021 (unaudited)</i>	<i>Corporate banking</i>	<i>Medium-Sized banking, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
December 31, 2021						
Segment assets	65 221 785	6 256 048	1 386 107	117 172 073		190 036 013
Unallocated assets					2 057 519	2 057 519
Total assets						192 093 532
Segment liabilities	75 976 009	18 103 674	27 004 342	56 847 395		177 931 420
Unallocated liabilities					1 709 367	1 709 367
Total liabilities						179 640 787
Other segment information						
Capital expenditure	(8 472)	(9 942)	(11 095)	(1 344)	(6 671)	(37 524)

Geographical information

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

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Cash		
Cash on hand	1 548 418	1 344 580
Current account with the National Bank of Ukraine	6 776 931	2 479 707
Correspondent accounts with banks	31 208 589	15 778 690
Overnight deposits and loans with banks	4 762 647	2 924 272
	44 296 585	22 527 249
Cash equivalents		
Deposit certificates issued by the National Bank of Ukraine	7 004 408	16 004 872
Short term deposits classified as cash equivalents	9 241 456	4 367 064
	16 245 864	20 371 936
Less: allowance for expected credit losses	(40 623)	(16 814)
Cash and cash equivalents	60 501 826	42 882 371

5. Changes in liabilities in financial activities

Changes in liabilities in financial activities were as follows:

	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Carrying amount at 1 January 2022	28 820 004	3 605 597	6 099	32 431 700
Proceeds	208 497	—	—	208 497
Repayments	(8 672 376)	(674 119)	(2 073)	(9 348 568)
Translation differences	6 759 224	1 132 750	—	7 891 974
Other	759 415	76 012	3 866	839 293
Carrying amount at 30 September 2022 (unaudited)	27 874 764	4 140 240	7 892	32 022 896

(UAH thousand, unless otherwise stated)

	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Carrying amount at 1 January 2021	43 108 994	4 341 176	7 291	47 457 461
Proceeds	1 393 500	–	–	1 393 500
Repayments	(12 949 670)	(570 811)	(2 873)	(13 523 354)
Translation differences	(2 341 475)	(243 935)	–	(2 585 410)
Other	670 299	42 333	744	713 376
Carrying amount at 30 September 2021 (unaudited)	29 881 648	3 568 763	5 162	33 455 573

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

As at 30 September 2022, "Other borrowings" includes funds in the amount of UAH 1,798 thousand belonging to non-resident banks, which are included in "Due to other banks" of the consolidated statement of financial position (31 December 2021: UAH 1,643,168 thousand).

As at 30 September 2022, "Other borrowings" does not include funds in the amount of UAH 61,036 thousand, attracted from Ukrainian financial institutions, which were included in the category of funds for operating activities of the consolidated statement of cash flows (31 December 2021: UAH 60,818 thousand).

6. Expenses for expected credit losses

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

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
For three months ended 30 September 2022 (unaudited)							
Cash and cash equivalents	16 761	–	–	–	–	–	16 761
Loans and advances to banks	(1 049)	–	–	–	4 026	–	2 977
Loans and advances to customers	100 523	48 841	1 301 928	570 004	2 248 044	1 180 562	5 449 902
Recovery of previously written-off assets	–	–	–	(29 631)	(196 908)	–	(226 539)
Investment securities at fair value through other comprehensive income	9 618	–	–	–	–	–	9 618
Investment securities at amortised cost	193 269	–	–	–	–	–	193 269
Other financial assets	11 897	–	–	–	–	–	11 897
Financial guarantees	(67)	–	–	–	–	–	(67)
Undrawn loan commitments	5 499	(6 159)	(62 031)	3 033	–	–	(59 658)
Letters of credit	(15 706)	–	–	–	–	–	(15 706)
Avals on promissory notes	2	(1)	–	–	–	–	1
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	320 747	42 681	1 239 897	543 406	2 055 162	1 180 562	5 382 455
For nine months ended 30 September 2022 (unaudited)							
Cash and cash equivalents	18 491	–	–	–	–	–	18 491
Loans and advances to banks	(440)	–	160	(6)	4 026	–	3 740
Loans and advances to customers	1 592 831	417 279	1 800 099	1 121 646	2 890 849	2 246 764	10 069 468
Recovery of previously written-off assets	–	–	–	(38 548)	(244 769)	–	(283 317)
Investment securities at fair value through other comprehensive income	248 521	–	–	–	–	–	248 521
Investment securities at amortised cost	365 656	–	–	–	–	–	365 656

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
Other financial assets	40 045	—	—	—	—	—	40 045
Financial guarantees	(1 923)	1 720	—	(1 720)	—	—	(1 923)
Undrawn loan commitments	228 303	1 643	(75 377)	17 561	—	—	172 130
Letters of credit	22 258	—	—	—	—	—	22 258
Avals on promissory notes	87	(1)	—	—	—	—	86
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	2 513 829	420 641	1 724 882	1 098 933	2 650 106	2 246 764	10 655 155
	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
For three months ended 30 September 2021 (unaudited)							
Cash and cash equivalents	(5 201)	—	—	—	—	—	(5 201)
Loans and advances to banks	8 057	—	—	—	(465)	—	7 592
Loans and advances to customers	705 228	25 906	(189 419)	(84 261)	199 433	(117 395)	539 492
Recovery of previously written-off assets	—	—	—	(15 747)	(179 937)	—	(195 684)
Investment securities at fair value through other comprehensive income	1 834	—	—	—	—	—	1 834
Investment securities at amortised cost	7 988	—	—	—	—	—	7 988
Other financial assets	(5 626)	—	—	—	—	—	(5 626)
Financial guarantees	(127)	—	—	—	—	—	(127)
Undrawn loan commitments	(203 188)	(46)	—	1 243	—	—	(201 991)
Letters of credit	28 732	—	—	—	—	—	28 732
Avals on promissory notes	—	—	—	(2)	—	—	(2)
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	537 697	25 860	(189 419)	(98 767)	19 031	(117 395)	177 007
For nine months ended 30 September 2021 (unaudited)							
Cash and cash equivalents	(12 984)	—	—	—	—	—	(12 984)
Loans and advances to banks	10 230	—	—	—	9 750	—	19 980
Loans and advances to customers	1 240 692	95 382	(143 698)	(127 167)	398 295	241 621	1 705 125
Recovery of previously written-off assets	—	—	—	(19 448)	(231 388)	—	(250 836)
Investment securities at fair value through other comprehensive income	(4 251)	—	(3 205)	—	—	—	(7 456)
Investment securities at amortised cost	(11 745)	—	—	—	—	—	(11 745)
Other financial assets	(1 065)	—	—	—	—	—	(1 065)
Financial guarantees	363	—	—	—	—	—	363
Undrawn loan commitments	116 980	(3 749)	—	(24 572)	—	—	88 659
Letters of credit	47 531	—	—	—	—	—	47 531
Avals on promissory notes	44	—	—	(22)	—	—	22
(Impairment gain and reversals of impairment loss) impairment loss determined in accordance with IFRS 9	1 385 795	91 633	(146 903)	(171 209)	176 657	241 621	1 577 594

Expenses for expected credit losses on originated credit-impaired financial assets (“POCI”) recognised in profit or loss for the period ended September 30, 2022, include the amount of adjustment of the gross carrying amount of POCI in the amount of UAH 11,722 thousand (for the period ended 30 September 2021: UAH 201,647 thousand).

(UAH thousand, unless otherwise stated)

7. Loans and advances to banks

	30 September 2022 (unaudited)	31 December 2021
Loans and advances to banks		
Deposits in other banks	622 537	8 138 142
short-term	163 100	7 807 763
long-term	459 437	330 379
Loans to other banks	153 588	132 028
long-term	153 588	132 028
Total amount of loans and advances to banks	776 125	8 270 170

As at September 30, 2022 loans and advances to banks include funds in the amount of UAH 295,842 thousand, placed with banks of Ukraine (31 December 2021: UAH 8,209,543 thousand), banks of other countries – UAH 228,089 thousand (31 December 2021: UAH 182,394 thousand), OECD banks – UAH 339,178 thousand (31 December 2021: UAH 216,803 thousand).

As at September 30, 2022 loans and advances to banks are accounted for at amortised cost, except for current accounts in precious metals in the amount of UAH 86,528 thousand (31 December 2021: UAH 52,274 thousand), at fair value through profit or loss.

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

	Stage 1 collective	Stage 2 individual	Stage 3 collective	Stage 3 individual	Total
Allowance at 1 January 2022	8 320	–	74 435	255 815	338 570
New assets originated or purchased	10 920	–	–	–	10 920
Assets completed/(repaid)	(11 244)	–	(6)	–	(11 250)
Transfer to Stage 2	(198)	198	–	–	–
Transfer to Stage 3	(6)	(358)	6	358	–
Allowance write-off	–	–	–	(255 815)	(255 815)
Modifications in allowances	933	160	–	–	1 093
Translation difference	743	–	6	–	749
Allowance at 30 June 2022 (unaudited)	9 468	–	74 441	358	84 267
New assets originated or purchased	700	–	–	–	700
Assets completed/(repaid)	(815)	–	–	–	(815)
Allowance write-off	–	–	(2 541)	–	(2 541)
Modifications in allowances	(934)	–	–	4 026	3 092
Translation difference	2 123	–	67	90	2 280
Allowance at 30 September 2022 (unaudited)	10 542	–	71 967	4 474	86 983

	Stage 1 collective	Stage 3 collective	Stage 3 individual	Total
Allowance at 1 January 2021	3 194	74 466	708 599	786 259
New assets originated or purchased	29 842	–	–	29 842
Assets completed/(repaid)	(26 802)	–	–	(26 802)
Modifications in allowance	(867)	–	10 215	9 348
Translation difference	(569)	(21)	(1 843)	(2 433)
Allowance at June 30, 2021 (unaudited)	4 798	74 445	716 971	796 214
New assets originated or purchased	15 303	–	–	15 303
Assets completed/(repaid)	(6 648)	–	–	(6 648)
Assets written off	–	–	(450 925)	(450 925)
Modifications in allowance	(598)	–	(465)	(1 063)

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>Total</i>
Translation difference	(215)	(12)	(487)	(714)
Allowance at 30 September 2021 (unaudited)	12 640	74 433	265 094	352 167

8. Loans and advances to customers

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

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Legal entities	72 142 874	57 322 750
State entities	38 912 598	27 878 541
Individuals	1 703 030	1 455 413
	112 758 502	86 656 704
Less: reserve for expected credit losses	(30 075 592)	(17 321 842)
Loans and advances to customers	82 682 910	69 334 862

As at 30 September 2022 loans to state entities include loans to state administration authorities in the amount of UAH 7,071,649 thousand (as of 31 December 2021: UAH 5,520,379 thousand).

Legal entities

The tables below show an analysis of modifications in allowance:

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2022	1 020 730	72 590	138 134	907 715	8 918 077	4 121 967	15 179 213
New assets originated or purchased	159 413	–	–	–	–	–	159 413
Assets completed/(repaid)	(24 620)	(113)	–	(3)	(202)	–	(24 938)
Transfer to Stage 1	12 959	(12 959)	–	–	–	–	–
Transfer to Stage 2	(343 372)	81 822	261 550	–	–	–	–
Transfer to Stage 3	(149 781)	(884)	–	80 889	69 776	–	–
Interest income adjustment	–	–	–	8 575	69 068	26 494	104 137
Written off assets	–	–	–	(118 771)	(7 580)	–	(126 351)
Modifications in allowance	(61 498)	102 986	357 517	581 910	643 007	1 042 249	2 666 171
Modifications in the input data of macromodels	713 944	263 492	–	–	–	–	977 436
Translation difference	32 264	(6 995)	(14 886)	22 944	441 617	1 926	476 870
Allowance at 30 June 2022 (unaudited)	1 360 039	499 939	742 315	1 483 259	10 133 763	5 192 636	19 411 951
New assets originated or purchased	97 978	–	–	–	–	–	97 978
Assets completed/(repaid)	(40 962)	(688)	–	(6)	–	–	(41 656)
Transfer to Stage 1	1 537	(293)	–	(1 244)	–	–	–
Transfer to Stage 2	(358 036)	160 466	221 318	(23 748)	–	–	–
Transfer to Stage 3	(44 430)	(181 971)	(335 026)	54 228	507 199	–	–
Transfer to POCI	–	–	–	–	(672 783)	–	(672 783)
Interest income adjustment	–	–	–	4 436	32 844	32 326	69 606
Written off assets	–	–	–	–	(199 970)	–	(199 970)
Modifications in allowance	(3 015)	45 177	1 281 918	592 183	2 248 044	1 216 621	5 380 928
Translation difference	126 946	92 493	165 795	22 070	2 086 585	23 683	2 517 572
Allowance at September 30, 2022 (unaudited)	1 140 057	615 123	2 076 320	2 131 178	14 135 682	6 465 266	26 563 626
	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2021	386 157	259 790	470 962	760 030	39 015 411	3 555 997	44 448 347
New assets originated or purchased	768 577	–	–	–	–	–	768 577
Assets completed/(repaid)	(32 208)	(54 721)	(7 316)	(14 258)	(227)	–	(108 730)
Transfer to Stage 1	384 788	(250 842)	(133 946)	–	–	–	–
Transfer to Stage 2	(67 227)	105 040	(37 813)	–	–	–	–

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Stage 3 individual</i>	<i>POCI</i>	<i>Total</i>
Transfer to Stage 3	(8 248)	(2 699)	–	10 721	226	–	–
Transfer to POCI	–	–	–	–	(2 826 121)	–	(2 826 121)
Interest income adjustment	–	–	–	20 664	557 663	206 854	785 181
Written off assets	–	–	–	–	(10 809 176)	–	(10 809 176)
Modifications in allowance	(366 196)	186 098	(111 538)	47 233	199 089	478 073	432 759
Modifications in the input data of macromodels	(60 022)	(62 800)	–	–	–	–	(122 822)
Translation difference	(38 215)	(12 559)	(20 889)	(8 596)	(1 416 565)	(3 987)	(1 500 811)
Allowance at 30 June 2021 (unaudited) (recalculated)	967 406	167 307	159 460	815 794	24 720 300	4 236 937	31 067 204
New assets originated or purchased	293 490	–	–	–	–	–	293 490
Assets completed/(repaid)	(23 712)	(8 694)	–	(571)	–	–	(32 977)
Transfer to Stage 1	2 226	(2 226)	–	–	–	–	–
Transfer to Stage 2	(11 354)	13 710	–	(2 356)	–	–	–
Transfer to POCI	–	–	–	–	(181 176)	–	(181 176)
Result from derecognition	–	–	–	–	(5 010)	–	(5 010)
Interest income adjustment	–	–	–	969	11 774	34 292	47 035
Written off assets	–	–	–	(221 255)	(1 527 879)	–	(1 749 134)
Modifications in allowance	177 270	34 532	(6 034)	(46 855)	199 433	(34 831)	323 515
Translation difference	(32 554)	(5 690)	(6 472)	(5 059)	(539 844)	(4 308)	(593 927)
Allowance at 30 September 2021 (unaudited) (recalculated)	1 372 772	198 939	146 954	540 667	22 677 598	4 232 090	29 169 020

State entities

The tables below show an analysis of modifications in allowance:

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2022	425 092	163	342 045	86 406	–	853 706
New assets originated or purchased	323 336	–	–	–	–	323 336
Assets completed/(repaid)	(2 143)	(5)	–	(32 832)	–	(34 980)
Transfer to Stage 2	(279)	279	–	–	–	–
Transfer to Stage 3	(33 233)	(198)	–	33 431	–	–
Transfer to POCI	–	–	–	(7 877)	–	(7 877)
Interest income adjustment	–	–	–	5 611	170	5 781
Modifications in allowance	(200 227)	52	140 654	1 133	(170)	(58 558)
Modifications in the input data of macromodels	581 651	314	–	–	–	581 965
Translation difference	7 664	–	24 769	527	–	32 960
Allowance at 30 June 2022 (unaudited)	1 101 861	605	507 468	86 399	–	1 696 333
New assets originated or purchased	233 113	–	–	–	–	233 113
Assets completed/(repaid)	(218 245)	(5 144)	–	(149)	–	(223 538)
Transfer to Stage 2	(10 907)	10 907	–	–	–	–
Interest income adjustment	–	–	–	2 964	203	3 167
Modifications in allowance	26 421	(308)	20 010	(1 734)	(203)	44 186
Translation difference	59 239	–	126 673	–	–	185 912
Allowance at 30 September 2022 (unaudited)	1 191 482	6 060	654 151	87 480	–	1 939 173

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2021	100 604	697	691 802	121 416	55	914 574
New assets originated or purchased	36 920	–	–	–	–	36 920
Assets completed/(repaid)	(119)	–	–	(6 882)	(24)	(7 025)
Transfer to Stage 2	(64 055)	9	64 046	–	–	–
Transfer to Stage 3	(35 841)	(697)	–	36 538	–	–
Interest income adjustment	–	–	–	(53)	–	(53)
Modifications in allowance	186 899	44	164 575	(65 214)	14	286 318
Modifications in the input data of macromodels	(665)	–	–	–	–	(665)
Translation difference	(5 533)	(1)	(22 200)	(379)	–	(28 113)
Allowance at 30 June 2021 (unaudited) (recalculated)	218 210	52	898 223	85 426	45	1 201 956
New assets originated or purchased	204 660	–	–	–	–	204 660

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>POCI</i>	<i>Total</i>
Assets completed/(repaid)	(24)	–	–	(10 523)	–	(10 547)
Transfer to Stage 1	6 396	–	(6 396)	–	–	–
Transfer to Stage 3	(9 387)	–	–	9 387	–	–
Modifications in allowance	38 568	18	(183 385)	254	36	(144 509)
Translation difference	(5 004)	–	(9 911)	(175)	–	(15 090)
Allowance at 30 September 2021 (unaudited) (recalculated)	453 419	70	698 531	84 369	81	1 236 470

Individuals

The tables below show an analysis of modifications in allowance:

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2022	2 305	1 209	1 285 409	–	1 288 923
New assets originated or purchased	1 209	–	–	–	1 209
Assets completed/(repaid)	(266)	(181)	(536)	–	(983)
Transfer to Stage 1	448	(448)	–	–	–
Transfer to Stage 2	(2 012)	2 113	(101)	–	–
Transfer to Stage 3	(916)	(1 196)	2 112	–	–
Interest income adjustment	–	–	1 849	–	1 849
Written off assets	–	–	(16 543)	–	(16 543)
Modifications in allowance	(65)	305	1 970	–	2 210
Modifications in the input data of macromodels	1 574	1 588	–	–	3 162
Translation difference	3	5	61 932	–	61 940
Allowance at 30 June 2022 (unaudited)	2 280	3 395	1 336 092	–	1 341 767
New assets originated or purchased	338	–	–	–	338
Assets completed/(repaid)	(351)	(551)	(15 770)	–	(16 672)
Transfer to Stage 1	161	(161)	–	–	–
Transfer to Stage 2	(2 468)	2 538	(70)	–	–
Transfer to Stage 3	(162)	(8 652)	8 814	–	–
Interest income adjustment	–	–	738	11	749
Written off assets	–	–	(19 988)	–	(19 988)
Modifications in allowance	5 246	10 355	(4 520)	(11)	11 070
Translation difference	12	33	255 484	–	255 529
Allowance at 30 September 2022 (unaudited)	5 056	6 957	1 560 780	–	1 572 793
	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>		<i>Total</i>
Allowance at 1 January 2021	1 974	957	2 019 488		2 022 419
New assets originated or purchased	1 049	–	–		1 049
Assets completed/(repaid)	(602)	(183)	(2 041)		(2 826)
Transfer to Stage 1	669	(669)	–		–
Transfer to Stage 2	(1 369)	1 369	–		–
Transfer to Stage 3	(431)	(1 212)	1 643		–
Interest income adjustment	–	–	9 340		9 340
Written off assets	–	–	(585 234)		(585 234)
Modifications in allowance	2 152	1 152	(1 744)		1 560
Modifications in the input data of macromodels	(321)	(114)	–		(435)
Translation difference	(4)	(17)	(68 034)		(68 055)
Allowance at 30 June 2021 (unaudited) (recalculated)	3 117	1 283	1 373 418		1 377 818
New assets originated or purchased	16 087	–	–		16 087
Assets completed/(repaid)	(445)	(506)	(16 293)		(17 244)
Transfer to Stage 1	2 114	(2 114)	–		–
Transfer to Stage 2	(715)	2 848	(2 133)		–
Transfer to Stage 3	(15 640)	(882)	16 522		–
Transfer to POCI	–	–	(9 633)		(9 633)
Result from derecognition	–	–	(375)		(375)
Written off assets	–	–	(8 761)		(8 761)
Modifications in allowance	(666)	556	(10 273)		(10 383)
Translation difference	–	(11)	(26 333)		(26 344)

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>POCI</i>	<i>Total</i>
Allowance at 30 September 2021 (unaudited) (recalculated)	3 852	1 174	1 316 139		1 321 165

Modified loans

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

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

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

	<i>For the period ended September 30</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	
Loans to customers modified during the period		
Amortised cost before modification	1 130 918	6 537 078
Net modification (loss)/gain	(3 784)	(249)

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

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

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

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

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

The Russian military invasion to Ukraine necessitated an extraordinary revision of approaches and refinement of methods for estimating expected credit losses, including more detailed portfolio segmentation, application of expert judgments, and prompt processing of information on the current and projected state of hostilities and their impact on assets, operating activities, financial condition of debtors and their ability to meet monetary obligations to the Bank. Thus, the Bank reclassified the loan portfolio in stages, in particular, debtors whose main assets are located in the temporarily occupied territories and territories where active hostilities are taking place (depending on whether they have other assets, their ability to conduct or resume operating activities, including taking into account the forecasts for the liberation of the respective territories / cessation of active hostilities and their return to the control of Ukraine), as well as borrowers located in other territories, based on the risks of damage to property and assessment of their ability to conduct operating activities in the current conditions, forecasts of changes in the situation, were reclassified in stages and some debtors were transferred to Stage 2 or Stage 3. At the same time, for debtors with significant amounts of debt (regardless of whether the asset stage was worsened or whether it was classified as Stage 2 or Stage 3 before the war), the scenarios of receiving cash flows for debt repayment were revised, which involved changing repayment schedules and expert assessment of their receipt in different scenarios of further events. In addition, the calculation was reduced to zero for the expected cash flows from the sale of collateral which was destroyed during the

(UAH thousand, unless otherwise stated)

hostilities. Besides, the Bank made calculations to determine the increase in the amount of the provisions due to the war (calculation without applying appropriate changes to the methods and approaches to evaluation and comparing the result with the one of the calculation with the corresponding changes).

According to the Bank's estimates, the increase in the provisions for 9 months 2022 on loans, caused by the war, is UAH 10,565,808.4 thousand. The Bank will continue to collect and process information to ensure an adequate assessment of credit risks despite the uncertainties caused by the war.

9. Investments in securities

Investments in securities include:

	30 September 2022 (unaudited)	31 December 2021
Investment securities at fair value through profit or loss	27 423 849	23 319 112
Investment securities at fair value through other comprehensive income	13 290 029	12 737 353
Investment securities at amortised cost	21 290 589	30 139 375
Investments in securities	62 004 467	66 195 840

Investment securities at fair value through profit or loss

As at 30 September 2022 investment securities at FVPL with the carrying amount of UAH 27,423,849 thousand (December 31, 2021: UAH 23,319,112 thousand) are represented by Ukrainian state bonds. The conditions of issue of those securities provide for indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of UAH to USD per month prior to the date of issue and per month prior to the maturity date. Coupon yield is not subject to indexation.

As at 30 September 2022 the state bonds with a carrying amount of UAH 10,654,760 thousand are pledged as collateral on loans received from the NBU (31 December 2021: UAH 11,290,760 thousand) (Note 13).

Investment securities at fair value through other comprehensive income

	30 September 2022 (unaudited)	31 December 2021
Ukrainian state bonds	13 093 600	12 430 319
Corporate bonds	174 261	283 786
Corporate shares	22 168	23 248
Investment securities at fair value through other comprehensive income	13 290 029	12 737 353

As at September 30, 2022 Ukrainian state bonds with carrying amount of UAH 6,666,792 thousand are pledged as collateral for loans received from the NBU (31 December 2021: UAH 7,529,195 thousand) (Note 13).

As at September 30, 2022 Ukrainian state bonds with carrying amount of UAH 62,656 thousand are pledged as collateral for loans received from other financial institutions (31 December 2021: UAH 86,548 thousand) (Note 14).

As at September 30, 2022 Ukrainian state bonds with carrying amount of UAH 942,549 thousand are used to form a guarantee fund for interest rate swaps (31 December 2021: UAH 1,095,864 thousand) (Note 12).

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

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

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>		
Allowance at 1 January 2022	39 108		
New assets originated or purchased	20 947		
Assets repaid	(2 431)		
Modifications in allowance	220 387		
Sold assets	(8 333)		
Translation difference	94		
Allowance at 30 June 2022 (unaudited)	269 772		
New assets originated or purchased	22 584		
Assets repaid	(31 098)		
Modifications in allowance	18 132		
Sold assets	(50 676)		
Translation difference	5 691		
Allowance at 30 September 2022 (unaudited)	234 405		

	<i>Stage 1 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 individual</i>	<i>Total</i>
Allowance at 1 January 2021	37 972	22 175	4 218 021	4 278 168
New assets originated or purchased	8 497	–	–	8 497
Assets repaid	(12 171)	–	–	(12 171)
Transfer to Stage 1	18 970	(18 970)	–	–
Sold assets	(2 371)	–	–	(2 371)
Modifications in allowance	(2 411)	(3 205)	–	(5 616)
Translation difference	(251)	–	–	(251)
Allowance at 30 June 2021 (unaudited)	48 235	–	4 218 021	4 266 256
New assets originated or purchased	3 260	–	–	3 260
Assets repaid	(672)	–	–	(672)
Written off assets	–	–	(948 987)	(948 987)
Sold assets	(3 894)	–	–	(3 894)
Modifications in allowance	(754)	–	–	(754)
Translation difference	(106)	–	–	(106)
Allowance at 30 September 2021 (unaudited)	46 069	–	3 269 034	3 315 103

Investment securities at amortised cost

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Ukrainian state bonds	12 933 811	16 417 048
Corporate bonds	8 555 134	13 546 887
Municipal bonds	225 219	222 378
	21 714 164	30 186 313
Less: allowance for expected credit losses	(423 575)	(46 938)
Investment securities at amortised cost	21 290 589	30 139 375

As at September 30, 2022 state bonds with carrying amount of UAH 6,749,258 thousand are pledged as collateral on loans received from the NBU (31 December 2021: UAH 6,983,949 thousand) (Note 13).

As at 30 September 2022 corporate bonds with carrying amount of UAH 8,457,345 thousand are pledged as collateral on loans received from the NBU (31 December 2021: UAH 8,372,405 thousand) (Note 13).

(UAH thousand, unless otherwise stated)

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

	<i>Stage 1 collective</i>
Allowance at 1 January 2022	46 938
New assets originated or purchased	9 213
Assets repaid	(28 591)
Modifications in allowance	191 765
Translation difference	942
Allowance at 30 June 2022 (unaudited)	220 267
New assets originated or purchased	194 500
Modifications in allowance	(1 231)
Translation difference	10 039
Allowance at 30 September 2022 (unaudited)	423 575

	<i>Stage 1 collective</i>
Allowance at January 1, 2021	55 471
New assets originated or purchased	30 817
Assets repaid	(51 009)
Modifications in allowance	459
Translation difference	(717)
Allowance at 30 June 2021 (unaudited)	35 021
New assets originated or purchased	18 419
Assets repaid	(10 421)
Modifications in allowance	(10)
Translation difference	(267)
Allowance at 30 September 2021 (unaudited)	42 742

10. Other financial assets and other financial liabilities

Other financial assets comprise:

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Transit accounts on operations with payment cards	146 822	119 363
Other accrued income	97 147	62 812
Accrued service fee on financial guarantees issued	88 935	18 281
Accounts receivable on operations with customers	83 115	63 485
Other	92	121
	416 111	264 062
Less: allowance for expected credit losses	(124 202)	(86 466)
Total other financial assets	291 909	177 596

Other financial liabilities include:

(UAH thousand, unless otherwise stated)

	30 September 2022 (unaudited)	31 December 2021
Transit accounts on operations with customers	1 589 431	496 093
Transit accounts on operations with payment cards	105 378	61 132
Liabilities on financial guarantees issued	12 066	22 264
Accrued expenses	11 707	10 430
Lease commitments	7 892	6 099
Other	10 400	-
Total other financial liabilities	1 736 874	596 018

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

	Stage 1 collective
Allowance at 1 January 2022	86 466
New assets originated or purchased	18 166
Assets completed/(repaid)	(12 181)
Modifications in allowance	22 163
Written off assets	(5 952)
Translation difference	1 759
Allowance at 30 June 2022 (unaudited)	110 421
New assets originated or purchased	13 458
Assets completed/(repaid)	(12 957)
Modifications in allowance	11 396
Written off assets	(6 597)
Translation difference	8 481
Allowance at 30 September 2022 (unaudited)	124 202
	Stage 1 collective
Allowance at 1 January 2021	97 061
New assets originated or purchased	6 692
Assets completed/(repaid)	(5 080)
Modifications in allowance	2 949
Written off assets	(159)
Translation difference	(2 681)
Allowance at June 30, 2021 (unaudited)	98 782
New assets originated or purchased	1 550
Assets completed/(repaid)	(14 922)
Modifications in allowance	7 746
Written off assets	(191)
Translation difference	(1 149)
Allowance at 30 September 2021 (unaudited)	91 816

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

Other non-financial assets include:

(UAH thousand, unless otherwise stated)

	30 September 2022 (unaudited)	31 December 2021
Advance payments	110 386	133 060
Cash, which availability is not confirmed	51 889	34 413
Other tax assets, except those related to income tax	34 880	98 721
Inventories	29 298	30 845
Repossessed pledged property	2 293	33 112
Precious metals	507	29 979
Other	1 922	1 752
	231 175	361 882
Less: allowance for impairment	(120 507)	(69 599)
Total other nonfinancial assets	110 668	292 283

Other non-financial liabilities include:

	30 September 2022 (unaudited)	31 December 2021
Accrued unused vacations	173 239	135 812
Payables to the Individual Deposit Guarantee Fund	60 918	50 952
Accrued salary	31 239	209 423
Deferred income	26 524	51 449
Payables on taxes and mandatory contributions, except for income tax	21 615	30 750
Payables on the Bank's business activities	15 835	16 664
Other	225	306
Total other non-financial liabilities	329 595	495 356

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

Allowance at 1 January 2022	69 599
Accrued	15 464
Translation difference	1 715
Allowance at 30 June 2022 (unaudited)	86 778
Accrued	29 330
Assets written off	(4 606)
Translation difference	9 005
Allowance at 30 September 2022 (unaudited)	120 507
Allowance at 1 January 2021	95 009
Reversal	(15 354)
Translation difference	(1 362)
Allowance at 30 June 2021 (unaudited)	78 293
Accrued	105
Translation difference	(742)
Allowance at 30 September 2021 (unaudited)	77 656

12. Derivative financial instruments

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

Forward transactions

(UAH thousand, unless otherwise stated)

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

Currency swap

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

Interest rate swap

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

As at 30 September 2022 the notional amounts are:

	<i>Notional amount</i>		<i>Fair value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Currency swap	1 417 786	1 422 753	32 737	37 703
Interest rate swap	8 397 406	–	2 516 365	–

As at 31 December 2021 the notional amounts are:

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

To form the guarantee fund for interest rate swap operations, the Bank used investment securities – Ukrainian state bonds with the carrying amount of UAH 942, 549 thousand (31 December 2021: UAH 1,095,864 thousand) (Note 9).

13. Due to other banks

Due to banks comprise:

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Amount due to the National Bank of Ukraine		
Correspondent account with the National Bank of Ukraine	–	362
Loans from the National Bank of Ukraine	19 366 801	21 366 867
	19 366 801	21 367 229
Amounts due to banks		
Current accounts	2 759 911	2 418 887
Loans and deposits	154 106	1 754 600
Other amounts due to credit institutions	42 088	36 655
	2 956 105	4 210 142
Amounts due to banks	22 322 906	25 577 371

The amounts due to the National Bank of Ukraine on all refinancing loans are secured by investment securities – Ukrainian state bonds with the carrying amount of UAH 24,070,810 thousand and corporate bonds with the carrying amount of UAH 8,457,345 thousand (Note 9) (31 December 2021: state bonds with a carrying amount of UAH 25,803,904 thousand and corporate bonds with a carrying amount of UAH 8,372,405 thousand).

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

(UAH thousand, unless otherwise stated)

14. Other borrowed funds

Other borrowed funds include:

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Loans from international financial institutions	24 092 794	21 451 751
Issued Eurobonds	3 780 172	5 725 085
Loans of other financial institutions	61 036	60 818
Other borrowed funds	27 934 002	27 237 654

Loans from other financial organisations include a loan from the Entrepreneurship Development Fund (EDF) attracted under the lending program for micro, small and medium businesses (private entrepreneurs and legal entities of private ownership). Loan debt to the EDF is secured by investment securities – state bonds with a carrying amount of UAH 62,656 thousand (31 December 2021: UAH 86,548 thousand) (Note 9).

Issued Eurobonds

	<i>30 September 2022 (unaudited)</i>			<i>31 December 2021</i>		
	<i>Debt balance (thous.)</i>	<i>Currency</i>	<i>Carrying amount</i>	<i>Debt balance (thous.)</i>	<i>Currency</i>	<i>Carrying amount</i>
Issue of April 2010	–	USD	–	22 928	USD	636 295
Issue of January 2013	84 513	USD	3 150 143	139 764	USD	3 975 535
Issue of October 2010	–	USD	–	11 464	USD	318 148
Issue of April 2013	16 903	USD	630 029	27 953	USD	795 107
Issued Eurobonds			3 780 172			5 725 085

15. Customer accounts

Customer accounts comprise:

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Current accounts:		
- Legal entities	56 793 396	52 248 550
- Budget financed organizations	34 326 726	11 141 261
- Individuals	9 548 107	6 086 642
	100 668 229	69 476 453
Time deposits:		
- Legal entities	23 690 369	26 350 834
- Individuals	20 669 992	19 088 954
- Budget financed organizations	2 106 371	-
	46 466 732	45 439 788
Demand deposits:		
- Legal entities	6 218 177	5 380 130
- Individuals	1 404 378	1 540 865
	7 622 555	6 920 995
Customer accounts	154 757 516	121 837 236
Held as security against guarantees and avals (Note 17)	1 392 155	3 149 849
Held as security against loans to customers (Note 8)	1 204 297	794 067
Held as security against letters of credit (Note 17)	598 885	570 403
Held as security against undrawn loan commitments (Note 17)	34 366	26 147

(UAH thousand, unless otherwise stated)

As at 30 September 2022 customer accounts included attracted deposits and current accounts in gold, which are measured at fair value with revaluation through profit or loss, in the amount of UAH 60,496 thousand (December 31, 2021: UAH 45,321 thousand). The change in the fair value of funds raised in gold, which is due to changes in credit risk, as of 30 September 2022 is not available (31 December 2021: not available).

16. Equity

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

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

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

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

Movements in other reserves

Movements in other reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Other reserves</i>
At 1 January 2021	1 013 287	(424 183)	(63 421)	525 683
Depreciation of revaluation reserve, net of tax	(14 793)	—	—	(14 793)
Net (losses)/gains on investment securities at fair value through other comprehensive income, including:	—	(391 623)	67	(391 556)
Reversal of expenses on expected credit losses on investment securities at fair value through other comprehensive income	—	7 456	—	7 456
Net realised gains from operations with debt financial instruments measured at fair value through other comprehensive income	—	(19 391)	—	(19 391)
Net unrealised (losses) / gains on investment securities at fair value through other comprehensive income	—	(379 688)	67	(379 621)
Income tax related to components of other comprehensive income	—	—	—	—
As at 30 September 2021 (unaudited)	998 494	(815 806)	(63 354)	119 334

(UAH thousand, unless otherwise stated)

	<i>Property revaluation reserve</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Other reserves</i>
As at 1 January 2022	926 276	(962 130)	(62 775)	(98 629)
Depreciation of revaluation reserve, net of tax	(18 652)	–	–	(18 652)
Net (losses)/gains on investment securities at fair value through other comprehensive income, including:	–	(1 576 204)	(1 080)	(1 577 284)
Expenses for expected credit losses on investment securities at fair value through other comprehensive income	–	(248 521)	–	(248 521)
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	–	(63 582)	–	(63 582)
Net unrealised (losses) / gains on investment securities at fair value through other comprehensive income	–	(1 264 101)	(1 080)	(1 265 181)
Income tax related to components of other comprehensive income	–	–	–	–
As at 30 September 2022 (unaudited)	907 624	(2 538 334)	(63 855)	(1 694 565)

17. Loan commitments

Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts of the Bank comprise:

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Undrawn loan commitments	24 632 723	14 028 060
Financial guarantees	2 010 564	1 566 433
Letters of credit	1 820 967	1 568 278
Avals on promissory notes	616 774	400 443
	29 081 028	17 563 214
Less: provisions	(577 773)	(290 987)
Loan commitments and financial guarantee contracts (before deducting cash held as security)	28 503 255	17 272 227
Less: cash held as security against letters of credit, avals, finance guarantees and loan commitments	(1 013 599)	(1 047 866)
Loan commitments and financial guarantee contracts	27 489 656	16 224 361

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

(UAH thousand, unless otherwise stated)

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 2 individual</i>	<i>Stage 3 collective</i>	<i>Total</i>
Provision for credit-related commitments as at 1 January 2022	248 247	76	–	593	248 916
New liabilities originated or purchased	221 183	–	–	–	221 183
Liabilities completed/(settled)	(171 610)	(800)	(28 739)	(3 023)	(204 172)
Transfer to Stage 1	71	(29)	0	(42)	–
Transfer to Stage 2	(65 146)	6 446	58 706	(6)	–
Transfer to Stage 3	(518)	(214)	–	732	–
Modifications in allowance	(81 341)	2 306	15 394	17 551	(46 090)
Modifications in macro model input data	254 571	6 296	–	–	260 867
Translation differences	6 814	(1 714)	–	–	5 100
Provision for credit-related commitments at 30 June 2022 (unaudited)	412 271	12 367	45 361	15 805	485 804
New liabilities originated or purchased	143 657	–	–	–	143 657
Liabilities completed/(settled)	(105 456)	(5 193)	(32 254)	(7 150)	(150 053)
Transfer to Stage 1	27	(17)	–	(10)	–
Transfer to Stage 2	(27 740)	234	27 506	–	–
Transfer to Stage 3	(1 791)	(1 009)	–	2 800	–
Modifications in allowance	(32 702)	(966)	(29 777)	10 183	(53 262)
Translation differences	63 383	104	13 326	1	76 814
Provision for credit-related commitments at 30 September 2022 (unaudited)	451 649	5 520	24 162	21 629	502 960

	<i>Stage 1 collective</i>	<i>Stage 2 collective</i>	<i>Stage 3 collective</i>	<i>Total</i>
Provision for credit-related commitments at 1 January 2021	126 706	3 713	402	130 821
New liabilities originated or purchased	553 630	–	–	553 630
Liabilities completed/(settled)	(194 975)	(8 893)	(351)	(204 219)
Transfer to Stage 1	949	(949)	–	–
Transfer to Stage 2	(1 172)	1 243	(71)	–
Transfer to Stage 3	(47 835)	(124)	47 959	–
Modifications in allowance	(18 250)	5 192	(25 464)	(38 522)
Modifications in macro model input data	(20 237)	(2)	–	(20 239)
Translation differences	(6 982)	(19)	(764)	(7 765)
Provision for credit-related commitments at 30 June 2021 (unaudited)	391 834	161	21 711	413 706
New liabilities originated or purchased	167 251	–	–	167 251
Liabilities completed/(settled)	(109 096)	(92)	(238)	(109 426)
Transfer to Stage 1	117	(117)	–	–
Transfer to Stage 2	(218)	292	(74)	–
Transfer to Stage 3	(88)	(22)	110	–
Modifications in allowance	(261 343)	46	1 481	(259 816)
Translation differences	(4 808)	–	(459)	(5 267)
Provision for credit-related commitments at 30 September 2021 (unaudited)	183 649	268	22 531	206 448

(UAH thousand, unless otherwise stated)

Performance guarantees

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

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Performance guarantees	6 391 410	6 330 080
Less: provisions	(1 142)	(561)
Commitments related to performance guarantees (before deducting cash held as security)	6 390 268	6 329 519
Less: cash held as security against performance guarantees (Note15)	(1 011 807)	(2 698 533)
Commitments related to performance guarantees	5 378 461	3 630 986

The provision for performance guarantees is included in other commitments.

Financial covenants

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

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

Pledged assets

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

Assets pledged by the Bank as collateral:

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>		<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
<i>Liability type</i>	<i>Liability amount</i>		<i>Asset type</i>	<i>Asset carrying amount</i>	
NBU refinancing loans	19 366 801	21 366 867	Ukrainian state bonds at fair value through profit or loss	10 654 760	11 290 760
			Ukrainian state bonds at fair value through other comprehensive income	6 666 792	7 529 195
			Ukrainian state bonds at amortised cost	6 749 258	6 983 949
			Corporate bonds	8 457 345	8 372 405
NBU interest rate swap (notional amount)	8 397 406	8 647 406	Ukrainian state bonds at fair value through other comprehensive income	942 549	1 095 864
Loan from the Entrepreneurship Development Fund	61 036	60 818	Ukrainian state bonds at fair value through other comprehensive income	62 656	86 548

(UAH thousand, unless otherwise stated)

18. Employee benefits expense and other administrative and operating expenses

Employee benefits expense and other administrative and operating expenses comprise:

	2022		2021	
	<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 (recalculated)</i>	<i>for the nine months ended 30 September (recalculated)</i>
	<i>(unaudited)</i>			
Salaries and bonuses	339 464	1 180 693	377 922	1 136 213
Mandatory contributions to the state funds	65 022	216 296	59 019	170 186
Employee benefits expense	404 486	1 396 989	436 941	1 306 399
Payables to the Individual Deposit Guarantee Fund	60 918	164 837	53 031	163 028
Results from sale of investment real estate	33 305	44 205	–	–
Legal and advisory services	32 857	40 633	12 189	22 470
Repair and maintenance of property, plant and equipment	23 731	67 738	31 149	82 510
Security	19 533	55 726	18 855	48 196
Maintenance of premises	14 503	44 092	9 174	29 715
Operating taxes	9 567	26 146	13 973	37 973
Expenses for computer processing of information	8 763	22 348	11 894	29 893
Expenses for cash collection	5 027	12 249	7 194	17 634
Business expenses	4 362	10 833	2 730	8 418
Communication services	4 105	10 353	3 583	10 608
Rent of premises	3 090	7 858	3 595	10 212
Business travel and related expenses	911	1 697	1 711	3 304
Representative offices expenses	873	2 558	674	2 146
Marketing and advertising	849	7 509	12 569	18 962
Charity	48	3 254	–	–
Modification of financial assets	(2 837)	2 175	7 413	9 987
Other	20 641	53 773	21 661	51 240
Other administrative and operating expenses	240 246	577 984	211 395	546 296

Expenses for payment to the non-state pension fund for the period ended 30 September 2022 amount to UAH 930 thousand (30 September 2021: UAH 639 thousand).

19. Fair value of assets and liabilities

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

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

	30 September 2022 (unaudited)			31 December 2021		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
Financial assets						
Cash and cash equivalents	60 501 826	60 501 826	–	42 882 371	42 882 371	–
Loans and advances to banks	689 597	689 597	–	8 217 896	8 217 896	–
Loans and advances to customers	82 682 910	80 331 908	(2 351 002)	69 334 862	68 384 011	(950 851)
Investment securities at amortised cost	21 290 589	18 976 348	(2 314 241)	30 139 375	29 517 124	(622 251)

(UAH thousand, unless otherwise stated)

	30 September 2022 (unaudited)			31 December 2021		
	Carrying amount	Fair value	Unrecognised gain/(loss)	Carrying amount	Fair value	Unrecognised gain/(loss)
Other financial assets	291 909	291 909	–	177 596	177 596	–
Financial liabilities						
Due to other banks	22 322 906	22 322 906	–	25 577 371	25 577 371	–
Customer accounts	154 697 020	154 716 479	(19 459)	121 791 915	121 766 497	25 418
Other borrowed funds	27 934 002	25 520 885	2 413 117	27 237 654	27 358 028	(120 374)
<i>Incl. Eurobonds issued</i>	<i>3 780 172</i>	<i>1 367 055</i>	<i>2 413 117</i>	<i>5 725 085</i>	<i>5 845 459</i>	<i>(120 374)</i>
Subordinated debt	4 140 240	1 603 554	2 536 686	3 605 597	3 719 327	(113 730)
Other financial liabilities	1 736 874	1 736 874	–	596 018	596 018	–
Total unrecognised changes in unrealised fair value			265 101			(1 781 788)

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

Assets whose fair value approximates their carrying value

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

Fixed rate financial instruments

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

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

As at 30 September 2022 (unaudited)	Fair value recurring measurements		
	Level 2	Level 3	Total
Current accounts with banks in precious metals	86 528	–	86 528
Investment securities at fair value through profit or loss	425 635	26 998 214	27 423 849
Investment securities at fair value through other comprehensive income	13 267 861	22 168	13 290 029
Derivative financial assets	2 549 102	–	2 549 102
Total assets	16 329 126	27 020 382	43 349 508
Amounts due to customers in precious metals	60 496	–	60 496
Total liabilities	60 496	–	60 496

As at 31 December 2021	Fair value recurring measurements		
	Level 2	Level 3	Total
Current accounts with banks in precious metals	52 274	–	52 274
Investment securities at fair value through profit or loss	–	23 319 112	23 319 112
Investment securities at fair value through other comprehensive income	12 714 105	23 248	12 737 353

(UAH thousand, unless otherwise stated)

<i>As at 31 December 2021</i>	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Derivative financial assets	582 742	–	582 742
Total assets	13 349 121	23 342 360	36 691 481
Amounts due to customers in precious metals	45 321	–	45 321
Derivative financial liabilities	7	–	7
Total liabilities	45 328	–	45 328

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

Movements in level 3 assets measured at fair value

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

	<i>At 1 January 2022</i>	<i>Gain/(loss) recognised in the consolidated statement of profit and loss</i>	<i>Gain/(loss) recognised in the consolidated statement of comprehensive income</i>	<i>Settlements</i>	<i>At 30 September 2022</i>
Investment securities at fair value through profits and losses	23 319 112	4 538 902 ^(a)	–	(859 800) ^(c)	26 998 214
Investment securities at fair value through other comprehensive income	23 248	795 ^(b)	(1 080)	(795) ^(a)	22 168
Total assets	23 342 360	4 539 697	(1 080)	(860 595)	27 020 382

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

- (a) Gain in the amount of UAH 4,538,902 thousand include: UAH 3,691,056 thousand of revaluation of investment securities at fair value through profit or loss, which is included in "Net gain / (loss) from transactions with financial instruments at fair value through profit or loss" and UAH 847,845 thousand of accrued interest income, which is included in "Interest income" (2021: Losses in the amount of UAH (1,117,629) thousand include: UAH (2,316,453) thousand of revaluation of investment securities at fair value through profit or loss, which is included in the item "Net gain / (loss) on transactions with financial instruments at fair value through profit or loss" and UAH 1,198,825 thousand of accrued interest income, which is included in "Interest income").
- (b) Accrued dividends in the amount of UAH 795 thousand are included in "Other income" (2021: accrued dividends in the amount of UAH 933 thousand are included in the item "Other income").
- (c) Redemptions in the amount of UAH 859,800 thousand include: UAH 859,800 thousand of redemption of the coupon (2021: redemption in the amount of UAH 4,571,780 thousand include: UAH 1,222,960 thousand of coupon redemption and UAH 3,348,820 thousand of securities redemption).
- (d) Payment of dividends in the amount of 795 thousand (2021: payment of dividends in the amount of UAH 933 thousand).

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

(UAH thousand, unless otherwise stated)

<i>At 30 September 2022</i>			
<i>(unaudited)</i>			
	<i>Realised gains</i>	<i>Unrealised gains</i>	<i>Total</i>
Investment securities at fair value through profit or loss	635 780	3 903 121	4 538 901
Investment securities at fair value through other comprehensive income	795	–	795
Total	636 575	3 903 121	4 539 696

<i>At 30 September 2021</i>			
<i>(unaudited)</i>			
	<i>Realised gains</i>	<i>Unrealised (losses)</i>	<i>Total</i>
Investment securities at fair value through profit or loss	461 485	(1 849 393)	(1 387 908)
Investment securities at fair value through other comprehensive income	933	–	933
Total	462 418	(1 849 393)	(1 386 975)

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

<i>At 30 September 2022</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values, %</i>
<i>(unaudited)</i>				
Investment securities at fair value through other comprehensive income	22 168	Discounted cash flows	Expected profitability	13.9
Investment securities at fair value through profit or loss	26 998 214	Garman-Kohlhagen model	Historical volatility of UAH/USD exchange rate	26.242

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

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

When increasing / decreasing the historical volatility of the exchange rate by 1 percentage point, the fair value of investment securities at fair value through profit or loss will increase by UAH 5,530.77 thousand/ decrease by UAH 5,337.14 thousand as at 30 September 2022.

Assumptions about the impact of changes in exchange rate volatility as at 30 September 2022 when estimating the fair value of investment securities at fair value through profit or loss are estimated by the bank at +70.85 percentage points. The effect of such changes in the volatility of the rate on Ukrainian state bonds with an indexed value is UAH 746,777.67 thousand and will increase profits.

20. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if they are under common control, or

(UAH thousand, unless otherwise stated)

one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into the transactions, which unrelated parties might not. The terms and conditions of such transactions may differ from those between unrelated parties. Transactions and balances under transactions with related parties comprise transactions with entities controlled by the government (directly or indirectly, or significantly influenced by the Ukrainian Government) and the key governance personnel.

The settlement balances with the key management personnel as at 30 September 2022 and 31 December 2021 and the related income and expense for nine months ended 30 September of 2022 and 2021 are as follows:

	<i>Key management personnel</i>	
	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Loans and advances to customers, gross	1 657	1 683
Less: allowance for impairment	(46)	(25)
Loans and advances to customers, net	1 611	1 658
Other financial assets	3	1
Current accounts	6 096	4 690
Time deposits	3 024	4 092
Customer accounts	9 120	8 782
Other non-financial liabilities	13	14
	<i>For the period ended September 30</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	
Interest income on loans	144	179
Interest expenses on customer deposits	(81)	(69)
Fee income	203	42
Foreign exchange translation	969	40

During the nine months ended September 30, 2022, the total amount of remuneration and other payments to key management personnel amounted to UAH 82,531 thousand (payments to the non-state pension fund - UAH 45 thousand) (September 30, 2021: UAH 88,558 thousand, payments to the non-state pension fund - UAH 40 thousand).

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

Balances on transactions with state-controlled entities (directly or indirectly), or those that are significantly influenced by the state, which are significant in terms of the carrying amount, as of September 30, 2022 were as follows (unaudited):

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Guarantees issued</i>
Client 1	State entities	—	—	—	—	24 740 372	—
Client 2	State entities	—	—	—	—	4 137 251	—
Client 3	Finance	13 781 339	—	2 516 365	19 366 801	—	—
Client 4	Finance	—	—	—	295 032	—	—
Client 5	Power engineering	—	6 959 776	—	—	1 860 726	—
Client 6	Power engineering	—	3 758 987	—	—	—	—
Client 7	Extractive industry	—	6 649 331	—	—	—	—
Client 8	Extractive industry	—	5 179 099	—	—	—	—
Client 9	Trade	—	1 162 031	—	—	—	1 943 227

(UAH thousand, unless otherwise stated)

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Guarantees issued</i>
Client 10	Trade	—	—	—	—	2 100 662	2 156 189
Client 11	Road construction	—	7 071 649	—	—	—	—
Client 12	Mechanical engineering	—	—	—	—	3 920 903	—
Client 13	Mechanical engineering	—	1 983 414	—	—	—	671 978
Client 14	Professional, scientific and technical activities	—	—	—	—	3 183 054	—
Client 15	Professional, scientific and technical activities	—	—	—	—	2 100 485	—
Client 16	Transport and communications	—	1 065 451	—	—	—	—
Other		—	3 143 420	—	276 043	22 409 803	—

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

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to banks</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Guarantees issued</i>
Client 2	State entities	—	—	—	—	—	5 691 258	—
Client 1	State entities	—	—	—	—	—	1 250 579	—
Client 3	Finance	18 484 579	7 730 670	—	582 412	21 366 867	—	—
Client 6	Power engineering	—	—	4 051 434	—	—	6 242 309	—
Client 5	Power engineering	—	—	5 197 528	—	—	2 240 595	—
Client 8	Extractive industry	—	—	4 051 597	—	—	6 453 998	—
Client 7	Extractive industry	—	—	2 662 001	—	—	—	—
Client 17	Transport and communications	—	—	—	—	—	2 470 606	—
Client 18	Transport and communications	—	—	—	—	—	1 701 797	—
Client 16	Transport and communications	—	—	1 434 684	—	—	—	—
Client 11	Road construction	—	—	5 520 379	—	—	—	—
Client 13	Mechanical engineering	—	—	1 558 761	—	—	—	604 096
Client 12	Mechanical engineering	—	—	—	—	—	1 387 990	—
Client 9	Trade	—	—	—	—	—	—	1 689 619
Client 10	Trade	—	—	—	—	—	—	1 594 114
Client 15	Professional, scientific and technical activities	—	—	763 216	—	—	1 393 203	—
Other		—	—	1 785 234	—	—	15 750 876	97 208

During the nine months ended September 30, 2022, for significant transactions with entities that are controlled by the state (directly or indirectly) or that are significantly influenced by the state, the Bank recognised UAH 3,267,195 thousand (September 30, 2021: UAH 2,278,571 thousand) of interest income, including UAH 534,713 thousand for transactions with NBU deposit certificates for up to 90 days (September 30, 2021: UAH 805,229 thousand), as well as UAH 3,989,980 thousand (September 30, 2021: UAH 2,302,047 thousand) of interest expenses.

As of September 30, 2022, the Bank's investments in securities issued by the Government or entities controlled by the state (directly or indirectly), or those that are significantly influenced by the state, amounted to UAH 61,683,108 thousand. (December 31, 2021: UAH 65,972,073 thousand), and were as follows:

	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
Investment securities at fair value through profit or loss	27 423 849	23 319 113
Investment securities at fair value through other comprehensive income	13 286 919	12 734 480
Investment securities at amortised cost	20 972 340	29 918 480

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

(UAH thousand, unless otherwise stated)

During the nine months ended September 30, 2022, the Bank recognised UAH 2,720,760 thousand of interest income in transactions with Ukrainian state bonds (September 30, 2021: UAH 2,776,900 thousand), on transactions with other investment securities UAH 898,603 thousand (September 30, 2021: UAH 1,238,881 thousand) of interest income.

21. Capital adequacy

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

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

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

NBU capital adequacy ratio

The Bank's capital adequacy ratio was as follows:

	30 September 2022 (unaudited)	31 December 2021
Main capital	7 117 761	8 589 984
Additional capital, calculated	3 978 596	5 225 345
Additional capital, included in calculation of total capital (limited to main capital)	3 978 596	5 225 345
Total regulatory capital	11 096 357	13 815 329
Risk weighted assets	96 511 063	76 062 721
Main capital adequacy ratio	7,38%	11,29%
Regulatory capital adequacy ratio	11,50%	18,16%

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

Capital adequacy ratio under Basel Capital Accord 1988

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

	30 September 2022 (unaudited)	31 December 2021
Tier 1 capital	4 036 740	11 916 270
Tier 2 capital, calculated	958 909	3 434 784
Tier 2 capital, included in calculation of total capital	958 909	3 434 784
Total capital	4 995 649	15 351 054
Risk weighted assets	110 532 238	86 350 562
Tier 1 capital adequacy ratio	3,7%	13,8%
Total capital adequacy ratio	4,5%	17,8%