

**PUBLIC JOINT-STOCK COMPANY  
JOINT STOCK BANK “UKRGASBANK”**

**Interim Condensed Financial statements**

*for the three month ended 31 March 2021,  
(unaudited)*

*Translation from Ukrainian*

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**STATEMENT OF FINANCIAL POSITION****As at 31 March 2021***(UAH thousands)*

	<i>Notes</i>	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Assets</b>			
Cash and cash equivalents	7	23,654,236	35,287,994
Precious metals		2,698	2,401
Due from credit institutions	8	405,491	661,491
Derivative financial assets	9	3,088	5,186
Loans to customers and finance leases	10	45,509,050	47,517,583
Investments at fair value through other comprehensive income	11	58,006,984	56,034,056
Investment property	12	149,255	149,255
Property and equipment and intangible assets	13	1,292,695	1,348,538
Right-of-use assets	14	150,895	157,200
Other property	15	742,744	770,248
Current income tax assets		-	39,429
Other assets	18	815,702	729,351
<b>Total assets</b>		<b>130,732,838</b>	<b>142,702,732</b>
<b>Liabilities</b>			
Due to the National Bank of Ukraine	19	998,342	-
Due to credit institutions	20	6,542,684	5,669,678
Derivative financial liabilities	9	70,144	227,651
Due to customers	21	112,914,311	126,498,709
Provisions for guarantees, commitments and legal risks	17, 23, 27	441,160	406,111
Lease liabilities	14	120,643	126,148
Current income tax liabilities		26,420	-
Deferred income tax liabilities	16	10,349	60,806
Other liabilities	18	1,045,697	1,164,798
<b>Total liabilities</b>		<b>122,169,750</b>	<b>134,153,901</b>
<b>Equity</b>			
Share capital	22	13,837,000	13,837,000
Acquired title of ownership to shares		(518,439)	(518,439)
Result from transactions with shareholders		(1,102,304)	(1,102,304)
Additional paid-in capital		135,942	135,942
Other provisions	22	457,753	687,554
Accumulated deficit		(4,246,864)	(4,490,922)
<b>Total equity</b>		<b>8,563,088</b>	<b>8,548,831</b>
<b>Total equity and liabilities</b>		<b>130,732,838</b>	<b>142,702,732</b>

Authorized and signed on behalf of the Bank's management by:

Chairman of the Management Board



Andrii Kravets

Acting Chief Accountant

Liliia Sadkovska

28 April 2021

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The accompanying notes on pages 6 to 66 are an integral part of these financial statements.

**STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

for the three months ended 31 March 2021

(UAH thousands)

	Reporting period		Previous period	
	for the current quarter	for the current quarter cumulative since the year	for the corresponding quarter of the previous year	for the corresponding quarter cumulative since the year
<b>Interest income calculated using effective interest rate</b>				
Loans to customers	1,079,976	1,079,976	1,214,551	1,214,551
Investments at fair value through other comprehensive income	1,034,845	1,034,845	638,368	638,368
Deposit certificates of the National Bank of Ukraine	84,849	84,849	417,307	417,307
Due from credit institutions	8,228	8,228	83,321	83,321
	<b>2,207,898</b>	<b>2,207,898</b>	<b>2,353,547</b>	<b>2,353,547</b>
<b>Other interest income</b>				
Loans to customers at fair value through other incomes/losses	3,586	3,586	-	-
Financial leases	69,432	69,432	32,704	32,704
	<b>73,018</b>	<b>73,018</b>	<b>32,704</b>	<b>32,704</b>
	<b>2,280,916</b>	<b>2,280,916</b>	<b>2,386,251</b>	<b>2,386,251</b>
<b>Interest expense</b>				
Due to the National Bank of Ukraine	(11,136)	(11,136)	-	-
Due to customers	(1,040,129)	(1,040,129)	(1,472,985)	(1,472,985)
Due to credit institutions	(34,669)	(34,669)	(26,206)	(26,206)
	<b>(1,085,934)</b>	<b>(1,085,934)</b>	<b>(1,499,191)</b>	<b>(1,499,191)</b>
<b>Other interest expense</b>				
Lease liability	(5,534)	(5,534)	(5,982)	(5,982)
	<b>(5,534)</b>	<b>(5,534)</b>	<b>(5,982)</b>	<b>(5,982)</b>
	<b>(1,091,468)</b>	<b>(1,091,468)</b>	<b>(1,505,173)</b>	<b>(1,505,173)</b>
<b>Net interest income, before credit loss expense</b>				
	1,189,448	1,189,448	881,078	881,078
	7, 8, 10, 11			
Credit loss expense	(602,787)	(602,787)	(109,480)	(109,480)
<b>Net interest income, after credit loss expense</b>				
	<b>586,661</b>	<b>586,661</b>	<b>771,598</b>	<b>771,598</b>
Losses on initial recognition of financial assets	(1,532)	(1,532)	-	-
Change in fair value of loans to customers at fair value through profit or loss	5,498	5,498	-	-
Net fee and commission income	336,722	336,722	284,602	284,602
Net gains on derecognition of financial assets at amortized cost	6,778	6,778	-	-
Net gains on investments at fair value through other comprehensive income	72,736	72,736	28,162	28,162
Net losses on derecognition of financial liabilities	285	285	(365)	(365)
Net gains on foreign exchange operations and precious metals	25,856	25,856	97,186	97,186
Result on operations with derivative financial instruments	57,486	57,486	46,180	46,180
Net gains on investment property	3,603	3,603	3,828	3,828
Other income	94,345	94,345	72,896	72,896
<b>Non-interest income</b>				
	<b>601,777</b>	<b>601,777</b>	<b>532,489</b>	<b>532,489</b>

The accompanying notes on pages 6 to 66 are an integral part of these financial statements.

**STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
for the three months ended 31 March 2021  
(UAH thousands)

	Notes	Reporting period		Previous period	
		for the current quarter	for the current quarter cumulative since the year	for the corresponding quarter of the previous year	for the corresponding quarter cumulative since the year
Staff costs	28	(495,184)	(495,184)	(435,951)	(435,951)
Other operating expense	28	(266,400)	(266,400)	(225,115)	(225,115)
Depreciation and amortization	13	(65,265)	(65,265)	(74,080)	(74,080)
Depreciation of right-of-use assets		(18,111)	(18,111)	(15,357)	(15,357)
Changes in expected credit losses on other assets and other provisions	27	(33,585)	(33,585)	(108,197)	(108,197)
<b>Non-interest expense</b>		<b>(878,545)</b>	<b>(878,545)</b>	<b>(858,700)</b>	<b>(858,700)</b>
<b>Profit before income tax</b>		<b>309,893</b>	<b>309,893</b>	<b>445,387</b>	<b>445,387</b>
Income tax expense	16	(65,835)	(65,835)	(106,315)	(106,315)
<b>Net profit</b>		<b>244,058</b>	<b>244,058</b>	<b>339,072</b>	<b>339,072</b>
<b>Other comprehensive income</b>					
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>					
Net change in fair value of debt instruments at fair value through other comprehensive income		(193,381)	(193,381)	(967,820)	(967,820)
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	22	(72,736)	(72,736)	(28,162)	(28,162)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	22	(14,128)	(14,128)	53,450	53,450
Income taxes related to revaluation of investments at fair value through other comprehensive income	22	50,444	50,444	135,467	135,467
<b>Other comprehensive income/(loss), after income tax</b>		<b>(229,801)</b>	<b>(229,801)</b>	<b>(807,065)</b>	<b>(807,065)</b>
<b>Total comprehensive income</b>		<b>14,257</b>	<b>14,257</b>	<b>(467,993)</b>	<b>(467,993)</b>
Weighted average number of shares (in thousands)		13,837,000	13,837,000	13,837,000	13,837,000
Basic and diluted net earnings per share (in UAH)		0.02	0.02	0.02	0.02

Authorized and signed on behalf of the Bank's management by:

Chairman of the Management Board



Andrii Kravets

Acting Chief Accountant

Liliia Sadkovska

28 April 2021

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The accompanying notes on pages 6 to 66 are an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY****For the three month ended 31 March 2021***(UAH thousands)*

	<i>Notes</i>	<i>Share capital</i>	<i>Acquired title of ownership to shares</i>	<i>Result from transactions with share-holders</i>	<i>Additional paid-in capital</i>	<i>Other provisions</i>	<i>Accumulated deficit</i>	<i>Total capital</i>
As at 1 January 2020		13,837,000	(518,439)	(1,102,304)	135,942	830,986	(4,928,701)	8,254,484
Total comprehensive income for the year	22	-	-	-	-	(116,692)	411,039	294,347
Transfer as a result of disposal of real estate		-	-	-	-	(26,662)	26,662	-
Transfer as a result of disposal of assets		-	-	-	-	(78)	78	-
As at 31 December 2020		<u>13,837,000</u>	<u>(518,439)</u>	<u>(1,102,304)</u>	<u>135,942</u>	<u>687,554</u>	<u>(4,490,922)</u>	<u>8,548,831</u>
Total comprehensive income for the year	22	-	-	-	-	(229,801)	244,058	14,257
As at 31 March 2021		<u>13,837,000</u>	<u>(518,439)</u>	<u>(1,102,304)</u>	<u>135,942</u>	<u>457,753</u>	<u>(4,246,864)</u>	<u>8,563,088</u>

Authorized and signed on behalf of the Bank's management by:

Chairman of the Management Board



Andrii Kravets

Acting Chief Accountant

Handwritten signature of Liliia Sadkovska in blue ink.

Liliia Sadkovska

28 April 2021

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**STATEMENT OF CASH FLOWS (THE DIRECT METHOD)**

For the three month ended 31 March 2021

(UAH thousands)

	Notes	31 March 2021	31 December 2020
<b>Cash flows from operating activities</b>			
Interest received		2,531,099	1,772,422
Interest paid		(1,140,988)	(1,518,684)
Fees and commissions received		467,613	378,152
Fees and commissions paid		(119,766)	(90,368)
Net result on foreign exchange operations and operations with precious metals (realized)	25	13,155	56,106
Result on operations with derivative financial instruments		(101,247)	22,053
Other income received		77,798	50,897
Staff costs		(404,188)	(363,375)
Other operating expense		(249,091)	(160,005)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>1,074,385</b>	<b>147,198</b>
<i>Net decrease/(increase) in operating assets</i>			
Precious metals		(2,260)	2,640
Due from credit institutions		242,272	177,320
Loans to customers and finance leases		1,040,462	3,005,323
Other assets		(92,121)	83,724
<i>Net (decrease)/increase in operating liabilities</i>			
Due to credit institutions		253,902	220,000
Due to customers		(12,747,593)	1,106,097
Other liabilities		(220,992)	(460,482)
Net cash generated from operating activities before income taxes		<u>(10,451,945)</u>	<u>4,281,820</u>
Income taxes paid		-	(91,220)
<b>Net cash generated from operating activities</b>		<b>(10,451,945)</b>	<b>4,190,600</b>
<b>Cash flows from investing activities</b>			
Acquisition of securities		(100,909,505)	(113,618,248)
Proceeds on sale and repayment of securities		98,143,728	99,744,894
Acquisition of property and equipment and intangible assets		(9,608)	(9,195)
Proceeds on disposal of property and equipment		-	21,038
Proceeds on investment property		3,603	3,828
Proceeds on disposal of other property	15	52,626	10,967
<b>Net cash used in investing activities</b>		<b>(2,719,156)</b>	<b>(13,846,716)</b>
<b>Cash flows from financing activities</b>			
Proceeds of borrowed funds from credit institutions		988,896	-
Repayment of borrowed funds from credit institutions		(140,760)	(113,522)
Proceeds of borrowed funds from the National Bank of Ukraine		1,000,000	-
Repayment of lease liability principal amount		(16,884)	(14,068)
<b>Net cash used in financial activities</b>	34	<b>1,831,252</b>	<b>(127,590)</b>
Effect of exchange rate changes on cash and cash equivalents		(292,148)	5,696,861
Effect of expected credit losses on cash and cash equivalents		(1,761)	(373)
<b>Net increase in cash and cash equivalents</b>		<b>(11,633,758)</b>	<b>(4,087,218)</b>
Cash and cash equivalents at the beginning of the period		<u>35,287,994</u>	<u>46,412,441</u>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>23,654,236</b>	<b>42,325,223</b>

Authorized and signed on behalf of the Bank's management by:

Chairman of the Management Board



Andrii Kravets

Acting Chief Accountant

Liliia Sadkovska

28 April 2021

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*(in thousands of Hryvnias, unless otherwise indicated)*

## 1. General information

### Organizational structure and operations

PUBLIC JOINT-STOCK COMPANY JOINT STOCK BANK "UKRGASBANK" (the "Bank") was established on 21 July 1993 based on the merger of several commercial banks. Since June 2009, the Government of Ukraine controls over the Bank by holding a majority stake of its share capital.

The Bank is engaged in accepting deposits from individuals and legal entities and extending loans, transferring payments in Ukraine and abroad, exchanging currencies and providing other banking services to its corporate and retail customers. The Bank's Head Office is located in Kyiv. As at 31 March 2021, the Bank's network consisted of 272 registered outlets (including 272 operating outlets) (2020: 278 registered outlets, including 278 operating outlets) in different regions of Ukraine. The Bank's registered address is: 1 Yerevanska St., Kyiv, Ukraine. The Bank's Head Office is located at: 16-22 Bohdana Khmelnytskoho St., Kyiv, Ukraine.

When implementing the Green Banking Strategy, the priority activity of the Bank is to finance projects related to efficient use of energy resources and reduction of negative environmental impact.

At present, the Bank is the only bank in Eastern Europe with its own technical office involved in professional analysis of alternative energy and energy efficiency projects.

The Bank finances eco-projects on renewable energy, energy efficiency and ecology.

The Bank has implemented an environmental management system based on sustainable development principles and standards of the International Financial Corporation (PS IFC).

As at 31 March 2021 and 31 December 2020, the Bank's issued shares were held by the following shareholders:

<b>Shareholder</b>	<b>31 March 2021, %</b>	<b>31 December 2020, %</b>
Ministry of Finance of Ukraine	94.94	94.94
Other	5.06	5.06
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

As at 31 March 2021 and 31 December 2020, the Bank's ultimate controlling party was the Ukrainian government represented by the Ministry of Finance of Ukraine.

These annual financial statements have been authorized for issue and signed by the Bank's management on 28 April 2021.

## 2. Operating environment and going concern

The Bank operates in Ukraine. The Ukrainian economy while deemed to be of market status continues to display characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, certain structural imbalances, low capital market liquidity, relatively high inflation and a significant level of domestic and foreign state debt.

On 26 February 2021, Fitch Ratings, a credit rating agency, confirmed the long-term issuer default rating of Ukraine (IDR) in foreign and national currencies at the level of "B" with a stable outlook. On 11 September 2020, Standard & Poor's Global Ratings, a credit rating agency, confirmed the long-term and short-term sovereign credit rating of Ukraine in foreign and national currencies at the level of "B/B" with a stable outlook.

The key risk to macro-financial stability remains the strengthening of quarantine restrictions in Ukraine and worldwide related to the response to the coronavirus pandemic (COVID-19). Other risks remain, such as the escalation of the military conflict, volatility in global capital markets, a sharp deterioration in trade conditions, and so on. Deteriorating sentiment in global financial markets due to the coronavirus pandemic and investors' reassessment of developing countries' risks could have a negative impact on Ukraine's economy and foreign trade, complicate funding, negatively affect the country's banking system and lead to further devaluation of the national currency against major currencies.

Management monitors the current situation with the spread of coronavirus and quarantine and takes measures, if necessary, to minimize any negative consequences as much as possible. Further adverse developments and

(in thousands of Hryvnias, unless otherwise indicated)

macroeconomic conditions may adversely affect the financial position and performance of the Bank in a manner that cannot be determined at this time.

In preparing these financial statements, the known and estimated results of the above factors for the financial position and results of the Bank's operations in the reporting period have been taken into account.

### 3. Basis of preparation

#### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and the requirements of Law of Ukraine *On Accounting and Financial Reporting in Ukraine* No. 996-XIV dated 16 July 1999, concerning the preparation of financial statements.

#### Basis of measurement

These financial statements have been prepared on the historical cost basis, except for buildings that are carried at revalued amount, investment property carried at fair value, assets held for sale, which are carried at the lower of carrying amount or fair value less cost to sell, and financial instruments measured at fair value, as explained in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date, regardless of whether that price is directly observable in the market or is estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability as if the market participants took those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on this basis, except for leases that are within the scope of IFRS 16 *Leases* and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

#### Effect of COVID-19 pandemic

Due to the rapid spread of COVID-19 pandemic in 2020 and 2021 many governments, including the Ukrainian Government, introduced a series of measures to combat the outbreak of a pandemic, introduced quarantine territorial area, including restrictions on travel banned or imposed restrictions in the companies and organizations have introduced the possibility of vaccination. These measures have affected the demand for goods and services, as well as scale of business activity. It is expected that the pandemic itself as well as the related public health and social measures may influence the business of entities in a wide range of industries across Ukraine. The Government of Ukraine and the National Bank of Ukraine have taken a number of measures to mitigate a significant economic downfall caused by the COVID-19 pandemic. These measures include credit holidays for individuals and businesses, a ban on raising interest rates on consumer loans and a ban on penalties, fines, etc. for overdue loans, borrowers' loans restructuring, easing and delaying the introduction of certain regulatory restrictions to help the financial sector maintain its capabilities to provide financial resources to customers to avoid liquidity shortages of businesses as a result of the COVID-19 containment measures.

The Bank continues to assess the effect of the pandemic and changing economic conditions on its activities, financial position and financial results. Information on the effect of changes in the Bank's approaches to determining expected credit losses is provided in Note 10 and Note 29.

#### Going concern

These financial statements have been prepared using the assumption that the Bank is able to continue its operations on an ongoing basis in the near future. The Management and shareholders have the intention to continue economic activities of the Bank in Ukraine. The Management believes that the use of assumption about the Bank's ability to continue its operations on an ongoing basis is reasonable, given the proper level of its capital adequacy, the obligations of shareholders to fulfil their liabilities, including those related to participation in the Bank's equity, as well as on the basis of historical experience, which indicates that short-term liabilities will be refinanced in the course of ordinary business.

#### Functional and presentation currency

These financial statements are presented in thousands of Hryvnias, unless otherwise indicated. The Bank's functional and presentation currency is Hryvnia ("UAH").

*(in thousands of Hryvnias, unless otherwise indicated)*

#### 4. Summary of accounting policies

##### Changes in accounting policies

The Bank has early adopted Amendment to IFRS 16: *COVID-19-Related Rent Concessions*, which provides lessees with a relief from assessing whether a COVID-19-related rent concession is a lease modification. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The Bank also applied the amendments that became effective starting 1 January 2020 but had no impact on the Bank's financial statements. The nature and impact of each amendment is described below:

##### *Amendments to IAS 1 and IAS 8 Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence the decisions made by the primary users. These amendments did not affect, and are not expected to affect in future, the Bank's financial statements.

##### *Conceptual Framework for Financial Reporting issued on 29 March 2018*

The *Conceptual Framework* is not a standard, and none of the concepts contained therein should override the concepts or requirements in any standard. The purpose of the *Conceptual Framework* is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised *Conceptual Framework* includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The revision of this document did not affect the Bank's financial statements.

##### Foreign currency translation

Transactions in foreign currencies are initially recognized in the Bank's functional currency at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates effective at the reporting date. The foreign currency gains or losses are recognized in the statement of profit or loss and other comprehensive income as a net result of foreign exchange operations. Non-monetary assets and liabilities in foreign currencies at fair value are translated into UAH at the exchange rates effective at the fair value measurement date. Non-monetary items at historical cost in a foreign currency are translated using the exchange rates prevailing at the transaction dates.

The differences between a contractual exchange rate on a specific transaction in a foreign currency and the official exchange rate established by the National Bank of Ukraine at the date of such a transaction are also included in the result of trading activities in foreign currencies.

The official exchange rates of the National Bank of Ukraine used in the preparation of these financial statements are as follows:

<b>Currency</b>	<b>31 March 2021</b>	<b>31 December 2020</b>
USD	27,8852	28,2746
EUR	32,7233	34,7396

##### Financial assets and liabilities

##### *Initial recognition*

##### *Date of recognition*

All regular way purchases and sales of financial assets and liabilities are recognized on the date of transaction, i.e. the

*(in thousands of Hryvnias, unless otherwise indicated)*

date that the Bank commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require the delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

### **Initial measurement**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, including transaction costs, except when financial assets and financial liabilities are measured at fair value through profit or loss.

#### *Measurement categories of financial assets and liabilities*

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ▶ Amortized cost;
- ▶ Fair value through other comprehensive income (FVOCI);
- ▶ Fair value through profit or loss (FVPL).

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

#### *Due from credit institutions, loans to customers and finance leases, and other financial investments*

The Bank measures amounts due from credit institutions, loans to customers and other financial investments at amortized cost only if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

#### *Business model assessment*

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ▶ How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- ▶ How managers of the business are remunerated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- ▶ The expected frequency, value and timing of sales are also important aspects of the Bank's business model assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### *Solely payments of principal and interest test (SPPI test)*

As a second step of its classification process, the Bank assesses the contractual terms of financial asset to identify whether there are cash flows relating thereto exclusively in payments against principal and interest on the principal amount outstanding (the so-called SPPI test).

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may

*(in thousands of Hryvnias, unless otherwise indicated)*

change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are related to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

#### *Debt instruments at FVOCI*

Under IFRS 9 the Bank measures the debt instruments at FVOCI when both of the following conditions are met:

- ▶ The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- ▶ The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains or losses arising due to changes in fair value recognized in other comprehensive income (OCI). Interest revenue and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position. Instead, an amount equal to the allowance for expected losses that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is reclassified to the profit or loss upon derecognition of the asset.

#### *Financial guarantees, letters of credit and undrawn loan commitments*

The Bank issues financial guarantees, letters of credit and undrawn loan commitments.

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of profit or loss and ECL allowance.

Undrawn loan commitments and letters of credit are commitments, under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognized at fair value and subsequently measured at the higher of the ECL allowance amount and the initially recognized amount less, where appropriate, the cumulative amount of income recognized.

#### *Performance guarantees*

Performance guarantees are contracts that provide compensation if the other party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by the other party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

#### *Government grants*

Government grants in the form of non-financial assets from the public authorities are recognized at net present value of future cash flows related to interest income compensation. Loss on initial recognition of preferential loans is presented on a net basis of revenue recognition of government grants in the profit or loss and other comprehensive income.

Further accounting for receivables for government grants is carried at amortized cost using the effective interest method and is subject to impairment with subsequent recognition of income and expenses in the profit or loss and other comprehensive income if the instrument is derecognized or if it was impaired or amortized.

*(in thousands of Hryvnias, unless otherwise indicated)*

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, unrestricted cash balances with the National Bank of Ukraine, due from credit institutions with maturities up to 90 days from the date of origination that are free from contractual encumbrances, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of fair value changes and are used by the Bank to manage its short-term commitments, including the overnight deposit certificates issued by the National Bank of Ukraine.

### **Due from credit institutions**

In the normal course of business, the Bank grants loans or maintains deposits for various periods of time with other credit institutions. Due from credit institutions is initially measured at fair value. Due from credit institutions with fixed maturities is measured at amortized cost using the effective interest rate method and is accounted net of expected credit losses.

### **Precious metals**

Precious metals are stated at the lower of net realizable value or cost. The net realizable value of precious metals is based on quoted market prices. Foreign currency revaluation effect is recognized as translation differences on transactions with precious metals within "Net gains on foreign exchange operations and precious metals" of the statement of profit or loss and other comprehensive income.

### **Repurchase and reverse repurchase agreements**

Sale and repurchase agreements of securities ("repo") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the counterparty has the right by contract or common practice to sell or re-pledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within due to credit institutions or customers. Securities purchased under agreements to resell (reverse repurchase agreements or "reverse repo") are recorded as due from credit institutions or loans to customers, as appropriate. The difference between sale and repurchase price is treated as interest income or expense and accrued over the life of repo agreements using the effective interest rate method.

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recorded in the financial statements, unless sold to third parties, in which case the purchase and sale is recorded within gains less losses from investments at fair value through profit/loss. The obligation to return them is recorded at fair value as a trading liability.

### **Derivative financial instruments**

In the course of its ordinary activities, the Bank uses various derivative financial instruments, including forward contracts and swaps in foreign exchange markets, which are concluded predominantly with Ukrainian banks. Derivative instruments are initially recognized at fair value at the date of the contract, after which they are revalued at fair value. All derivative instruments are recognized as assets when their fair value is positive and as liabilities if their fair value is negative.

Changes in the fair value of derivative instruments are recognized immediately within "Result on operations with derivative financial instruments" of the statement of profit or loss and other comprehensive income. The Bank evaluates and calculates the fair value of forward contracts and recognizes its material changes in profit or loss.

Though the Bank performs the trade operations with derivative instruments for the purposes of hedging, these instruments do not meet the criteria of hedge accounting.

#### *Embedded derivative financial instruments*

The Bank accounts in this way for derivatives embedded in financial liabilities and non-financial host contracts. Financial assets are classified based on the business model and SPPI assessments.

### **Borrowed funds**

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation, other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions and due to customers. Upon initial recognition, borrowed funds are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit and loss when the borrowed funds are derecognized, as well as through the amortization process.

*(in thousands of Hryvnias, unless otherwise indicated)*

## **Leases**

### ***The Bank as a lessee***

The Bank applies a single approach to the recognition and measurement of all leases other than short-term and low-value asset leases. The Bank recognizes a lease liability in respect of the lease payments and right-of-use assets that are rights to use the underlying assets.

#### *Right-of-use assets*

The Bank recognizes the right-of-use assets at the commencement date of a lease (i.e., the date on which the underlying asset becomes available for use). The right-of-use assets are measured at initial cost, less accumulated depreciation and accumulated impairment losses, and adjustments for the revaluation of the lease liability. The initial cost of the right-of-use assets consists of the amount of the initial estimate of the lease liability, the initial direct costs and the lease payments made at the commencement date of a lease or prior to the commencement date of a lease, less the received lease incentives. If the Bank does not have sufficient confidence that it will acquire title to the underlying asset at the end of the lease term, the recognized right-of-use asset is amortized on a straight-line basis prior to the earlier of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are tested for impairment.

#### *Lease liability*

At the commencement date of a lease the Bank recognizes the lease liability at the present value of the lease payments that will be made during the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives to be received; variable lease payments that depend on the index or rate; and the amounts to be payable under residual value guarantees. Lease payments also include the exercise price of the option to purchase, if there is reasonable assurance that the Bank will take advantage of that opportunity, and the payment of penalties for terminating the lease, if the lease term reflects the potential option of termination of the lease. Variable payments, which do not depend on the index or rate, are recognized as expenses in the period, in which the event or condition occurs that gives rise to such payments.

To calculate the present value of the lease payments, the Bank applies the lessee's incremental borrowing rate at the commencement date of a lease, if the interest rate implicit in the lease cannot be easily determined. After the lease takes effect, the lease liability increases to reflect the interest accrual and decreases to reflect the lease payments made. Also, in the event of modification, change of the lease term, change in the essence of fixed lease payments or change of option of purchase of the underlying asset, the carrying value of the lease liabilities is revalued.

#### *Short-term and low-value asset leases*

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. up to UAH 150 thousand). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### ***Operating leases – Bank as a lessor***

Leases for which the Bank does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Lease income is recognized on a straight-line basis over the lease term and is included in net income from investment property in the statement of profit or loss and other comprehensive income. Initial direct costs incurred in the process of negotiating and concluding operating leases are included in the carrying amount of the leased asset and are recognized over the lease term on the same basis as lease income. Contingent lease payments are recognized as income in the period in which they were received.

### ***Finance leases – Bank as a lessor***

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

## **Expected credit losses**

The Bank performs estimation of expected credit losses for financial assets measured at amortized cost or at fair value through other comprehensive income, for financial guarantees, letters of credit and undrawn loan commitments.

According to the general approach, depending on whether the financial instrument's credit risk has increased significantly

*(in thousands of Hryvnias, unless otherwise indicated)*

since initial recognition, the Bank allocates its financial instruments to one of the stages described below:

- ▶ Stage 1: financial instruments for which there are no signs of a significant increase in credit risk. For these financial instruments, the Bank recognizes an allowance based on the 12-month expected credit loss;
- ▶ Stage 2: financial instruments for which there are signs of a significant increase in credit risk since the initial recognition, but no signs of impairment exist. For these financial instruments, the Bank recognizes the credit loss for the lifetime of such financial instruments;
- ▶ Stage 3: financial instruments for which there are signs of a significant increase in credit risk since the initial recognition and the objective evidence of impairment exists. For these financial instruments, the Bank recognizes the expected credit loss for the lifetime of such financial instruments;
- ▶ POCI: purchased or originated credit impaired (POCI) assets – financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at initial recognition and interest revenue is subsequently recognized based on a credit-adjusted EIR. ECL allowances are only recognized or derecognized to the extent that there is a subsequent change in the expected credit losses for the lifetime of the financial instrument.

#### *Renegotiated loans and/or modifications*

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. Restructuring, i.e. change in significant terms and conditions under the original agreement by entering into additional arrangements with a debtor due to its financial difficulties (as determined by the Bank) and the need to create favourable conditions for it to meet its obligations under the asset (change in interest rate; cancellation, wholly or in part, of financial sanctions (penalties, fines, forfeits) accrued for untimely payments of the principal and interest amounts and failed to be repaid by the debtor; change in the repayment schedule (terms and amounts of the principal, interest/fees); change in the fee amount etc.).

As a result of significant changes in the terms of the loan agreement, the Bank repurchases the original financial instrument and recognizes the new financial instrument.

The Bank determines the following modifications to contractual cash flows for financial instruments as significant:

- ▶ The conditions (except those related to commercial restructuring) under which the net present value of the cash flows under the new terms discounted using the original effective interest rate (for a financial asset or liability with floating interest rate – the effective interest rate that was calculated at the latest change in the nominal interest rate) differs by at least 10% of the discounted present value of remaining cash flows of the original financial asset or liability;
- ▶ Change of the currency of the financial instrument;
- ▶ Change in the type of interest rate of a financial instrument (fixed to floating or vice versa);
- ▶ Consolidation of several financial instruments or a financial instrument split into several ones.

Similarly, with respect to financial assets, the Bank determines the following modification of contractual cash flows as material:

- ▶ The inclusion in the contract of the additional terms / exclusion of terms / changes in the terms of the contract that affect the result of SPPI test.

In case of significant modification, the Bank derecognizes an initial financial asset and recognizes a new financial asset. At the modification date, the Bank recognizes a new financial asset at its fair value taking into account transaction costs associated with the origination of a new financial asset (with the exception of a new asset measured at fair value through profit or loss) and determines the amount of the 12-month expected credit loss.

If, as a result of the modification, a new financial asset is impaired at initial recognition, the Bank recognizes the cumulative changes in the expected credit losses for the lifetime of this financial asset.

The Bank continually analyses restructured loans to ensure that all criteria and options for future payments are met.

In cases where the modification of contractual cash flows does not result in derecognition of the original financial asset (i.e. when the modification of contractual cash flows is not substantial), the Bank continues to apply current approach to accounting for the financial asset with the modified contractual terms. Subject to changes in contractual cash flows, discounted at the original effective interest rate, the Bank recognizes income or expenses from the modification that are included in other income / expenses in the statement of profit or loss and other comprehensive income.

*(in thousands of Hryvnias, unless otherwise indicated)*

### **Write-off of loans**

Loans are written off using the expected credit loss allowance based on the decision of the Management Board.

The Bank recognizes bad debts on active banking transactions, for which there are no reasonable expectations for the recovery of financial assets/repayment of trade receivables and which meet one of the evidence of bad debts in accordance with the Tax Code of Ukraine and writes off such bad debts in financial and/or tax accounting against the respective allowance.

Subsequent recoveries of amounts previously written off are reflected as other income in the statement of profit or loss and other comprehensive income in the period of recovery.

### *Investments at fair value through other comprehensive income*

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain being measured at fair value. Instead, an amount equal to the allowance for expected credit losses that would arise were the assets measured at amortized cost is recognized in OCI as an accumulated impairment amount, with the corresponding charge to profit or loss. The accumulated credit loss recognized in OCI is reclassified to the profit and loss upon derecognition of the asset.

### *Non-financial assets*

Other non-financial assets, other than deferred tax, are assessed at each reporting date for any indication of impairment. The recoverable amount of non-financial assets is the greater of their fair value, less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **Derecognition of financial assets and financial liabilities**

#### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- ▶ The Bank either (a) has substantially transferred all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement of the Bank is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

*(in thousands of Hryvnias, unless otherwise indicated)***Taxation**

The current income tax charge is calculated in accordance with the Ukrainian tax regulations.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income, because it excludes the items of income or expense that are taxable or deductible in other years, and it further excludes the items that are never taxable or deductible. The Bank's taxable profit is determined by adjusting the financial result, which is presented in the Bank's financial statements in accordance with the International Financial Reporting Standards, for the differences arising under the Tax Code of Ukraine. The Bank's current tax expense is calculated using tax rates that have been enacted during such reporting periods.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the balance sheet liability method. Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates set by the tax legislation of Ukraine in the respective reporting periods.

Also, Ukrainian tax regulations include other taxes and duties. These taxes are included in administrative and operating expense.

**Investment property**

Investment property, which consists of office premises, is the property held to earn rentals from long-term leases or for capital appreciation and is not occupied by the Bank. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, which is based on the market evidence as a result of valuations performed by independent appraisers, less any subsequently accumulated impairment losses. Revaluation is performed with sufficient regularity so that the carrying amounts did not differ significantly from those arrived at using fair value as at the reporting date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

**Property and equipment**

Property and equipment, other than buildings and land plots, is carried at its historical cost, less any accumulated depreciation and recognized impairment losses, if any.

Upon the initial recognition at cost, buildings and land plots are carried at their revalued amounts, which are the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. In this case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit and loss, except that a deficit directly offsetting a previous surplus on the same asset which is directly offset against the surplus in the property and equipment revaluation reserve.

In addition, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of an asset begins on the first day of the month following the month in which the item of property, equipment and intangible assets became available for use and ceases on the first day of the month following the month in which the item of property, equipment and intangible assets is disposed of.

Depreciation of property, equipment and intangible assets is calculated based on the new useful life, starting from the month following the month of change in the useful life.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50

*(in thousands of Hryvnias, unless otherwise indicated)*

	<u>Years</u>
Furniture and equipment	3-10
Leasehold improvements	Over the relevant lease period
Motor vehicles	5

Residual value, useful lives, and depreciation methods are reviewed at the end of each reporting year and adjusted as appropriate.

Costs related to repairs and renewals are charged when incurred and included in other operating and administrative expense, unless they qualify for capitalization.

### **Intangible assets**

Intangible assets include the acquired computer software. Intangible assets acquired separately are measured on initial recognition at cost. Upon initial recognition, intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each reporting year-end.

An item of property and equipment and intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss and other comprehensive income.

### **Other property**

The non-current assets, which have been acquired by foreclosure of collateral and are held for further sale, are recognized by the Bank as other property. These assets do not qualify for recognition as assets held for sale and cannot be recognized as non-current assets to be used in the Bank's ongoing operations or as investment property. These assets are measured at the lower of cost or net realizable value.

### **Provisions**

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle an obligation are expected to be recovered from a third party fully or partially, receivables are recognized to the extent it is virtually certain that reimbursement will be received and the amount of the receivables can be measured reliably.

### **Retirement and other benefit obligations**

The Bank has pension arrangements to the state pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of gross salary payments. Such expense is charged in the period, in which the related salaries are earned.

### **Share capital and other reserves**

Ordinary and preference shares are carried in equity.

Acquired title of ownership to shares of the Bank's own issue is deducted directly from equity. A gain or loss arising from purchase, sale, issue or cancellation of the Bank's treasury shares is not included in profit or loss.

The surplus of consideration received over the nominal value of shares issued is reflected as additional paid-in capital.

Other reserves included in equity (other comprehensive income) in the Bank's statement of financial position comprise a

*(in thousands of Hryvnias, unless otherwise indicated)*

revaluation reserve of investments measured at fair value through other comprehensive income and a revaluation reserve of buildings that includes a revaluation reserve of land plots and buildings.

Profit or loss arising from transactions with the Bank's shareholders is recognized in equity as "Result from transactions with shareholders".

### **Segment reporting**

The Bank's segment reporting is based on the following operating segments: individuals (retail banking), legal entities (corporate banking), clients of small and medium-sized enterprises (SME), financial institutions, asset management, and other.

### **Contingencies**

Contingent liabilities are not recognized in the statement of financial position. The information about such liabilities is disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position. The information about such assets is disclosed when an inflow of economic benefits is probable.

### **Revenue and expense recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank, and the revenue can be reliably measured.

Interest income and expense are recognized on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Bank considers all paid and/or received fees, duties, and transaction costs that form an integral part of income/expense on the financial instrument, in particular:

- a) Financial instrument origination fees received/paid by the Bank and related to origination or acquisition of such a financial instrument;
- b) Fees received/paid by the Bank on lending arrangements in the course of loan origination or acquisition as consideration for participation in the financial instrument's acquisition if it is probable that a loan commitment will lead to a specific lending arrangement;
- c) Fees received/paid by the Bank when issuing debt securities that are accounted for at amortized cost.

Revenue on debt financial instruments is carried using the effective interest rate method, except for financial assets measured at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest received from the assets measured at fair value is classified as interest income.

Fee and commission income and expense (hereinafter, "fees") is income and expense related to the services rendered/received, which amount is calculated pro rata to the amount of an asset or liability or is fixed.

Where it is probable that a loan commitment will lead to a specific lending arrangement or loan tranche, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement or loan tranche, the loan commitment fees are recognized in the statement of profit or loss and other comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a specific lending arrangement or loan tranche, the loan commitment fee is recognized in the statement of profit or loss and other comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized after the applicable services have been provided.

Other revenue is recognized in profit or loss as soon as the applicable transaction has been completed.

(in thousands of Hryvnias, unless otherwise indicated)

## Application of new and revised International Financial Reporting Standards ("IFRS")

### Adoption of new and revised IFRS

The following new standards and interpretations were issued, but not yet effective on the date of issuance of the Bank's financial statements. The Bank intends to adopt these standards when they become effective.

#### *IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not record an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of contractual terms of the credit card, the issuer is required to:

- ▶ Separate the insurance coverage component and apply IFRS 17 to it;
- ▶ Apply other applicable standards (such as IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 will be effective for annual periods beginning on or after 1 January 2023, with comparative information required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 at the date of initial application. The Bank continues to assess the effect that the application of IFRS 17 may have on its financial statements.

#### *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9.

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including the fees paid or received by either the borrower or lender on the other's behalf.

An entity shall apply this amendment to the financial liabilities that have been modified or replaced at (or after) the beginning of the annual reporting period, in which the entity first applies this amendment.

This amendment will be effective for the annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. The Bank shall apply this amendment to the financial liabilities that have been modified or replaced at (or after) the beginning of the annual reporting period, in which the Bank first applies this amendment. It is expected that this amendment will not have a material impact on the Bank's financial statements.

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

In August 2020, the IASB issued the *Interest Rate Benchmark Reform – Phase 2* Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR. These amendments provide for a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

*(in thousands of Hryvnias, unless otherwise indicated)*

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

The Bank will apply the above amendment starting January 2021.

## 5. Significant accounting judgments and estimates

The preparation of financial statements in compliance with IFRS requires that Bank's management make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is as follows.

### Key estimates in applying accounting policies

#### *Fair value of financial instruments*

Investments measured at fair value through other comprehensive income, loans to customers measured at fair value through profit or loss and derivative financial instruments are stated at fair value.

The Bank considers that the accounting estimates and assumptions related to valuation of financial instruments where quoted market prices are not available are the key source of estimation uncertainty, because: (a) they are highly susceptible to change from period to period because they require that management make assumptions about interest rates, volatility, exchange rates, credit rating of a counterparty, valuation adjustments and specific feature of the transactions and (b) the impact that recognition of a change in valuations would have on the assets reported in the statement of financial position as well as its income/expense could be material.

Had management used different assumptions regarding interest rates, volatility, exchange rates, credit rating of a counterparty, offer date and valuation adjustments, their value could differ significantly from that reflected in the financial statements.

#### *Expected credit loss allowance*

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. Deterioration in credit quality of loan portfolios and trade receivables (amongst other items) as a result of the COVID-19 pandemic may have a significant impact on the Bank's ECL measurement.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis;
- ▶ Development of ECL models, including the various formulae and the choice of inputs;
- ▶ Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- ▶ Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

More details are provided in Notes 10 and 28.

*(in thousands of Hryvnias, unless otherwise indicated)**Fair value of buildings and land plots*

As discussed in Note 4, buildings and land plots are carried at revalued amount, less any subsequent accumulated depreciation and impairment losses. The method used to estimate fair value is the comparative approach to evaluation. The comparative approach to evaluation is based on an analysis of the results of comparable sales of similar buildings. The estimation of the fair value of buildings and land plots requires the exercise of judgment and the use of assumptions regarding the comparability of properties and other factors. Management engages external independent appraisers to estimate the fair value of property.

**6. Segment information**

For management purposes, the Bank has defined five operating segments based on its products and services, which are as follows:

Legal entities:	Mainly granting purpose loans, servicing deposits and current accounts for corporate and institutional customers.
Clients of small and medium-sized enterprises (hereinafter – “SME”):	Mainly customer servicing under targeted lending programs, deposits and current accounts of customers whose activities meet certain criteria and limits.
Individuals:	Mainly servicing individual customers’ deposits and granting consumer loans, overdrafts, handling credit cards and funds transfer facilities.
Financial institutions:	Mainly placing funds with and attracting funds from other financial institutions.
Asset management and other:	Finance and other central functions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance measurement. Segment performance, as explained in the table below, is measured differently from profit or loss in the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

The segment information below is presented on the basis used by the Bank’s chief operating decision maker to evaluate performance, in accordance with IFRS 8 *Operating Segments*. Management reviews discrete financial information for each of its segments, including estimates of operating results, assets, and liabilities. The segments are managed primarily on the basis of their performance, without analysing intersegment funding and income and expense arising between them.

During the first quarter of 2021, the Bank received revenue from the loan transactions with one client in the amount of UAH 68,863 thousand. During the first quarter 2020, the Bank received revenue from the loan transactions with one client in the amount of UAH 73,191 thousand.

The following tables summarize income and profit and certain other assets and liabilities information regarding the Bank’s operating segments.

<b>31 March 2021</b>	<b>Legal entities</b>	<b>SME</b>	<b>Individuals</b>	<b>Financial institutions</b>	<b>Asset management and other</b>	<b>Total</b>
<b>Income</b>						
Interest income	818,712	203,304	130,978	8,228	1,119,694	<b>2,280,916</b>
Fee and commission income	181,921	92,154	143,586	28,729	10,099	<b>456,489</b>
Net gains on foreign exchange operations and precious metals	38,499	927	26,456	–	(40,026)	<b>25,856</b>
Result on operations with derivative financial instruments	–	–	–	–	57,486	<b>57,486</b>
Net gains on investment property	–	–	–	–	3,603	<b>3,603</b>
Net gains on investments at fair value through other comprehensive income	–	–	–	–	72,736	<b>72,736</b>
Net gains/(losses) on derecognition of financial assets at amortized cost	3,736	173	2,869	–	–	<b>6,778</b>
Net gains/(losses) on derecognition of financial liabilities	78	41	166	–	–	<b>285</b>
Result from transactions on loans at fair value through profit / loss	–	5,498	–	–	–	<b>5,498</b>
Other income	5,567	29,451	38,961	–	20,366	<b>94,345</b>
<b>Total income</b>	<b>1,048,513</b>	<b>331,548</b>	<b>343,016</b>	<b>36,957</b>	<b>1,243,958</b>	<b>3,003,992</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

<b>31 March 2021</b>	<b>Legal entities</b>	<b>SME</b>	<b>Individuals</b>	<b>Financial institutions</b>	<b>Asset management and other</b>	<b>Total</b>
<b>Expenses</b>						
Interest expense	(656,353)	(79,023)	(304,753)	(45,806)	(5,533)	<b>(1,091,468)</b>
Fee and commission expense	(23,669)	(5,679)	(48,257)	(30,057)	(12,105)	<b>(119,767)</b>
Credit loss expense	(696,524)	84,660	(3,101)	(1,950)	14,128	<b>(602,787)</b>
Change in allowance for impairment of other assets and other provisions	(43,544)	1	1,233	(2)	8,727	<b>(33,585)</b>
Losses on initial recognition of financial assets	-	-	(1,532)	-	-	<b>(1,532)</b>
Staff costs	(134,036)	(77,583)	(221,313)	(7,962)	(54,290)	<b>(495,184)</b>
Depreciation and amortization	(19,024)	(7,322)	(34,716)	(697)	(3,506)	<b>(65,265)</b>
Depreciation of right-of-use assets	(2,871)	(1,239)	(8,944)	(96)	(4,961)	<b>(18,111)</b>
Other operating expense	(29,250)	(42,102)	(153,033)	(1,439)	(40,576)	<b>(266,400)</b>
<b>Total expenses</b>	<b>(1,605,271)</b>	<b>(128,287)</b>	<b>(774,416)</b>	<b>(88,009)</b>	<b>(98,116)</b>	<b>(2,694,099)</b>
<b>Segment results</b>	<b>(556,758)</b>	<b>203,261</b>	<b>(431,400)</b>	<b>(51,052)</b>	<b>1,145,842</b>	<b>309,893</b>
Income tax expense					(65,835)	<b>(65,835)</b>
<b>Profit for the period</b>					<b>1,080,007</b>	<b>244,058</b>
Segment assets	35,325,402	7,445,664	4,133,895	16,012,020	67,815,857	<b>130,732,838</b>
Segment liabilities	(73,021,580)	(10,702,180)	(29,507,961)	(6,542,684)	(2,395,345)	<b>(122,169,750)</b>
<b>Other segment information</b>						
Capital expenditures	3,770	1,358	8,387	126	376	<b>14,017</b>

<b>31 March 2020/ 31 December 2020</b>	<b>Legal entities</b>	<b>SME</b>	<b>Individuals</b>	<b>Financial institutions</b>	<b>Asset management and other</b>	<b>Total</b>
<b>Income</b>						
Interest income	946,682	166,209	134,365	83,321	1,055,674	<b>2,386,251</b>
Fee and commission income	132,795	73,599	131,825	21,754	14,998	<b>374,971</b>
Net gains on foreign exchange operations and precious metals	6,085	853	26,685	-	63,563	<b>97,186</b>
Result on operations with derivative financial instruments	-	-	-	-	46,180	<b>46,180</b>
Net gains on investment property	-	-	-	-	3,828	<b>3,828</b>
Net gains on investments at fair value through other comprehensive income	-	-	-	-	28,162	<b>28,162</b>
Other income	14,946	3,382	27,816	-	26,752	<b>72,896</b>
<b>Total income</b>	<b>1,100,508</b>	<b>244,043</b>	<b>320,691</b>	<b>105,075</b>	<b>1,239,157</b>	<b>3,009,474</b>
<b>Expenses</b>						
Interest expense	(905,464)	(150,453)	(417,067)	(26,206)	(5,983)	<b>(1,505,173)</b>
Fee and commission expense	(20,318)	(4,490)	(38,482)	(21,372)	(5,707)	<b>(90,369)</b>
Credit loss expense	75,108	(111,603)	(20,541)	1,006	(53,450)	<b>(109,480)</b>
Net gains/(losses) on derecognition of financial liabilities	(357)	-	(8)	-	-	<b>(365)</b>
Staff costs	(115,444)	(67,468)	(201,273)	(10,435)	(41,331)	<b>(435,951)</b>
Depreciation and amortization	(17,168)	(7,251)	(45,426)	(897)	(3,338)	<b>(74,080)</b>
Depreciation of right-of-use assets	(2,123)	(994)	(7,179)	(132)	(4,929)	<b>(15,357)</b>
Change in allowance for impairment of other assets and other provisions	(106,498)	(384)	1,365	1	(2,681)	<b>(108,197)</b>
Other operating expense	(28,404)	(16,943)	(138,322)	(3,461)	(37,985)	<b>(225,115)</b>
<b>Total expenses</b>	<b>(1,120,668)</b>	<b>(359,586)</b>	<b>(866,933)</b>	<b>(61,496)</b>	<b>(155,404)</b>	<b>(2,564,087)</b>
<b>Segment results</b>	<b>(20,160)</b>	<b>(115,543)</b>	<b>(546,242)</b>	<b>43,579</b>	<b>1,083,753</b>	<b>445,387</b>
Income tax expense					(106,315)	<b>(106,315)</b>
<b>Profit for the period</b>					<b>977,438</b>	<b>339,072</b>
Segment assets	37,969,051	7,127,077	3,889,716	24,869,575	68,847,313	<b>142,702,732</b>
Segment liabilities	(85,473,291)	(11,559,750)	(29,743,387)	(5,669,678)	(1,707,795)	<b>(134,153,901)</b>
<b>Other segment information</b>						
Capital expenditures	7,010	2,666	13,385	333	781	<b>24,175</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

## 7. Cash and cash equivalents

Cash and cash equivalents comprise:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Current accounts with other credit institutions	14,956,170	24,195,659
Current accounts with the National Bank of Ukraine	5,472,631	4,913,458
Deposit certificates of the National Bank of Ukraine (overnight)	–	3,500,478
Cash on hand	2,589,356	2,681,923
Time deposits with credit institutions with maturities up to 90 days	641,364	–
	<b>23,659,521</b>	<b>35,291,518</b>
Less: expected credit losses	(5,285)	(3,524)
<b>Cash and cash equivalents</b>	<b>23,654,236</b>	<b>35,287,994</b>

The current accounts with the National Bank of Ukraine represent the amounts for daily settlements and other operations of the Bank. There are no restrictions of access to the funds placed on the current accounts with the National Bank of Ukraine.

As at 31 March 2021, the obligatory reserves estimated in accordance with the requirements of the National Bank of Ukraine amounted to UAH 5,748,313 thousand (2020: UAH 6,797,628 thousand).

As at 31 March 2021 and 31 December 2020, the Bank complied with the requirements of the National Bank of Ukraine regarding the obligatory reserve amounts.

Changes in expected credit losses during the three months ended 31 March of 2021 and 31 March 2020 were as follows:

	<b>Stage 1</b>
<b>As at 1 January 2021</b>	<b>3,524</b>
New assets originated or purchased	96
Assets repaid	–
Changes in expected credit losses	1,810
<i>Total credit loss expense before transition difference</i>	<i>1,906</i>
Exchange differences	(145)
<b>As at 31 March 2021</b>	<b>5,285</b>
	<b>Stage 1</b>
<b>As at 1 January 2020</b>	<b>4,581</b>
New assets originated or purchased	11
Assets repaid	(3)
Changes in expected credit losses	(685)
<i>Total credit loss expense before transition difference</i>	<i>(677)</i>
Exchange differences	1050
<b>As at 31 March 2020</b>	<b>4,954</b>

## 8. Due from credit institutions

Due from credit institutions comprise:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Reverse REPO agreements	274,790	639,611
Other amounts due from credit institutions	131,026	22,164
Time deposits with maturities over 90 days or overdue	11,074	11,228
	<b>416,890</b>	<b>673,003</b>
Less: expected credit losses	(11,399)	(11,512)
<b>Due from credit institutions</b>	<b>405,491</b>	<b>661,491</b>

As at 31 March 2021, the overdue balance of due from credit institutions amounted to UAH 11,074 thousand (2020: UAH

*(in thousands of Hryvnias, unless otherwise indicated)*

11,228 thousand).

As at 31 March 2021, due from credit institutions in the amount of UAH 330,441 thousand (or 79.26% of the total amount due from credit institutions) was placed with three banks (2020: UAH 536,765 thousand with three banks, or 79.76% of the total amount due from credit institutions).

As at 31 March 2021, reverse REPO agreements were secured by UDGB with the fair value of UAH 340,523 thousand (2020: UAH 779,263 thousand).

Other amounts due from credit institutions include guarantee deposits placed mainly for customer transactions, such as letters of credit, guarantees, performance guarantees and transactions with travel checks and payments cards.

Analysis of changes in the gross carrying value for the three months ended 31 March 2021 is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>661,775</b>	-	<b>11,228</b>	<b>673,003</b>
New assets originated or purchased	380,968	-	-	<b>380,968</b>
Assets repaid	(636,731)	-	-	<b>(636,731)</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Exchange differences	(196)	-	(154)	<b>(350)</b>
<b>As at 31 March 2021</b>	<b>405,816</b>	-	<b>11,074</b>	<b>416,890</b>

Analysis of changes in the gross carrying value for the year ended 31 December 2020 is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>293,902</b>	-	<b>9,406</b>	<b>303,308</b>
New assets originated or purchased	1,382,586	-	-	<b>1,382,586</b>
Assets repaid	(1,018,683)	-	-	<b>(1,018,683)</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Exchange differences	3,970	-	1,822	<b>5,792</b>
<b>As at 31 December 2020</b>	<b>661,775</b>	-	<b>11,228</b>	<b>673,003</b>

Changes in expected credit losses for the three months ended 31 March 2021 were as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>284</b>	-	<b>11,228</b>	<b>11,512</b>
New assets originated or purchased	223	-	-	<b>223</b>
Assets repaid	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in expected credit losses	(179)	-	-	<b>(179)</b>
<i>Total credit loss expense before transition difference</i>	<i>44</i>	-	-	<b>44</b>
Write-off	-	-	-	-
Exchange differences	(3)	-	(154)	<b>(157)</b>
<b>As at 31 March 2021</b>	<b>325</b>	-	<b>11,074</b>	<b>11,399</b>

Changes in expected credit losses for the three months ended 31 March 2020 were as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>332</b>	-	<b>9,406</b>	<b>9,738</b>
New assets originated or purchased	(56)	-	-	<b>(56)</b>
Assets repaid	(273)	-	-	<b>(273)</b>
Transfer to stage 1	-	-	-	-

*(in thousands of Hryvnias, unless otherwise indicated)*

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in expected credit losses	-	-	-	-
<i>Total credit loss expense before transition difference</i>	<i>(329)</i>	-	-	<i>(329)</i>
Write-off	-	-	-	-
Exchange differences	25	-	1,737	1,762
<b>As at 31 March 2020</b>	<b>28</b>	<b>-</b>	<b>11,143</b>	<b>11,171</b>

## 9. Derivative financial instruments

The Bank enters into currency exchange operations whereby it is obliged to supply one currency in exchange for another under pre-determined exchange rates. Such transactions are entered into with Ukrainian and international banks and clients. Currency delivery under such contracts should not exceed one month.

The Bank concludes contracts for the purchase of derivative financial instruments for hedging purposes, but these instruments do not qualify for hedge accounting.

Notional amounts in the tables below represent the accounts receivable and payable:

<b>Foreign exchange contracts</b>	<b>31 March 2021</b>				<b>31 December 2020</b>			
	<b>Notional amount</b>		<b>Fair value</b>		<b>Notional amount</b>		<b>Fair value</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Swaps/forwards	6,806,065	(6,873,217)	2,637	(69,789)	4,935,545	(5,157,490)	4,930	(226,875)
Spots	1,122,170	(1,122,074)	451	(355)	745,303	(745,823)	256	(776)
<b>Total derivative assets/ (liabilities)</b>			<b>3,088</b>	<b>(70,144)</b>			<b>5,186</b>	<b>(227,651)</b>

## 10. Loans to customers and finance leases

Loans to customers and finance leases comprise:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Legal entities	39,716,655	41,682,615
SME	8,058,921	7,808,679
Individuals	5,299,732	5,571,369
<b>Gross loans to customers and finance leases</b>	<b>53,075,308</b>	<b>55,062,663</b>
Less: expected credit losses	(7,566,258)	(7,545,080)
<b>Loans to customers and finance leases</b>	<b>45,509,050</b>	<b>47,517,583</b>

As at 31 March 2021, loans to customers and finance leases included loans to customers of UAH 134,523 thousand. (2020: UAH 123,109 thousand), the contractual terms of which do not comply to the terms of the basic lending arrangement, and which are measured at FVPL. Information regarding fair value measurement of loans to customers at FVPL is provided in Note 30.

As at 31 March 2021, loans to customers and finance leases included loans to customers of UAH 1,934 thousand. (2020: UAH 2,039 thousand) held under the business model, the purpose of which is to retain financial assets to obtain contractual cash flows and sales. Information regarding fair value measurement of loans to customers at FVOCI is provided in Note 30.

As at 31 March 2021, the total amount of not overdue restructured loans was UAH 2,099,562 thousand (2020: UAH 2,178,452 thousand).

During the three month of 2021, the Bank performed foreclosure of collateral for repayment of loans to customers. The amount of collateral, which was used for repayment of loans to customers, was UAH 8,019 thousand and is subsequently accounted as other property (2020: UAH 16,520 thousand).

Analysis of changes in the gross carrying value for the three months ended 31 March 2021 is as follows:

*(in thousands of Hryvnias, unless otherwise indicated)*

<b>Legal entities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>26,370,809</b>	<b>11,541,605</b>	<b>3,471,279</b>	<b>298,922</b>	<b>41,682,615</b>
New assets	4,409,738	2,734,738	49,332	3,414	7,197,222
Repaid assets	(5,866,923)	(2,285,647)	(88,723)	(8,893)	(8,250,186)
Transfer to stage 1	255,211	(255,211)	-	-	-
Transfer to stage 2	(1,974,259)	2,011,680	(37,421)	-	-
Transfer to stage 3	(15,104)	(36,760)	51,864	-	-
Amounts written off	-	-	(5,361)	-	(5,361)
Exchange differences	(435,966)	(422,947)	(45,844)	(2,878)	(907,635)
<b>As at 31 March 2021</b>	<b>22,743,506</b>	<b>13,287,458</b>	<b>3,395,126</b>	<b>290,565</b>	<b>39,716,655</b>

<b>SME</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>4,704,335</b>	<b>2,025,499</b>	<b>955,736</b>	-	<b>7,685,570</b>
New assets	1,289,267	4,014	10,287	-	1,303,568
Repaid assets	(786,365)	(86,539)	(32,541)	-	(905,445)
Transfer to stage 1	233,807	(223,223)	(10,584)	-	-
Transfer to stage 2	(326,478)	326,523	(45)	-	-
Transfer to stage 3	(219)	(11,571)	11,790	-	-
Amounts written off	-	-	(3,064)	-	(3,064)
Exchange differences	(47,782)	(90,934)	(17,515)	-	(156,231)
<b>As at 31 March 2021</b>	<b>5,066,565</b>	<b>1,943,769</b>	<b>914,064</b>	-	<b>7,924,398</b>

<b>Individuals</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>3,066,495</b>	<b>29,840</b>	<b>2,469,610</b>	<b>5,424</b>	<b>5,571,369</b>
New assets	707,651	923	14,638	2,489	725,701
Repaid assets	(385,999)	(5,687)	(42,076)	(2,939)	(436,701)
Transfer to stage 1	45,103	(41,975)	(3,128)	-	-
Transfer to stage 2	(69,114)	69,695	(581)	-	-
Transfer to stage 3	(15,292)	(22,141)	37,433	-	-
Amounts written off	(3)	-	(531,289)	-	(531,292)
Exchange differences	(232)	(8)	(29,105)	-	(29,345)
<b>As at 31 March 2021</b>	<b>3,348,609</b>	<b>30,647</b>	<b>1,915,502</b>	<b>4,974</b>	<b>5,299,732</b>

Analysis of changes in the gross carrying value for the year ended 31 December 2020 is as follows:

<b>Legal entities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>26,760,316</b>	<b>3,844,351</b>	<b>4,637,669</b>	<b>270,476</b>	<b>35,512,812</b>
New assets	27,391,173	1,715,375	652,793	-	29,759,341
Repaid assets	(22,770,521)	(2,627,955)	(1,019,532)	(17,970)	(26,435,978)
Transfer to stage 1	7,931,261	(7,366,905)	(564,356)	-	-
Transfer to stage 2	(15,475,968)	15,528,407	(52,439)	-	-
Transfer to stage 3	(266,948)	(399,971)	666,919	-	-
Amounts written off	-	-	(1,159,546)	-	(1,159,546)
Exchange differences	2,801,496	848,303	309,771	46,416	4,005,986
<b>As at 31 December 2020</b>	<b>26,370,809</b>	<b>11,541,605</b>	<b>3,471,279</b>	<b>298,922</b>	<b>41,682,615</b>

<b>SME</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>4,361,811</b>	<b>245,718</b>	<b>659,663</b>	-	<b>5,267,192</b>
New assets	4,461,465	27,483	124,740	-	4,613,688
Repaid assets	(2,715,239)	(180,118)	(62,119)	-	(2,957,476)
Transfer to stage 1	1,662,532	(1,621,094)	(41,438)	-	-
Transfer to stage 2	(3,615,121)	3,617,495	(2,374)	-	-
Transfer to stage 3	(93,803)	(119,318)	213,121	-	-
Amounts written off	-	-	(43,820)	-	(43,820)
Exchange differences	642,690	55,333	107,963	-	805,986
<b>As at 31 December 2020</b>	<b>4,704,335</b>	<b>2,025,499</b>	<b>955,736</b>	-	<b>7,685,570</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

<i>Individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>As at 1 January 2020</b>	<b>2,759,653</b>	<b>15,658</b>	<b>2,655,209</b>	-	<b>5,430,520</b>
New assets	2,045,624	4,413	69,574	9,146	<b>2,128,757</b>
Repaid assets	(1,610,162)	(13,654)	(148,376)	(3,722)	<b>(1,775,914)</b>
Transfer to stage 1	141,536	(135,390)	(6,146)	-	-
Transfer to stage 2	(238,338)	239,671	(1,333)	-	-
Transfer to stage 3	(36,516)	(80,896)	117,412	-	-
Amounts written off	(123)	-	(612,667)	-	<b>(612,790)</b>
Exchange differences	4,821	38	395,937	-	<b>400,796</b>
<b>As at 31 December 2020</b>	<b>3,066,495</b>	<b>29,840</b>	<b>2,469,610</b>	<b>5,424</b>	<b>5,571,369</b>

Write-offs are represented by bad debts in the amount of UAH 542,063 thousand (2020: UAH 1,834,566 thousand of write-off of bad debts).

Expected credit losses on loans to customers and finance leases for the three months ended 31 March 2021 were as follows:

<i>Legal entities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>As at 1 January 2021</b>	<b>492,483</b>	<b>1,257,994</b>	<b>2,464,888</b>	<b>35,979</b>	<b>4,251,344</b>
New assets	59,982	217,506	-	-	<b>277,488</b>
Repaid assets	(10,454)	(247,667)	144	-	<b>(257,977)</b>
Transfer to stage 1	1,733	(1,733)	-	-	-
Transfer to stage 2	(197,490)	229,701	(32,211)	-	-
Transfer to stage 3	(13,322)	(19,673)	32,995	-	-
Change of reserve	308,877	303,380	73,061	(8,305)	<b>677,013</b>
<i>Total credit loss expense before transition difference</i>	<i>149,326</i>	<i>481,514</i>	<i>73,989</i>	<i>(8,305)</i>	<i>696,524</i>
Changes in impaired interest	-	-	52,227	-	<b>52,227</b>
Amounts written off	-	-	(5,361)	-	<b>(5,361)</b>
Exchange differences	(8,900)	(39,726)	(30,721)	(55)	<b>(79,402)</b>
<b>As at 31 March 2021</b>	<b>632,909</b>	<b>1,699,782</b>	<b>2,555,022</b>	<b>27,619</b>	<b>4,915,332</b>

<i>SME</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>As at 1 January 2021</b>	<b>123,111</b>	<b>228,672</b>	<b>551,025</b>	-	<b>902,808</b>
New assets	15,612	-	35	-	<b>15,647</b>
Repaid assets	(339)	(551)	(34)	-	<b>(924)</b>
Transfer to stage 1	3,616	(3,604)	(12)	-	-
Transfer to stage 2	(50,287)	50,318	(31)	-	-
Transfer to stage 3	(146)	(5,847)	5,993	-	-
Change of reserve	(32,420)	(91,206)	24,243	-	<b>(99,383)</b>
<i>Total credit loss expense before transition difference</i>	<i>(63,964)</i>	<i>(50,890)</i>	<i>30,194</i>	-	<i>(84,660)</i>
Changes in impaired interest	-	-	9,533	-	<b>9,533</b>
Amounts written off	-	-	(3,064)	-	<b>(3,064)</b>
Exchange differences	(1,045)	(8,649)	(9,052)	-	<b>(18,746)</b>
<b>As at 31 March 2021</b>	<b>58,102</b>	<b>169,133</b>	<b>578,636</b>	-	<b>805,871</b>

<i>Individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>As at 1 January 2021</b>	<b>18,262</b>	<b>11,817</b>	<b>2,356,447</b>	<b>4,402</b>	<b>2,390,928</b>
New assets	1,268	-	579	-	<b>1,847</b>
Repaid assets	(317)	(621)	(5,580)	-	<b>(6,518)</b>
Transfer to stage 1	1,611	(1,561)	(50)	-	-
Transfer to stage 2	(20,431)	20,676	(245)	-	-
Transfer to stage 3	(4,965)	(13,954)	18,919	-	-
Change of reserve	21,909	(3,994)	(9,279)	(745)	<b>7,891</b>
<i>Total credit loss expense before transition difference</i>	<i>(925)</i>	<i>546</i>	<i>4,344</i>	<i>(745)</i>	<i>3,220</i>
Changes in impaired interest	-	-	12,611	407	<b>13,018</b>
Amounts written off	-	-	(533,638)	-	<b>(533,638)</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

Exchange differences	(39)	(23)	(28,411)	-	(28,473)
<b>As at 31 March 2021</b>	<b>17,298</b>	<b>12,340</b>	<b>1,811,353</b>	<b>4,064</b>	<b>1,845,055</b>

Expected credit losses on loans to customers and finance leases for the three months ended 31 March 2020 were as follows:

<b>Legal entities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>534,172</b>	<b>203,316</b>	<b>3,590,893</b>	<b>27,352</b>	<b>4,355,733</b>
New assets	17,211	-	-	-	17,211
Repaid assets	(14,637)	-	(180,963)	-	(195,600)
Transfer to stage 1	171,268	(160,337)	(10,931)	-	-
Transfer to stage 2	(390,333)	390,333	-	-	-
Transfer to stage 3	-	-	-	-	-
Change of reserve	207,046	(201,557)	23,871	73,921	103,281
<i>Total credit loss expense before transition difference</i>	<i>(9,445)</i>	<i>28,439</i>	<i>(168,023)</i>	<i>73,921</i>	<i>(75,108)</i>
Changes in impaired interest	-	-	35,622	-	35,622
Amounts written off	-	-	(41,007)	-	(41,007)
Exchange differences	19,571	23,898	91,251	-	134,720
<b>As at 31 March 2020</b>	<b>544,298</b>	<b>255,653</b>	<b>3,508,736</b>	<b>101,273</b>	<b>4,409,960</b>

<b>SME</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>29,827</b>	<b>8,579</b>	<b>206,032</b>	-	<b>244,438</b>
New assets	1,629	-	-	-	1,629
Repaid assets	(318)	(1,005)	(5,044)	-	(6,367)
Transfer to stage 1	3,947	(3,938)	(9)	-	-
Transfer to stage 2	(86,568)	86,568	-	-	-
Transfer to stage 3	(9)	(1,165)	1,174	-	-
Change of reserve	90,316	1,651	24,374	-	116,341
<i>Total credit loss expense before transition difference</i>	<i>8,997</i>	<i>82,111</i>	<i>20,495</i>	-	<i>111,603</i>
Changes in impaired interest	-	-	1,790	-	1,790
Amounts written off	-	-	(3,339)	-	(3,339)
Exchange differences	2,807	(196)	20,633	-	23,244
<b>As at 31 March 2020</b>	<b>41,631</b>	<b>90,494</b>	<b>245,611</b>	-	<b>377,736</b>

<b>Individuals</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>17,268</b>	<b>6,709</b>	<b>2,600,697</b>	-	<b>2,624,674</b>
New assets	1,321	-	518	-	1,839
Repaid assets	(224)	(67)	(2,379)	-	(2,670)
Transfer to stage 1	752	(745)	(7)	-	-
Transfer to stage 2	(11,713)	11,784	(71)	-	-
Transfer to stage 3	(24,669)	(9,030)	33,699	-	-
Change of reserve	36,951	1,503	(17,082)	-	21,372
<i>Total credit loss expense before transition difference</i>	<i>2,418</i>	<i>3,445</i>	<i>14,678</i>	-	<i>20,541</i>
Changes in impaired interest	-	-	6,396	-	6,396
Amounts written off	-	-	(85,757)	-	(85,757)
Exchange differences	(1)	(1)	382,551	-	382,549
<b>As at 31 March 2020</b>	<b>19,685</b>	<b>10,153</b>	<b>2,918,565</b>	-	<b>2,948,403</b>

As at 31 March 2021, the Bank has made adjusted the process of estimation of expected credit losses in connection with the ongoing COVID-19 pandemic. In particular, the Bank updated the forecast information, including forecasts of macroeconomic indicators. Also, the Bank revised the indicators of a significant increase in credit risk. The management adjustments due to COVID-19 as at 31 March 2021 were as follows:

*(in thousands of Hryvnias, unless otherwise indicated)*

	<b>Modelled ECL</b>	<b>Management overlays</b>	<b>Total ECL</b>	<b>Adjustments as a % of total ECL</b>
Legal entities	4,737,766	177,567	4,915,333	4%
SMEs	754,552	51,319	805,871	6%
Individuals	1,845,055	–	1,845,055	0%
<b>Total</b>	<b>7,337,373</b>	<b>228,886</b>	<b>7,566,259</b>	<b>3%</b>

**Management overlays**

Management overlays reflect significant uncertainty as a consequence of the COVID-19 pandemic. Considerations included the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors and loan classes/segments.

The table below discloses the number and gross carrying value of loans to customers and finance leases as at 31 March 2021 in regard to which the Bank's special programs related to the restructuring of the terms of loan agreements due to COVID-19 apply:

<b>Bank's special programs</b>	<b>Legal entities</b>	<b>SMEs</b>	<b>Individuals</b>	<b>Total</b>
Amount of loans to customers and finance leases	64	310	50,164	<b>50,538</b>
Gross carrying value of loans to customers and finance leases	6,226,953	1,324,828	865,731	<b>8,417,512</b>
% of portfolio	12%	2%	2%	<b>16%</b>

The table below discloses the gross carrying value and corresponding ECL by stages for loans to customers and finance leases subject to payment relief provided due to COVID-19 and in regard to which the Bank's special programs related to the restructuring of the terms of loan agreements apply:

<b>Bank's special programs</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Gross carrying value of loans to customers and finance leases	4,608,300	2,575,940	1,233,272	<b>8,417,512</b>
% of portfolio	9%	5%	2%	<b>16%</b>
Minus: expected credit losses	(85,233)	(691,513)	(704,545)	<b>(1,481,291)</b>
% of total amount of reserves	1%	9%	9%	<b>20%</b>

The following is the information on undiscounted ECLs at initial recognition of purchased credit-impaired loans to customers and finance leases, which were initially recognized for the 3 months ended 31 March 2021 and the year of 2020:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Legal entities	–	–
SME	–	–
Individuals	484	3,653
<b>Total undiscounted ECLs at initial recognition of POCI</b>	<b>484</b>	<b>3,653</b>

**Collateral**

The following table summarizes the total loan portfolio by types of collateral:

	<b>31 March 2021</b>			
<b>Type of collateral</b>	<b>Legal entities</b>	<b>SME</b>	<b>Individuals</b>	<b>Total</b>
Deposits	1,990,434	234,693	14,620	<b>2,239,747</b>
Real estate	18,857,670	3,316,247	1,606,391	<b>23,780,308</b>
Other assets	9,721,568	3,664,970	1,527,585	<b>14,914,123</b>
Unsecured	9,146,983	843,011	2,151,136	<b>12,141,130</b>
<b>Total loans</b>	<b>39,716,655</b>	<b>8,058,921</b>	<b>5,299,732</b>	<b>53,075,308</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

<i>Type of collateral</i>	<b>31 December 2020</b>			
	<i>Legal entities</i>	<i>SME</i>	<i>Individuals</i>	<i>Total</i>
Deposits	1,052,427	210,931	14,729	<b>1,278,087</b>
Real estate	19,563,102	3,402,427	1,589,851	<b>24,555,380</b>
Other assets	10,126,172	2,711,686	1,367,751	<b>14,205,609</b>
Unsecured	10,940,914	1,483,635	2,599,038	<b>15,023,587</b>
<b>Total loans</b>	<b>41,682,615</b>	<b>7,808,679</b>	<b>5,571,369</b>	<b>55,062,663</b>

The above amounts represent the carrying value of the loans, before expected credit losses, and do not represent the fair value of collateral. The Bank assesses the fair value of collateral at the loan origination, change of collateral structure, collateral repossession when the borrower is unable to repay the loan, and in cases and with frequency required by Ukrainian regulations.

As at 31 March 2021 and 31 December 2020, other assets include movable property, goods in turnover, etc.

In the absence of collateral or other credit quality enhancement tools, the expected credit losses on loans to customers at Stage 3 as at 31 March 2021 and 31 December 2020 would be bigger by:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Legal entities	650,695	801,957
SME	319,121	333,167
Individuals	41,220	49,293
	<b>1,011,036</b>	<b>1,184,417</b>

The following table presents the structure of loans to customers and finance leases by types of client segments and by debt currency:

<i>Types of clients</i>	<b>31 March 2021</b>				<b>31 December 2020</b>			
	<i>In foreign currency</i>	<i>In national currency</i>	<i>Total</i>	<i>Impaired</i>	<i>In foreign currency</i>	<i>In national currency</i>	<i>Total</i>	<i>Impaired</i>
State entities and municipalities	8,527,617	5,638,430	<b>14,166,047</b>	1,150,464	8,155,451	5,740,812	<b>13,896,263</b>	1,185,011
Corporate clients	16,881,319	8,697,610	<b>25,578,929</b>	2,535,227	18,427,892	9,389,703	<b>27,817,595</b>	3,547,959
Micro	1,248	253,643	<b>254,891</b>	6,112	1,505	202,834	<b>204,339</b>	5,977
SME	3,325,292	4,450,417	<b>7,775,709</b>	908,172	3,639,598	3,933,499	<b>7,573,097</b>	951,047
Individuals	1,571,877	3,727,855	<b>5,299,732</b>	1,920,476	2,131,720	3,439,649	<b>5,571,369</b>	2,474,953
<b>Total</b>	<b>30,307,353</b>	<b>22,767,955</b>	<b>53,075,308</b>	<b>6,520,451</b>	<b>32,356,166</b>	<b>22,706,497</b>	<b>55,062,663</b>	<b>8,164,947</b>

The following table presents the structure of loans to customers and finance leases by types of client segments and by loan maturities:

<i>Types of clients</i>	<b>31 March 2021</b>			<b>31 December 2020</b>		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
State entities and municipalities	6,213,487	7,952,560	<b>14,166,047</b>	5,428,540	8,467,723	<b>13,896,263</b>
Corporate clients	9,368,303	16,210,626	<b>25,578,929</b>	10,246,561	17,571,034	<b>27,817,595</b>
Micro	75,682	179,209	<b>254,891</b>	63,416	140,923	<b>204,339</b>
SME	2,477,496	5,298,213	<b>7,775,709</b>	2,424,699	5,148,398	<b>7,573,097</b>
Individuals	1,242,471	4,057,261	<b>5,299,732</b>	1,140,517	4,430,852	<b>5,571,369</b>
<b>Total</b>	<b>19,377,439</b>	<b>33,697,869</b>	<b>53,075,308</b>	<b>19,303,733</b>	<b>35,758,930</b>	<b>55,062,663</b>

As at 31 March 2021, loans to customers and finance leases in the amount of UAH 16,824,812 thousand were granted to the ten biggest borrowers/groups of Bank's related counterparties (31.70% of the total loans to customers); allowance for expected credit losses of UAH 829,278 thousand was made for these loans to customers and finance leases (2020: UAH 18,668,993 thousand, or 33.90% and the allowance for expected credit losses of UAH 622,077 thousand).

The loans are primarily granted to those customers which operate on the territory of Ukraine in the following industries:

*(in thousands of Hryvnias, unless otherwise indicated)*

	<b>31 March 2021</b>	<b>31 December 2020</b>
Electric power industry	13,685,419	13,534,402
Natural gas transportation	5,757,918	7,401,626
Individuals	5,299,732	5,571,369
Trade	4,765,469	4,408,515
Transport	4,739,595	3,461,568
Agriculture and food processing	3,997,030	5,230,361
Real estate	3,992,512	4,120,271
Production	2,673,260	2,493,074
Municipality	2,662,593	2,982,728
Metallurgy	1,879,904	2,751,219
Construction	1,356,133	723,154
Service sector	1,257,672	1,328,744
Telecommunications	26,941	28,688
Financial services	12,685	13,840
Other	968,445	1,013,104
<b>Total</b>	<b>53,075,308</b>	<b>55,062,663</b>

In the table below, the loans to customers under finance leasing agreements are distributed by segments and terms:

	<b>31 March 2021</b>			<b>31 December 2020</b>		
	<b>Legal entities</b>	<b>SME</b>	<b>Total</b>	<b>Legal entities</b>	<b>SME</b>	<b>Total</b>
<b>Within one year</b>						
Finance leasing agreements	2,331	123,289	125,620	3,214	167,245	170,459
Less: expected credit losses	-	(145)	(145)	-	(282)	(282)
<b>Short-term finance leasing agreements</b>	<b>2,331</b>	<b>123,144</b>	<b>125,475</b>	<b>3,214</b>	<b>166,963</b>	<b>170,177</b>
<b>More than one year</b>						
Finance leasing agreements	46,598	1,579,470	1,626,068	113,160	1,389,258	1,502,418
Less: expected credit losses	(11,494)	(28,067)	(39,561)	(13,876)	(57,976)	(71,852)
<b>Long-term finance leasing agreements</b>	<b>35,104</b>	<b>1,551,403</b>	<b>1,586,507</b>	<b>99,284</b>	<b>1,331,282</b>	<b>1,430,566</b>
<b>Total finance leasing agreements</b>	<b>37,435</b>	<b>1,674,547</b>	<b>1,711,982</b>	<b>102,498</b>	<b>1,498,245</b>	<b>1,600,743</b>

The following table presents the provision structure on finance lease by industry and Bank's customer segment:

	<b>31 March 2021</b>		<b>31 December 2020</b>	
	<b>Legal entities</b>	<b>SME</b>	<b>Legal entities</b>	<b>SME</b>
Transport	1,587	1,522,512	1,792	701,078
Service sector	-	88,209	63,818	98,845
Production	1,811	70,927	2,513	72,693
Agriculture and food processing	45,237	-	47,122	-
Construction	-	9,851	-	11,756
Real estate	-	6,166	-	6,522
Other	294	2,839	390	3,363
	<b>48,929</b>	<b>1,700,504</b>	<b>115,635</b>	<b>894,257</b>

The following table presents the analysis of finance lease receivables as at 31 March 2021, which is included in the legal entity and SME loan portfolio:

	<b>Within 1 year</b>	<b>From 1 year to 2 years</b>	<b>From 2 years to 3 years</b>	<b>From 3 years to 4 years</b>	<b>From 4 years to 5 years</b>	<b>Total</b>
Gross investments in finance leases	934,003	698,077	447,139	51,470	13,244	2,143,933
Foregone financial revenue from future finance leases	(230,588)	(135,442)	(56,343)	(8,366)	(1,212)	(431,951)

*(in thousands of Hryvnias, unless otherwise indicated)*

	<i>Within 1 year</i>	<i>From 1 year to 2 years</i>	<i>From 2 years to 3 years</i>	<i>From 3 years to 4 years</i>	<i>From 4 years to 5 years</i>	<i>Total</i>
<b>Net investments in finance leases</b>	<b>703,415</b>	<b>562,635</b>	<b>390,796</b>	<b>43,104</b>	<b>12,032</b>	<b>1,711,982</b>

The following table presents the analysis of finance lease receivables as at 31 December 2020, which is included in the legal entity and SME loan portfolio:

	<i>Within 1 year</i>	<i>From 1 year to 2 years</i>	<i>From 2 years to 3 years</i>	<i>From 3 years to 4 years</i>	<i>From 4 years to 5 years</i>	<i>Total</i>
Gross investments in finance leases	886,581	617,936	472,081	75,962	15,675	2,068,235
Foregone financial revenue from future finance leases	(237,894)	(142,815)	(72,780)	(12,059)	(1,944)	(467,492)
<b>Net investments in finance leases</b>	<b>648,687</b>	<b>475,121</b>	<b>399,301</b>	<b>63,903</b>	<b>13,731</b>	<b>1,600,743</b>

## 11. Investments at fair value through other comprehensive income

Investments at fair value through other comprehensive income include:

	<i>31 March 2021</i>	<i>31 December 2020</i>
Ukrainian domestic government bonds (UDGB)	40,571,489	43,625,889
Deposit certificates issued by the National Bank of Ukraine	11,011,752	3,000,983
U.S. government bonds	2,794,028	5,687,662
State Mortgage Institution bonds	1,795,241	1,849,243
Municipal bonds	1,823,146	1,858,951
Companies' shares	11,328	11,328
<b>Investments at fair value through other comprehensive income</b>	<b>58,006,984</b>	<b>56,034,056</b>

The Bank classifies overnight deposit certificates issued by the National Bank of Ukraine as cash and cash equivalents. Deposit certificates issued by the National Bank of Ukraine with other maturities are classified as investments at fair value through other comprehensive income.

At its own discretion, the Bank classified certain investments in equity instruments as equity instruments measured at fair value through other comprehensive income as these investment are not used for trading purposes.

The movement of gross carrying amount of investments at fair value through other comprehensive income includes:

<i>Investments at fair value through other comprehensive income</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying amount as at 1 January 2021</b>	<b>54,440,291</b>	–	<b>2,124,499</b>	<b>56,564,790</b>
New created and purchased assets	100,262,160	–	–	100,262,160
Assets repaid	(78,264,687)	–	(69,931)	(78,334,618)
Assets sold	(19,658,119)	–	–	(19,658,119)
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Unwinding of discount (recognized in interest revenue)	–	–	–	–
Reclassification	–	–	–	–
Write-off	–	–	–	–
Exchange differences	(347,347)	–	–	(347,347)
<b>Gross carrying amount as at 31 March 2021</b>	<b>56,432,298</b>	–	<b>2,054,568</b>	<b>58,486,866</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

<b>Investments at fair value through other comprehensive income</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at 1 January 2020</b>	<b>30,509,614</b>	–	–	<b>30,509,614</b>
New created and purchased assets	721,663,873	–	–	<b>721,663,873</b>
Assets repaid	(657,160,909)	–	–	<b>(657,160,909)</b>
Assets sold	(42,562,488)	–	–	<b>(42,562,488)</b>
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	(2,124,499)	–	2,124,499	–
Unwinding of discount (recognized in interest revenue)	–	–	–	–
Reclassification	–	–	–	–
Write-off	–	–	–	–
Exchange differences	4,114,700	–	–	<b>4,114,700</b>
<b>Gross carrying amount as at 31 December 2020</b>	<b>54,440,291</b>	–	<b>2,124,499</b>	<b>56,564,790</b>

Changes in expected credit losses for the three months ended 31 March 2021 were as follows:

<b>Investments at fair value through other comprehensive income</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Expected credit losses as at 1 January 2021</b>	<b>266,806</b>	–	<b>275,256</b>	<b>542,062</b>
New created and purchased assets	21,413	–	–	<b>21,413</b>
Assets repaid	(7,797)	–	–	<b>(7,797)</b>
Assets sold	(26,714)	–	–	<b>(26,714)</b>
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Change of reserve	(19,612)	–	(15,929)	<b>(35,541)</b>
Write-off	–	–	–	–
Exchange differences	(2,213)	–	–	<b>(2,213)</b>
<b>Expected credit losses as at 31 March 2021</b>	<b>231,883</b>	–	<b>259,327</b>	<b>491,210</b>

Changes in expected credit losses for the three months ended 31 March 2020 were as follows:

<b>Investments at fair value through other comprehensive income</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Expected credit losses as at 1 January 2020</b>	<b>110,635</b>	–	–	<b>110,635</b>
New created and purchased assets	53,450	–	–	<b>53,450</b>
Assets repaid	(1,297)	–	–	<b>(1,297)</b>
Assets sold	(3,231)	–	–	<b>(3,231)</b>
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Change of reserve	–	–	–	–
Write-off	–	–	–	–
Exchange differences	15,199	–	–	<b>15,199</b>
<b>Expected credit losses as at 31 March 2020</b>	<b>174,756</b>	–	–	<b>174,756</b>

As at 31 March 2021, UDGB with fair value of UAH 562,710 thousand (2020: UAH 593,694 thousand) were pledged for a long-term loan received from a credit institution (Note 20).

As at 31 March 2021, UDGB with fair value of UAH 1,391,409 thousand were received from the National Bank of Ukraine. As of 31 December 2020, such operations were absent (Note 19).

*(in thousands of Hryvnias, unless otherwise indicated)***12. Investment property**

The movement of investment property items was as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Carrying amount as at 1 January</b>	<b>149,255</b>	<b>228,857</b>
Additions	-	-
Disposals	-	(75,526)
Transfer to property and equipment category	-	(4,734)
Fair value adjustment	-	658
<b>Carrying amount as at 31 March /31 December</b>	<b>149,255</b>	<b>149,255</b>

Net income from investment property includes rental income in the amount of UAH 3,603 thousand (2020: UAH 12,493 thousand).

**13. Property and equipment, intangible assets**

Movements in property and equipment and intangible assets were as follows:

	<i>Buildings and land plots</i>	<i>Furniture and equipment</i>	<i>Leasehold improvements</i>	<i>Motor vehicles</i>	<i>Construction in progress and items not put into operation</i>	<i>Intangible assets</i>	<i>Total</i>
<b>Cost or revalued amount</b>							
<b>As at 1 January 2021</b>	<b>928,721</b>	<b>947,553</b>	<b>37,235</b>	<b>46,552</b>	<b>8,362</b>	<b>572,603</b>	<b>2,541,026</b>
Additions	-	4,498	-	-	1,403	3,707	9,608
Disposals	-	(3,327)	(1,684)	-	-	-	(5,011)
Transfers	117	2,395	84	-	(2,596)	-	-
<b>As at 31 March 2021</b>	<b>928,838</b>	<b>951,119</b>	<b>35,635</b>	<b>46,552</b>	<b>7,169</b>	<b>576,310</b>	<b>2,545,623</b>
<b>Accumulated depreciation</b>							
<b>As at 1 January 2021</b>	-	<b>653,756</b>	<b>26,679</b>	<b>35,876</b>	-	<b>476,177</b>	<b>1,192,488</b>
Depreciation charges	6,511	37,354	1,511	1,279	-	18,610	65,265
Disposals	-	(3,327)	(1,498)	-	-	-	(4,825)
<b>As at 31 March 2021</b>	<b>6,511</b>	<b>687,783</b>	<b>26,692</b>	<b>37,155</b>	-	<b>494,787</b>	<b>1,252,928</b>
<b>Net book value</b>							
<b>As at 1 January 2021</b>	<b>928,721</b>	<b>293,797</b>	<b>10,556</b>	<b>10,676</b>	<b>8,362</b>	<b>96,426</b>	<b>1,348,538</b>
<b>As at 31 March 2021</b>	<b>922,327</b>	<b>263,336</b>	<b>8,943</b>	<b>9,397</b>	<b>7,169</b>	<b>81,523</b>	<b>1,292,695</b>

	<i>Buildings and land plots</i>	<i>Furniture and equipment</i>	<i>Leasehold improvements</i>	<i>Motor vehicles</i>	<i>Construction in progress and items not put into operation</i>	<i>Intangible assets</i>	<i>Total</i>
<b>Cost or revalued amount</b>							
<b>As at 1 January 2020</b>	<b>769,072</b>	<b>870,518</b>	<b>29,772</b>	<b>45,437</b>	<b>167,073</b>	<b>487,209</b>	<b>2,369,081</b>
Additions	16	82,236	985	1,115	55,494	87,763	227,609
Disposals	(19,618)	(34,581)	(3,872)	-	(4,204)	(2,471)	(64,746)
Transfers	159,126	29,380	10,350	-	(198,958)	102	-
Revaluation	61,173	-	-	-	-	-	61,173
Reclassification from investment property	4,734	-	-	-	-	-	4,734
Reclassification to other property	(45,782)	-	-	-	(11,043)	-	(56,825)
<b>As at 31 December 2020</b>	<b>928,721</b>	<b>947,553</b>	<b>37,235</b>	<b>46,552</b>	<b>8,362</b>	<b>572,603</b>	<b>2,541,026</b>
<b>Accumulated depreciation</b>							
<b>As at 1 January 2020</b>	-	<b>518,240</b>	<b>25,484</b>	<b>30,854</b>	-	<b>360,870</b>	<b>935,448</b>
Depreciation charges	21,533	169,283	4,859	5,022	-	115,320	316,017
Disposals	(280)	(33,767)	(3,664)	-	-	(13)	(37,724)
Reclassification to other property	(779)	-	-	-	-	-	(779)
Revaluation	(20,474)	-	-	-	-	-	(20,474)
<b>As at 31 December 2020</b>	<b>-</b>	<b>653,756</b>	<b>26,679</b>	<b>35,876</b>	<b>-</b>	<b>476,177</b>	<b>1,192,488</b>
<b>Net book value</b>							
<b>As at 1 January 2020</b>	<b>769,072</b>	<b>352,278</b>	<b>4,288</b>	<b>14,583</b>	<b>167,073</b>	<b>126,339</b>	<b>1,433,633</b>
<b>As at 31 December 2020</b>	<b>928,721</b>	<b>293,797</b>	<b>10,556</b>	<b>10,676</b>	<b>8,362</b>	<b>96,426</b>	<b>1,348,538</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

As at 31 December 2020, the valuation of the fair value of buildings and land plots was performed by an independent appraiser. To estimate the fair value of buildings, a comparative approach and an income approach were mainly used. Key assumptions relate to the condition, quality and location of the buildings used as comparatives.

If the valuation of land and buildings was performed using historical cost model, the carrying value of the buildings and land plots as at 31 March 2021 would amount to UAH 849,674 thousand (2020: UAH 849,557 thousand).

As at 31 March 2021, property and equipment and intangible assets with a historical cost of UAH 515,492 thousand (2020: UAH 492,815 thousand) was fully depreciated, but are still used by the Bank.

## 14. Right-of-use assets and lease liabilities

Right-of-use assets and lease liabilities include:

	<i>Right-of-use assets</i>			<i>Total</i>	<i>Lease liability</i>
	<i>Buildings</i>	<i>Furniture and equipment</i>	<i>Motor vehicles</i>		
<b>As at 1 January 2021</b>	<b>71,987</b>	<b>368</b>	<b>84,845</b>	<b>157,200</b>	<b>126,148</b>
Additions	16,503	-	-	16,503	16,503
Early termination	(4,697)	-	-	(4,697)	(5,174)
Depreciation expense	(11,980)	(74)	(6,057)	(18,111)	-
Interest expense	-	-	-	-	5,534
Payments	-	-	-	-	(22,368)
<b>As at 31 March 2021</b>	<b>71,813</b>	<b>294</b>	<b>78,788</b>	<b>150,895</b>	<b>120,643</b>

	<i>Right-of-use assets</i>			<i>Total</i>	<i>Lease liability</i>
	<i>Buildings</i>	<i>Furniture and equipment</i>	<i>Motor vehicles</i>		
<b>As at 1 January 2020</b>	<b>56,366</b>	<b>720</b>	<b>109,073</b>	<b>166,159</b>	<b>131,747</b>
Additions	61,580	-	-	61,580	61,580
Early termination	(4,247)	(13)	-	(4,260)	(4,542)
Depreciation expense	(41,712)	(339)	(24,228)	(66,279)	-
Interest expense	-	-	-	-	23,542
Payments	-	-	-	-	(86,179)
<b>As at 31 December 2020</b>	<b>71,987</b>	<b>368</b>	<b>84,845</b>	<b>157,200</b>	<b>126,148</b>

For the three months ended 31 March 2021, the Bank recognized expenses on short-term leases, leases of low-value assets and variable lease payments in the amount of UAH 5,091 thousand (31 March 2020: 8,043 thousand).

For the three months ended 31 March 2021, the total lease-related cash outflow amounted to UAH 27,459 thousand (31 March 2020: 28,005 thousand).

## 15. Other property

As at 31 March 2021, the carrying value of other property received as repayment of debts from the Bank's customers on non-performing loans was UAH 742,744 thousand (2020: UAH 770,248 thousand).

<i>Carrying amount</i>	<i>Land plots</i>	<i>Non-residential property</i>	<i>Residential property</i>	<i>Ownership rights to real estate</i>	<i>Movables, furniture and equipment</i>	<i>Total</i>
<b>As at 1 January 2021</b>	<b>65,211</b>	<b>525,868</b>	<b>95,015</b>	<b>40,707</b>	<b>43,447</b>	<b>770,248</b>
Additions	-	8,576	-	-	254	8,830
Sale	(2,214)	(34,120)	-	-	-	(36,334)
<b>As at 31 March 2021</b>	<b>62,997</b>	<b>500,324</b>	<b>95,015</b>	<b>40,707</b>	<b>43,701</b>	<b>742,744</b>

(in thousands of Hryvnias, unless otherwise indicated)

Carrying amount	Land plots	Non-residential property	Residential property	Ownership rights to real estate	Movables, furniture and equipment	Total
As at 1 January 2020	55,721	512,581	82,362	41,047	43,587	735,298
Additions	82	15,749	741	-	-	16,572
Transfer from property and equipment category	12,547	12,350	31,149	-	-	56,046
Sale	(294)	(12,280)	(6,632)	-	-	(19,206)
Impairment	(2,845)	(2,532)	(12,605)	(340)	(140)	(18,462)
<b>As at 31 December 2020</b>	<b>65,211</b>	<b>525,868</b>	<b>95,015</b>	<b>40,707</b>	<b>43,447</b>	<b>770,248</b>

## 16. Taxation

Income tax expenses comprise:

	31 March 2021	31 March 2020
Current income tax expenses	65,848	105,155
Changes in deferred taxes – origination and reversal of temporary differences	(50,457)	(134,308)
Deferred tax recognized in other comprehensive income	50,444	135,467
<b>Income tax expense</b>	<b>65,835</b>	<b>106,315</b>

Reconciliation of the income tax expenses based on the current tax rates and actual income tax expense is as follows:

	31 March 2021	31 March 2020
<b>Profit before income tax</b>	<b>309,893</b>	<b>445,387</b>
Statutory tax rate	18%	18%
<b>Theoretical income tax expense at the statutory rate</b>	<b>55,781</b>	<b>80,170</b>
Non-deductible expense for taxation	10,053	26,143
Adjustments of the tax base due to reassessment of temporary differences and changes in laws	1	2
<b>Income tax expense</b>	<b>65,835</b>	<b>106,315</b>

As at 31 March 2021 and 31 March 2020, deferred tax assets and liabilities and their movements for the respective periods were as follows:

	Origination and reversal of temporary differences			Origination and reversal of temporary differences		
	In the statement of profit or loss	Within equity	31 March 2021	In the statement of profit or loss	Within equity	31 March 2020
<b>Tax effect of non-taxable temporary differences</b>						
Assessment of investments at fair value through other comprehensive income	-	50,444	(46,781)	-	135,467	-
Property and equipment and intangible assets	13	-	36,432	(1,159)	-	50,627
<b>Deferred tax assets/ (liabilities), gross</b>	<b>13</b>	<b>50,444</b>	<b>(10,349)</b>	<b>(1,159)</b>	<b>135,467</b>	<b>50,627</b>
<b>Deferred tax assets/ (liabilities)</b>	<b>13</b>	<b>50,444</b>	<b>(10,349)</b>	<b>(1,159)</b>	<b>135,467</b>	<b>50,627</b>
<b>Deferred tax assets/ (liabilities), net</b>	<b>13</b>	<b>50,444</b>	<b>(10,349)</b>	<b>(1,159)</b>	<b>135,467</b>	<b>50,627</b>

Preparation and provision of financial statements and corporate income tax returns is made at different periods. Consequently, financial and tax accounting may have minor differences. These differences will be reported in tax accounting in the next reporting period.

*(in thousands of Hryvnias, unless otherwise indicated)*

In compliance with the applicable tax laws, the tax base for corporate income tax is the Bank's financial result before tax as disclosed in the Bank's IFRS financial statements, adjusted for the differences provided for by the Tax Code of Ukraine. Thus, tax accounting is based on financial accounting with further tax adjustments for timely and accurate tax reporting.

## 17. Provisions for legal risks

Provisions for legal risks relate to other property of the Bank, which ownership rights are likely to be lost, and legal claims for which it is probable that the Bank will incur losses.

The change in provisions for legal risks was as follows:

	<b>Provisions for legal risks</b>
<b>As at 1 January 2021</b>	<b>250,813</b>
Released	(1,079)
Write-off	-
<b>As at 31 March 2021</b>	<b>249,734</b>
	<b>Provisions for legal risks</b>
<b>As at 1 January 2020</b>	<b>252,932</b>
Accrued	152
Write-off	-
<b>As at 31 March 2020</b>	<b>253,084</b>

## 18. Other assets and liabilities

Other assets comprise:

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Other financial assets</b>		
Receivables for securities	691,317	507,270
Clearing payments for payment cards	165,529	78,116
Other income accrued	106,509	117,634
Receivables for operations with credit cards and international payment systems	15,035	10,653
Other receivables for operations with banks	5,214	7,407
Receivables for cash transactions	11	-
	<b>983,615</b>	<b>721,080</b>
Less: expected credit losses on other financial assets	(532,821)	(536,222)
<b>Total other financial assets</b>	<b>450,794</b>	<b>184,858</b>
<b>Other non-financial assets</b>		
Prepayments	189,455	203,001
Receivable for property rights	138,773	146,464
Prepayments for the assets to be provided under finance leases	128,406	280,627
Cash and precious metals located in the temporarily occupied territory of the Autonomous Republic of Crimea and in the territories of Luhansk and Donetsk regions beyond Ukrainian control	53,667	55,685
Inventories	27,367	31,783
Receivables from employees	10,925	11,275
Taxes recoverable, other than income tax	1,532	999
Other	152	330
	<b>550,277</b>	<b>730,164</b>
Less: allowance for impairment on other non-financial assets	(185,369)	(185,671)
<b>Total other non-financial assets</b>	<b>364,908</b>	<b>544,493</b>
<b>Total other assets</b>	<b>815,702</b>	<b>729,351</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

Analysis of changes in the expected credit loss (ECL) allowance for other financial assets for the three month ended 31 March 2021 is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>1,337</b>	<b>1,894</b>	<b>532,991</b>	<b>536,222</b>
New assets originated or purchased	352	438	47	837
Assets repaid	(340)	(689)	(3,504)	(4,533)
Transfer to stage 1	15	(15)	-	-
Transfer to stage 2	(8)	33	(25)	-
Transfer to stage 3	(37)	(43)	80	-
Changes in expected credit losses	(47)	(926)	1,356	383
<i>Total credit loss expense before transition difference</i>	<i>(65)</i>	<i>(1,202)</i>	<i>(2,046)</i>	<i>(3,313)</i>
Write-off	-	-	(92)	(92)
Exchange differences	(1)	(14)	19	4
<b>As at 31 March 2021</b>	<b>1,271</b>	<b>678</b>	<b>530,872</b>	<b>532,821</b>

Analysis of changes in the expected credit loss (ECL) allowance for other financial assets for the three month ended 31 March 2020 is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>3,337</b>	<b>431</b>	<b>526,229</b>	<b>529,997</b>
New assets originated or purchased	435	1,729	16	2,180
Assets repaid	(477)	(101)	(1,513)	(2,091)
Transfer to stage 1	17	(6)	(11)	-
Transfer to stage 2	(86)	101	(15)	-
Transfer to stage 3	(22)	(249)	271	-
Changes in expected credit losses	(281)	1,395	(390)	724
<i>Total credit loss expense before transition difference</i>	<i>(414)</i>	<i>2,869</i>	<i>(1,642)</i>	<i>813</i>
Write-off	-	-	(737)	(737)
Exchange differences	56	722	952	1,730
<b>As at 31 March 2020</b>	<b>2,979</b>	<b>4,022</b>	<b>524,802</b>	<b>531,803</b>

Analysis of changes in the impairment provision for other non-financial assets for the three months ended 31 March 2021 is as follows:

	<b>Other assets</b>
<b>As at 1 January 2021</b>	<b>185,671</b>
Accrued/(reversed)	(5,149)
<i>Total credit loss expense before transition difference</i>	<i>(5,149)</i>
Recovery	6,921
Amounts written off	-
Exchange differences	(2,074)
<b>As at 31 March 2021</b>	<b>185,369</b>

Analysis of changes in the impairment provision for other non-financial assets for the three months ended 31 March 2020 is as follows:

	<b>Other assets</b>
<b>As at 1 January 2020</b>	<b>177,049</b>
Accrued/(reversed)	216
<i>Total credit loss expense before transition difference</i>	<i>216</i>
Recovery	-
Exchange differences	5,126
<b>As at 31 March 2020</b>	<b>182,391</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

Other liabilities comprise:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Payables for operations with clients	318,402	206,348
Accruals for unused vacations	228,738	204,247
Payables for the assets to be provided under finance leases	129,631	286,012
Payables for operations with plastic cards	94,093	192,656
Accounts payable for payments to employees	71,210	4,705
Payments to the Individual Deposit Guarantee Fund	54,241	50,571
Accounts payable for taxes and compulsory payments, except for income tax	31,955	37,889
Deferred income	20,297	21,054
Accrued expenses for cash and settlements	20,031	21,751
Accounts payable for operations with banks	12,087	662
Maintenance of premises	6,540	5,063
Communications	4,742	5,320
Payables for operations with clients on purchase and sale of foreign currency, bank and precious metals	3,860	79,473
Repairs and maintenance of property and equipment	2,940	1,259
Payables to plastic cards transactions processing center	2,315	2,367
Rent of premises	1,353	1,122
Accounts payable for acquiring assets	-	8,514
Other	43,262	35,785
<b>Other liabilities</b>	<b>1,045,697</b>	<b>1,164,798</b>

**19. Due to the National Bank of Ukraine**

Loans received from the National Bank of Ukraine include:

	<b>Maturity</b>	<b>31 March 2021</b>	<b>31 December 2020</b>
Long-term refinancing borrowings from the National Bank of Ukraine	9 January 2026	998,342	-
<b>Total borrowings from the National Bank of Ukraine</b>		<b>998,342</b>	<b>-</b>

As at 31 March 2021, the interest rate on long-term loans obtained through refinancing was 6.5% per annum (2020: no transactions).

As at 31 March 2021, the discount rate of the National Bank of Ukraine was 6.5% (31 December 2020: 6.0%).

As at 31 March 2021 the following assets were pledged as collateral to secure loans from the National Bank of Ukraine(2020: no transactions):

	<b>Notes</b>	<b>31 March 2021</b>	<b>31 December 2020</b>
UDGB	11	1,391,409	-

*(in thousands of Hryvnias, unless otherwise indicated)***20. Due to credit institutions**

Due to credit institutions comprise:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Time deposits and loans	3,837,784	3,164,521
Current accounts	2,649,182	2,434,827
Other amounts due to credit institutions	55,718	70,330
<b>Due to credit institutions</b>	<b>6,542,684</b>	<b>5,669,678</b>

As at 31 March 2021, the balance of due to credit institutions amounted to UAH 2,780,216 thousand (42.49%) raised from three banks (2020: balance amounted to UAH 2,659,180 thousand (46.90%) raised from three banks).

As at 31 March 2021, a long-term loan received from one credit institution was secured by the Ukrainian domestic government bonds with a fair value of UAH 562,710 thousand (2020: UAH 593,694 thousand) (Note 11).

**21. Due to customers**

Due to customers on operating segments comprise:

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Current accounts</b>		
Legal entities	47,617,557	55,428,900
SME	5,153,484	5,482,405
Individuals	9,090,104	8,305,264
	<b>61,861,145</b>	<b>69,216,569</b>
<b>Time deposits</b>		
Legal entities	25,214,208	29,892,202
SME	5,550,627	6,079,062
Individuals	20,288,331	21,310,876
	<b>51,053,166</b>	<b>57,282,140</b>
<b>Due to customers</b>	<b>112,914,311</b>	<b>126,498,709</b>

As at 31 March 2021, the amounts due to customers of UAH 38,537,307 thousand (34.13%) included the amounts due to ten largest customers of the Bank (2020: UAH 48,585,329 thousand (38.41%)).

As at 31 March 2021, the amounts due to budget organizations were UAH 4,823,901 thousand and included the amounts due to customers: UAH 4,822,529 thousand – in "Legal entities" (2020: UAH 752,756 thousand); UAH 1,372 thousand – in "SME" (2020: UAH 5,398 thousand).

The amounts due to customers by industry are summarized as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Service sector	30,315,411	31,353,046
Individuals	29,453,000	29,691,691
Transport	17,073,628	23,926,467
Energy	7,144,284	8,643,091
Production	5,763,711	5,564,106
Financial services	4,295,501	5,188,030
Agriculture and food processing	4,116,734	3,246,035
Metallurgy	3,907,466	5,120,828
Trade	3,465,298	5,664,156
Insurance	2,208,748	2,444,910
Construction	1,906,657	2,422,861
Other	3,263,873	3,233,488
<b>Due to customers</b>	<b>112,914,311</b>	<b>126,498,709</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

As at 31 March 2021, the analysis of amounts due to customers by industry in terms of "Individuals" in the amount of UAH 29,453,000 thousand (2020: UAH 29,691,691 thousand) included a portion of amounts due to customers in terms of "SME" in the amount of UAH 75,565 thousand (2020: UAH 75,551 thousand).

As at 31 March 2021, category "Other" included the funds of non-resident legal entities of UAH 3,089,859 thousand (2020: UAH 3,105,597 thousand).

As at 31 March 2021, loans to customers were secured by amounts due to customers of UAH 2,239,747 thousand (2020: UAH 1,278,087 thousand) (Note 10).

As at 31 March 2021, amounts due to customers secured the financial commitments and contingencies in the amount of UAH 2,214,632 thousand (2020: UAH 2,768,436 thousand) (Note 23).

## 22. Equity

### Share capital

As at 31 March 2021, the authorized issued share capital comprised 13,836,522,922 ordinary shares and 477,078 preferred shares (2020: 13,836,522,922 ordinary shares and 477,078 preferred shares) with the nominal value of UAH 1 per share. Ordinary shares give rights to their holders to participate in the General Shareholders' Meetings, to receive dividends and, in case of liquidation of the Bank, to receive a portion of the Bank's property or its value in proportion to the value of the Bank's shares owned by them in the order and in accordance with the procedure stipulated by the legislation of Ukraine and the Bank's charter. The shareholders that own preferred shares have a right to vote in certain cases according to the charter and are entitled to receive annual fixed amounts of dividends, unless otherwise envisaged by law.

The number of issued and fully paid shares is as follows:

	<i>Number of shares, thousand</i>		<i>Nominal value, thousand UAH</i>		<i>Nominal value, thousand UAH</i>	<i>Total, thousand UAH</i>
	<i>Ordinary</i>	<i>Preferred</i>	<i>Ordinary</i>	<i>Preferred</i>		
<b>As at 31 December 2019</b>	<b>13,836,523</b>	<b>477</b>	<b>13,836,523</b>	<b>477</b>	<b>13,837,000</b>	<b>13,837,000</b>
Issued and registered shares	-	-	-	-	-	-
<b>As at 31 December 2020</b>	<b>13,836,523</b>	<b>477</b>	<b>13,836,523</b>	<b>477</b>	<b>13,837,000</b>	<b>13,837,000</b>
Issued and registered shares	-	-	-	-	-	-
<b>As at 31 March 2021</b>	<b>13,836,523</b>	<b>477</b>	<b>13,836,523</b>	<b>477</b>	<b>13,837,000</b>	<b>13,837,000</b>

The Bank creates a reserve fund to cover unforeseen losses on all items of assets and off-balance liabilities. The amount of transfers to the reserve fund should be not less than 5% of the Bank's profit until it reaches 25% of the Bank's regulatory capital. As at 31 March 2021, the Bank's reserve fund amounted to UAH 549,572 thousand (2020: UAH 549,572 thousand).

If as a result of the Bank's operations the amount of its regulatory capital decreases to the amount below its share capital, then annual charges to the reserve fund should be 10% of the Bank's net profit until it reaches 35% of the Bank's share capital.

### Movements in other reserves

Movements in other reserves were as follows:

	<i>Property and equipment revaluation reserve</i>	<i>Revaluation reserve for investments at fair value through other comprehensive income</i>	<i>Total</i>
<b>As at 1 January 2020</b>	<b>215,722</b>	<b>615,264</b>	<b>830,986</b>
Revaluation of property and equipment	70,090	-	70,090
Income tax related to revaluation of property and equipment	(12,586)	-	(12,586)

*(in thousands of Hryvnias, unless otherwise indicated)*

	<b>Property and equipment revaluation reserve</b>	<b>Revaluation reserve for investments at fair value through other comprehensive income</b>	<b>Total</b>
Net change in fair value of debt instruments at fair value through other comprehensive income	-	(534,733)	<b>(534,733)</b>
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	-	(148,404)	<b>(148,404)</b>
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	-	470,699	<b>470,699</b>
Income tax associated with revaluation of securities	-	38,242	<b>38,242</b>
Transfer of accumulated revaluation reserve on disposal of equity instruments at fair value through other comprehensive income	-	(64)	<b>(64)</b>
Transfer as a result of retirement of assets	(26,662)	(14)	<b>(26,676)</b>
<b>As at 31 December 2020</b>	<b>246,564</b>	<b>440,990</b>	<b>687,554</b>
Net change in fair value of debt instruments at fair value through other comprehensive income	-	(193,381)	<b>(193,381)</b>
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	-	(72,736)	<b>(72,736)</b>
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	-	(14,128)	<b>(14,128)</b>
Income tax associated with revaluation of securities	-	50,444	<b>50,444</b>
Transfer of accumulated revaluation reserve on disposal of equity instruments at fair value through other comprehensive income	-	-	-
Transfer as a result of retirement of assets	-	-	-
<b>As at 31 March 2021</b>	<b>246,564</b>	<b>211,189</b>	<b>457,753</b>

## 23. Commitments and contingencies

### Legal issues

In the ordinary course of business, the Bank is subject to legal actions and complaints. The Bank's management believes that the final amount of the liabilities, which may arise from legal proceedings, will not have a material adverse effect on the Bank's financial position or the results of its future operations (Note 17).

### Taxation

The Ukrainian tax system is characterized by numerous taxes and frequent changes in the legislation. Tax regulations are often unclear, open to wide interpretation and, in some instances, are controversial. Instances of inconsistent tax law treatment among the fiscal authorities, authorized institutions, entities and other government bodies are not infrequent. Tax returns are subject to review and investigation by a number of authorities that are authorized to impose penalties and interest charges. These facts expose entities operating in Ukraine to more significant risks than those in the countries with more developed tax systems.

Management believes that it has complied with all existing tax legislation requirements. However, no certainties exist that the tax authorities would not apply other approach to the Bank's compliance with the effective tax legislation and further impose fines and penalties.

### Commitments and contingencies

As at 31 March 2021 and 2020, contractual commitments and contingencies were as follows:

*(in thousands of Hryvnias, unless otherwise indicated)*

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Credit-related commitments</b>		
Financial guarantees	3,712,199	3,937,311
Loan commitments	2,470,408	1,428,680
Letters of credit	4,133,932	3,376,515
	<b>10,316,539</b>	<b>8,742,506</b>
Performance guarantees	1,634,569	2,253,556
	<b>1,634,569</b>	<b>2,253,556</b>
<b>Commitments and contingencies</b>	<b>11,951,108</b>	<b>10,996,062</b>

As at 31 March 2021 and 31 December 2020, loan commitments are represented by revocable commitments to the Bank's strategic customers.

Changes in the expected credit loss allowance for financial guarantees for the three months ended 31 March 2021 were as follows:

<b>Legal entities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>30,298</b>	<b>9,223</b>	-	<b>39,521</b>
New guarantees	63,937	60	-	63,997
Expired guarantees	(819)	(59,978)	-	(60,797)
Transfer to stage 1	1,768	(1,768)	-	-
Transfer to stage 2	(231,043)	231,043	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	212,544	(156,983)	-	55,561
<i>Total credit loss expense before transition difference</i>	<i>46,387</i>	<i>12,374</i>	-	<i>58,761</i>
Exchange differences	(649)	(5,925)	-	(6,574)
<b>As at 31 March 2021</b>	<b>76,036</b>	<b>15,672</b>	-	<b>91,708</b>

<b>SME</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>367</b>	-	<b>8</b>	<b>375</b>
New guarantees	4	-	-	4
Expired guarantees	(1)	-	-	(1)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	(80)	-	-	(80)
<i>Total credit loss expense before transition difference</i>	<i>(77)</i>	-	-	<i>(77)</i>
Exchange differences	(1)	-	-	(1)
<b>As at 31 March 2021</b>	<b>289</b>	-	<b>8</b>	<b>297</b>

Changes in the expected credit loss allowance for financial guarantees for the three months ended 31 March 2020 were as follows:

<b>Legal entities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>8,201</b>	<b>25</b>	<b>112,570</b>	<b>120,796</b>
New guarantees	55,205	-	-	55,205
Expired guarantees	(4,969)	(25)	-	(4,994)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(26,458)	26,458	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	23,343	-	4,436	27,779
<i>Total credit loss expense before transition difference</i>	<i>47,121</i>	<i>26,433</i>	<i>4,436</i>	<i>77,990</i>
Exchange differences	1,617	-	19,443	21,060
<b>As at 31 March 2020</b>	<b>56,939</b>	<b>26,458</b>	<b>136,449</b>	<b>219,846</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

<b>SME</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2020</b>	-	-	-	-
New guarantees	78	-	-	<b>78</b>
Expired guarantees	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	(1)	-	-	<b>(1)</b>
<i>Total credit loss expense before transition difference</i>	77	-	-	<b>77</b>
Exchange differences	1	-	-	<b>1</b>
<b>As at 31 March 2020</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>78</b>

Changes in allowances for expected credit losses under performance guarantees for the three months ended 31 March 2021 were as follows:

<b>Legal entities</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>5,780</b>
Accrued/(reversed)	(1,090)
<i>Total credit loss expense before transition difference</i>	(1,090)
Exchange differences	(176)
<b>As at 31 March 2021</b>	<b>4,514</b>

<b>SME</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>20</b>
Accrued/(reversed)	(19)
<i>Total credit loss expense before transition difference</i>	(19)
Exchange differences	-
<b>As at 31 March 2021</b>	<b>1</b>

Changes in allowances for expected credit losses under performance guarantees for the three months ended 31 March 2020 were as follows:

<b>Legal entities</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>4,922</b>
Accrued/(reversed)	5,751
<i>Total credit loss expense before transition difference</i>	5,751
Exchange differences	341
<b>As at 31 March 2020</b>	<b>11,014</b>

<b>SME</b>	<b>Total</b>
<b>As at 1 January 2020</b>	-
Accrued/(reversed)	-
<i>Total credit loss expense before transition difference</i>	-
Exchange differences	-
<b>As at 31 March 2020</b>	-

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the three months ended 31 March 2021:

<b>Legal entities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2021</b>	-	<b>56,640</b>	<b>45,257</b>	<b>101,897</b>
New loan commitments	-	5,699	-	<b>5,699</b>
Expired loan commitments	-	(5,774)	-	<b>(5,774)</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(8,117)	8,117	-	-

*(in thousands of Hryvnias, unless otherwise indicated)*

<b>Legal entities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Transfer to stage 3	-	-	-	-
Change of reserve	8,117	(3,347)	(17,961)	<b>(13,191)</b>
<i>Total credit loss expense before transition difference</i>	-	4,695	(17,961)	<b>(13,266)</b>
Exchange differences	-	(171)	-	<b>(171)</b>
<b>As at 31 March 2021</b>	<b>-</b>	<b>61,164</b>	<b>27,296</b>	<b>88,460</b>

<b>SME</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2021</b>	-	24	714	<b>738</b>
New loan commitments	-	-	-	-
Expired loan commitments	-	-	(45)	<b>(45)</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	(7,089)	-	7,089	-
Change of reserve	7,090	(2)	(6,849)	<b>239</b>
<i>Total credit loss expense before transition difference</i>	1	(2)	195	<b>194</b>
Exchange differences	-	-	(1)	<b>(1)</b>
<b>As at 31 March 2021</b>	<b>1</b>	<b>22</b>	<b>908</b>	<b>931</b>

<b>Individuals</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2021</b>	-	-	6,966	<b>6,966</b>
New loan commitments	-	-	9	<b>9</b>
Expired loan commitments	-	-	(1,790)	<b>(1,790)</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(1)	1	-	-
Transfer to stage 3	(210)	(217)	427	-
Change of reserve	211	216	(23)	<b>404</b>
<i>Total credit loss expense before transition difference</i>	-	-	(1,377)	<b>(1,377)</b>
Exchange differences	-	-	(75)	<b>(75)</b>
<b>As at 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>5,514</b>	<b>5,514</b>

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the three months ended 31 March 2020:

<b>Legal entities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>85,078</b>	<b>46</b>	<b>6,082</b>	<b>91,206</b>
New loan commitments	-	-	-	-
Expired loan commitments	(345)	-	-	<b>(345)</b>
Transfer to stage 1	116,850	(116,850)	-	-
Transfer to stage 2	(138,132)	138,132	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	53,409	(21,320)	(7,327)	<b>24,762</b>
<i>Total credit loss expense before transition difference</i>	31,782	(38)	(7,327)	<b>24,417</b>
Exchange differences	-	-	2,124	<b>2,124</b>
<b>As at 31 March 2020</b>	<b>116,860</b>	<b>8</b>	<b>879</b>	<b>117,747</b>

<b>SME</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2020</b>	-	47	3	<b>50</b>
New loan commitments	-	-	-	-
Expired loan commitments	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(378)	378	-	-
Transfer to stage 3	-	-	-	-

*(in thousands of Hryvnias, unless otherwise indicated)*

<b>SME</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Change of reserve	382	(48)	-	<b>334</b>
<i>Total credit loss expense before transition difference</i>	4	330	-	<b>334</b>
Exchange differences	-	-	-	-
<b>As at 31 March 2020</b>	<b>4</b>	<b>377</b>	<b>3</b>	<b>384</b>

<b>Individuals</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>As at 1 January 2020</b>	-	1	9,042	<b>9,043</b>
New loan commitments	-	-	7	7
Expired loan commitments	-	-	(592)	(592)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	1	(1)	-
Transfer to stage 3	(96)	(847)	943	-
Change of reserve	96	846	(1,910)	(968)
<i>Total credit loss expense before transition difference</i>	-	-	(1,553)	(1,553)
Exchange differences	-	-	846	846
<b>As at 31 March 2020</b>	<b>-</b>	<b>1</b>	<b>8,335</b>	<b>8,336</b>

Provisions for claims, guarantees and commitments are recorded as liabilities.

As at 31 March 2021, financial commitments and contingencies were secured by cash collateral in the amount of UAH 2,214,632 thousand (2020: UAH 2,768,436 thousand) (Note 21).

**24. Net fee and commission income**

Net fee and commission income comprised:

	<b>For the three months, ended 31 March 2021</b>	<b>For the three months, ended 31 March 2020</b>
Settlements	293,447	248,047
Guarantees and letters of credit	60,805	36,517
Loan servicing to customers	56,214	44,726
Agent operations in the foreign exchange market	36,380	34,869
Transactions with securities	2,497	4,869
Other	7,145	5,942
<b>Fee and commission income</b>	<b>456,488</b>	<b>374,970</b>
Settlements	(90,683)	(71,989)
Guarantees and letters of credit	(21,342)	(12,486)
Agent operations in the foreign exchange market	(4,104)	(4,482)
Other	(3,637)	(1,411)
<b>Fee and commission expense</b>	<b>(119,766)</b>	<b>(90,368)</b>
<b>Net fee and commission income</b>	<b>336,722</b>	<b>284,602</b>

*(in thousands of Hryvnias, unless otherwise indicated)***25. Net gains on foreign exchange operations and precious metals**

Net gains on foreign exchange operations and precious metals comprise:

	<i>For the three months, ended 31 March 2021</i>	<i>For the three months, ended 31 March 2020</i>
Dealing	13,155	56,106
Translation differences	12,701	41,080
<b>Net gains on foreign exchange operations and precious metals</b>	<b>25,856</b>	<b>97,186</b>

**26. Other income**

Other income comprised:

	<i>For the three months, ended 31 March 2021</i>	<i>For the three months, ended 31 March 2020</i>
Fees from insurance companies and banks	43,126	28,138
Recovery of expenses under financial lease agreements	24,821	-
Positive result from sale of assets held for sale and other property	12,263	960
Recovery of previously written-off assets	2,515	3,395
Compensation costs for utilities of premises leased	2,077	2,106
Recovery of litigation expenses	1,588	1,351
Gain on marketing support services	1,514	-
Penalties received and other fees for overdue payments under loan agreements	1,452	11,722
Recovery of registration costs	668	639
Surplus cash collection at ATMs	555	533
Gain from acquired ownership of due to customers	33	18
Positive result from sale of property and equipment and intangible assets	-	21,038
Other	3,733	2,996
<b>Total other income</b>	<b>94,345</b>	<b>72,896</b>

There are cases in the Bank's operations when the accounts, which are to be closed, have balances left unclaimed by the customers. "Gain from acquired ownership of the amounts due to customers" includes the customer funds that the Bank recognized as income in accordance with the Civil Code of Ukraine because of expired ownership of the balances.

**27. Changes in expected credit losses**

The table below discloses the expected credit loss expenses for the financial instruments recorded in the statement of profit or loss and other comprehensive income for the three months ended 31 March 2021:

	<i>Notes</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	7	1,906	-	-	-	1,906
Due from credit institutions	8	44	-	-	-	44
Loans to customers and finance leases	10	84,437	431,170	108,527	(9,050)	615,084
Investments at fair value through other comprehensive income	11	1,801	-	(15,929)	-	(14,128)
Recovery of previously written-off customer loans		-	-	(119)	-	(119)
Other financial assets	18	(65)	(1,202)	(2,046)	-	(3,313)
Financial guarantees	23	46,310	12,374	-	-	58,684
Loan commitments	23	1	4,693	(19,143)	-	(14,449)
<b>Total credit loss expense</b>		<b>134,434</b>	<b>447,035</b>	<b>71,290</b>	<b>(9,050)</b>	<b>643,709</b>

The statement of profit or loss and other comprehensive income for the three months ended 31 March 2021 also includes changes in the following other provisions:

*(in thousands of Hryvnias, unless otherwise indicated)*

- ▶ Reversal of provisions for other non-financial assets in the amount of UAH (5,149) thousand (Note 18);
- ▶ Reversal of provisions for legal risks in the amount of UAH (1,079) thousand (Note 17);
- ▶ Reversal of provisions on performance guarantees in the amount of UAH (1,109) thousand (Note 23).

The table below discloses the expected credit loss expenses for the financial instruments recorded in the statement of profit or loss and other comprehensive income for the three months ended 31 March 2020:

	<i>Notes</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	7	(677)	-	-	-	<b>(677)</b>
Due from credit institutions	8	(329)	-	-	-	<b>(329)</b>
Loans to customers and finance leases	10	1,970	113,995	(132,850)	73,921	<b>57,036</b>
Investments at fair value through other comprehensive income	11	53,450	-	-	-	<b>53,450</b>
Other financial assets	18	(414)	2,869	(1,642)	-	<b>813</b>
Financial guarantees	23	47,198	26,433	4,436	-	<b>78,067</b>
Loan commitments	23	31,786	292	(8,880)	-	<b>23,198</b>
<b>Total credit loss expense</b>		<b>132,984</b>	<b>143,589</b>	<b>(138,936)</b>	<b>73,921</b>	<b>211,558</b>

The statement of profit or loss and other comprehensive income for the three months ended 31 March 2020 also includes changes in the following other provisions:

- ▶ Creation of provisions for other non-financial assets in the amount of UAH 216 thousand (Note 18);
- ▶ Creation of provisions for legal risks in the amount of UAH 152 thousand (Note 17);
- ▶ Creation of provisions on performance guarantees in the amount of UAH 5,751 thousand (Note 23).

## 28. Staff costs and other operating expense

Staff costs and other operating expense comprise:

	<i>For the three months, ended 31 March 2021</i>	<i>For the three months, ended 31 March 2020</i>
Salaries and bonuses	392,282	347,195
Payroll	80,311	63,402
Other staff costs	22,591	25,354
<b>Staff costs</b>	<b>495,184</b>	<b>435,951</b>
Payments to the Individual Deposit Guarantee Fund	54,241	46,956
Communications	39,646	32,899
Repairs and maintenance of property and equipment	38,050	36,156
Professional services	37,762	20,601
Taxes, other than income tax	19,639	13,357
Lease and maintenance of premises	17,069	14,296
Software support	15,447	11,385
Office supplies	11,638	9,821
Security	11,288	9,134
Encashment	5,880	5,314
Marketing and advertising	4,218	7,799
Reward to partners for attraction of customers	2,793	43
Charity	2,080	11,486
Business trips	131	878
Other	6,518	4,990
<b>Other operating expense</b>	<b>266,400</b>	<b>225,115</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

## 29. Risk management

The Bank's risk management system is based on the Bank's size, business model, business scale, types and complexity of operations. The risk management system includes: risk identification, risk measurement (assessment), risk monitoring, risk reporting, risk control, and mitigation of all significant risks for the Bank to be able to measure the capital amount required to cover all significant risks inherent in the Bank's operations.

The risk management system is based on the distribution of obligations between the Bank's divisions with application of a model of three security lines:

- ▶ First line – at the level of business divisions and Bank's operation support divisions;
- ▶ Second line – at the level of risk management divisions, including the department of risk management and social and environmental risk management, and the department of compliance;
- ▶ Third line – at the level of the internal audit department in relation to inspection and assessment of the risk management system efficiency.

### Risk management structure

#### *Supervisory Board*

The Supervisory Board outlines and approves the risk management strategy, credit policy, risk appetite statement, individual risk management policies, going concern procurement plan, plan for financing in crisis situations, strategy and operational plan for management of non-performing assets and foreclosed property, determines the risk appetite and sets risk limits, recognizes the sources of capitalization and other Bank's financing, considers reporting on the Bank's risk profile, reviews the results of stress-testing, approves CRO's appointment and dismissal, identifies cases of CRO's prohibition (veto), ensures the functioning of the risk management system and control over its effectiveness.

#### *Risk Management Committee of the Supervisory Board*

The Risk Management Committee of the Supervisory Board ensures the availability and updates of the internal regulations governing the Bank's risk management process and credit policy, regularly monitors and analyses the current profile of risks assumed by the Bank, monitors the compliance with the risk appetite amounts specified in the risk appetite statement.

#### *Management Board*

The Management Board is responsible for the overall risk management and for implementation of risk strategies and principles approved by the Supervisory Board. The Management Board delegates the operational risk management authority to the Bank's collegial structures and sets the authority limits for such collegial structures.

#### *Collegial structures of the Management Board*

Credit Council, Credit Committee, Committee for Methodological Support of Retail, Small and Microbusiness Risk Management, Commission for Problem Borrowers, Commission for Monitoring of Credit Operations of Clients, Credit Commissions of Directories manage the credit risk within the limits of authorities delegated to them by the Management Board.

The Assets and Liabilities Management Committee manages the liquidity risk, interest rate risk and market risk within the limits of authorities delegated by the Management Board.

The Operational Risk Management Committee manages the operational risk within the limits of authorities delegated by the Management Board.

The Information Security Management Committee manages the information risk as a component of the operational risk within the limits of authorities delegated by the Management Board.

#### *CRO (Chief Risk Officer) and its subordinate risk management divisions*

The CRO and its subordinate risk management divisions ensure timely identification, measurement, monitoring, control and reporting of significant risks, prepare and submit risk reports to the Supervisory Board, Risk Management Committee of the Supervisory Board, Management Board, collegial structures of the Management Board, develop and update the Bank's methodology, risk assessment tools and models, ensure coordination of risk management related work with other structural units of the Bank, calculate the Bank's risk profile, provide monitoring and prevention of violations of risk appetite amounts and risk limits, control the approximation of risk indicators to the approved risk amounts and risk limits and initiate measures to prevent their violations, carry out stress testing, prepare conclusions for adoption of credit

*(in thousands of Hryvnias, unless otherwise indicated)*

decisions both for new loans and for making changes to the conditions of the existing loans, prepare conclusions on the risks inherent in new products before their introduction for the appropriate management decisions to be taken.

#### *Risk appetite statement*

The Bank determines (declares) the aggregate risk appetite by setting the aggregate risk limits and the risk appetite for individual risks by setting risk limits for significant risks, which are defined by the Risk Management Strategy currently effective at JSB "UKRGASBANK":

- ▶ Credit risk;
- ▶ Liquidity risk;
- ▶ Interest rate risk;
- ▶ Market risks;
- ▶ Operational risk;
- ▶ Compliance risk;
- ▶ Environmental risk;
- ▶ Social risk.

The statement is based on the assumptions underlying the Bank's Budget, taking into account the prudential requirements of the National Bank of Ukraine (including those set for systemically important banks) and covenants, which the Bank has undertaken to comply with according to the agreements with international financial institutions.

The aggregate risk appetite includes the requirements to maintain the target credit rating on an international scale, comply with capital ratios and capital buffers, including with due consideration of expected changes in prudential and regulatory requirements.

Risk appetite for credit risk includes a system of indicators to control the quality of the loan portfolio (a portion of non-performing assets and foreclosed property), the value of credit risk, the limit of risk concentration by largest borrowers, industries and more.

Risk appetite for liquidity risk includes minimum liquidity coverage ratios (LCRs) in all currencies and separately in foreign currencies, a net stable funding ratio (NSFR), and the limit of risk concentration in liabilities.

Risk appetite for interest rate risk includes the sensitivity of net interest income and the economic value of capital to parallel/non-parallel shifts in yield curves in major currencies.

Risk appetite for market risks is set as the maximum values of items sensitive to market risk and as the value at risk calculated using a parametric model based on Student's t-distribution with 7 degrees of freedom with a confidence interval of 99% over the horizon of 10 trading days.

Risk appetite for operational risk is set as the maximum amount of direct losses from the occurrence of operational risk at the year-end. At the same time, regardless of the cost of the incident and the amount of potential damage, the Bank has established zero tolerance for operational risks associated with incidents of internal fraud, negligence, disruption of the continuity of critical business processes.

#### **Credit risk**

Credit risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in expected profit, because its borrower/counterparty failed to discharge its contractual obligations.

The Supervisory Board approved the Credit Policy, which defines the main areas of lending and regulates the basic principles and conditions for assuming the credit risk. To manage the risk of concentration of the loan portfolio, the Bank monitors the loan portfolio structure and, if necessary, sets the appropriate limits.

As at 31 March 2021, the total amount of indebtedness under loan agreements and off-balance sheet liabilities, guarantees and letters of credit, which the Bank recognized as non-performing, amounted to UAH 6,437,783 thousand (2020: UAH 7,129,759 thousand), including

- ▶ bad debts in the amount of UAH 3,973,641 thousand (2020: UAH 4,517,016 thousand);
- ▶ indebtedness, for which the Bank expects repayment due to restructuring in the amount of UAH 2,464,142 thousand (2020: UAH 2,612,743 thousand).

*(in thousands of Hryvnias, unless otherwise indicated)**Derivative financial instruments*

Credit risk arising from derivative financial instruments is limited to their nominal amount under the applicable contracts.

*Credit-related commitment risks*

The Bank makes guarantees available to its customers, which provide that the Bank should make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. These guarantees expose the Bank to the risks similar to credit risks, which are mitigated by using the same control processes and policies.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

As at 31 March 2021, the credit rating of Ukraine, according to the international rating agencies, was B (2020: B). The Bank uses the following approach to determining the rating based on the ratings of several international rating agencies:

- ▶ If there are two different ratings, the rating of the rating agency that is lower is taken into account;
- ▶ If there are three different ratings, the rating of the rating agency that is the lower of the two highest ones is taken into account.

Investments at fair value through other comprehensive income, in particular: Ukrainian domestic government bonds and unrated municipal bonds, were assigned by the Bank to the B level category in accordance with the sovereign credit rating of Ukraine.

Other balances of cash and cash equivalents, due from credit institutions and investments at fair value through other comprehensive income are classified with reference to the current credit ratings assigned by the international rating agencies. In the event a counterparty does not have an international rating assigned to it at the reporting date, the Bank used the ratings assigned to the parent companies by the international rating agencies, and if the counterparty is owned by the government or the state, the corresponding sovereign rating of the owner's country was used. The highest possible rating is AAA. The investment grade of financial assets corresponds to ratings from AAA to BBB-. The financial assets, which have ratings lower than BBB-, are classified as a speculative grade according to the acceptable international practice.

The following table details the credit ratings of the Bank's financial assets:

	<b>AAA – A</b>	<b>BBB – B</b>	<b>Lower than B</b>	<b>Unrated</b>	<b>31 March 2021</b>
Cash and cash equivalents (other than cash on hand)	9,892,666	11,172,214	–	–	<b>21,064,880</b>
Due from credit institutions	–	130,701	–	274,790	<b>405,491</b>
Derivative financial assets	246	2,762	–	80	<b>3,088</b>
Investments at fair value through other comprehensive income	2,794,043	54,958,989	–	253,952	<b>58,006,984</b>

As at 31 December 2020, the classification of the Bank's financial assets by credit ratings is as follows:

	<b>AAA – A</b>	<b>BBB – B</b>	<b>Lower than B</b>	<b>Unrated</b>	<b>31 December 2020</b>
Cash and cash equivalents (other than cash on hand)	15,589,507	17,016,564	–	–	<b>32,606,071</b>
Due from credit institutions	–	21,880	–	639,611	<b>661,491</b>
Derivative financial assets	103	244	–	4,839	<b>5,186</b>
Investments at fair value through other comprehensive income	5,687,678	50,072,158	–	274,220	<b>56,034,056</b>

**Impairment assessment**

The Bank calculates the expected credit losses based on several probability-weighted scenarios to measure the expected cash shortfalls discounted using EIR. Cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. ECL calculation methods are outlined below. The key elements of the calculation are as follows:

*(in thousands of Hryvnias, unless otherwise indicated)*

Probability of Default (PD)	The <i>Probability of Default</i> is an estimate of the likelihood that counterparties fail to discharge their Default (PD) contractual obligations.
Exposure at Default (EAD)	The <i>Exposure at Default</i> is the amount of debt on the asset that the counterparty is likely to fail to perform at any future date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.
Loss Given Default (LGD)	The <i>Loss Given Default</i> is an estimate of the loss arising in the case where a default by the counterparty occurs. LGD is calculated using a few scenarios. Estimates of probabilities for all scenarios and sub-types of loss in the event of default are combined in the overall assessment. The probability of scenarios for non-performing debt maintenance is calculated based on historical data. The level of losses in the case of default of loans with collateral is determined on the basis of collateral foreclosure value, taking into account the potential cash shortage in comparison with the book value (discount) and the term of realization.

*Definition of default and cure*

The Bank considers a financial instrument defaulted and therefore transfers it to Stage 3 (credit-impaired) for ECL calculations in all cases when the debt becomes 90 days past due on its contractual payments or in the following cases, regardless of the number of days of debt overdue:

- ▶ Internal rating of the borrower indicates default or near-default;
- ▶ The debtor (or any legal entity within the debtor's group) files for bankruptcy;
- ▶ The terms of the agreement have been changed, without which the client would not be able to perform further debt servicing.

**Significant increase in credit risk**

In order to determine the existence of a significant increase in credit risk since the initial recognition of a financial instrument, the Bank uses certain lists of events that contain signs of an increase in credit risk. Regardless of occurrence of the events having signs of an increase in credit risk, it is considered that over-30-days past due payments is the evidence of a significant increase in credit risk since the initial recognition of a financial instrument.

The default probability is estimated using the distribution of borrowers by the number of days past due. Other input data used in models is the economic indicators.

**Impairment assessment on individual and collective basis**

Dependent on the factors below, the Bank calculates ECLs either on individual or on collective basis.

The Bank calculates the ECLs on an individual basis for the assets, which are included in Stage 2 or Stage 3 and which outstanding balance of debt per group of counterparties exceeds the limit set for the respective business segment and is individually significant.

The Bank combines the financial assets assessed on collective basis in homogeneous groups depending on the internal features of loans, for example, payment days past due, type of product, etc.

**Forward-looking information and economic scenarios**

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- ▶ GDP growth;
- ▶ Inflation (consumer price index), to the corresponding month of the previous year (%);
- ▶ Discount rates of the National Bank of Ukraine;
- ▶ Unemployment rates;
- ▶ Foreign exchange rates;
- ▶ Prices for iron ore;
- ▶ Prices for wheat;
- ▶ Growth of real wages, YoY.

*(in thousands of Hryvnias, unless otherwise indicated)*

The Bank has carried out the statistical analysis of dependence that the default probability of the Bank's customers has on economic indicators. The Bank has identified the indicators most closely related to the level of borrowers' defaults in each of the portfolio segments.

For obtaining forecast information, the Bank uses external sources (forecasts by the NBU, the Cabinet of Ministers of Ukraine, the Ministry of Finance of Ukraine and other government bodies, forecasts by the IMF, the World Bank and other leading international organizations, forecasts by leading international rating agencies (companies), such as Moody's, Fitch Ratings, S&P Global Ratings and Bloomberg information system data. The table below gives the forecast values of the economic indicators used in economic scenario for calculation of the ECL.

<b>Key drivers</b>	<b>ECL scenario</b>	<b>Probability, %</b>	<b>2021</b>	<b>2022</b>
<b>Nominal GDP growth, %</b>	Upside	33	11.1	9.5
	Base case	33	9.8	9.2
	Downside	33	8.2	8.7
<b>Unemployment rates</b>	Upside	33	7.6	7.6
	Base case	33	9.1	8.5
	Downside	33	10.5	10.5

The credit quality of financial assets is managed by the Bank using the internal credit ratings, as described above. The table below shows the credit quality by class of loan-related asset in the statement of financial position, based on the Bank's credit rating system.

<b>As at 31 March 2021</b>	<b>Notes</b>	<b>High grade</b>	<b>Standard grade</b>	<b>Sub-standard grade</b>	<b>Impaired</b>	<b>Total</b>	
Cash and cash equivalents (other than cash on hand)	7	Stage 1	20,930,523	27,060	112,582	-	<b>21,070,165</b>
Due from credit institutions	8	Stage 1	252,901	70,046	82,869	-	<b>405,816</b>
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	11,074	<b>11,074</b>
Loans to customers and finance leases at amortized cost:	10						
- Legal entities		Stage 1	995,947	16,658,145	5,089,414	-	<b>22,743,506</b>
		Stage 2	1,875	4,542,390	8,743,193	-	<b>13,287,458</b>
		Stage 3	-	-	1,342,892	1,995,682	<b>3,338,574</b>
		POCI	-	-	290,565	-	<b>290,565</b>
- SME		Stage 1	1,957,665	2,190,778	918,122	-	<b>5,066,565</b>
		Stage 2	158,025	548,392	1,237,352	-	<b>1,943,769</b>
		Stage 3	-	68,784	772,803	72,477	<b>914,064</b>
- Individuals		Stage 1	3,140,439	207,632	222	316	<b>3,348,609</b>
		Stage 2	4	21,646	8,997	-	<b>30,647</b>
		Stage 3	-	77,664	435	1,832,128	<b>1,910,227</b>
		POCI	4,974	-	-	-	<b>4,974</b>
Investments at fair value through other comprehensive income	11	Stage 1	56,432,298	-	-	-	<b>56,432,298</b>
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	2,054,568	<b>2,054,568</b>
Undrawn loan commitments:	23						
- Legal entities		Stage 1	225,094	2,797,921	370,996	-	<b>3,394,011</b>
		Stage 2	-	612,406	2,085,735	-	<b>2,698,141</b>
		Stage 3	-	-	132,191	22,200	<b>154,391</b>
- SME		Stage 1	297,806	291,700	302,675	-	<b>892,181</b>
		Stage 2	6,697	3,251	1	-	<b>9,949</b>
		Stage 3	-	7,067	-	993	<b>8,060</b>
- Individuals		Stage 1	1,843,263	9,353	863	1,940	<b>1,855,419</b>
		Stage 2	8	489	328	-	<b>825</b>
		Stage 3	-	1,169	91	4,653	<b>5,913</b>
Financial guarantees and letters of credit (other than covered letter of credit):	23						
- Legal entities		Stage 1	77,405	2,405,621	4,206,118	-	<b>6,689,144</b>
		Stage 2	-	141,737	294,675	-	<b>436,412</b>
		Stage 3	-	-	425	-	<b>425</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

<b>As at 31 March 2021</b>	<b>Notes</b>		<b>High grade</b>	<b>Standard grade</b>	<b>Sub-standard grade</b>	<b>Impaired</b>	<b>Total</b>
- SME		Stage 1	9,158	13,671	8,664	-	31,493
		Stage 2	-	-	1,429	-	1,429
		Stage 3	-	-	9,621	-	9,621
<b>Total</b>			<b>86,334,082</b>	<b>30,696,922</b>	<b>26,013,258</b>	<b>5,996,031</b>	<b>149,040,293</b>

<b>As at 31 December 2020</b>	<b>Notes</b>		<b>High grade</b>	<b>Standard grade</b>	<b>Sub-standard grade</b>	<b>Impaired</b>	<b>Total</b>
Cash and cash equivalents (other than cash on hand)	7	Stage 1	32,448,585	45,013	115,997	-	32,609,595
Due from credit institutions		Stage 1	361,995	123,873	175,907	-	661,775
		Stage 2	-	-	-	-	-
	8	Stage 3	-	-	-	11,228	11,228
Loans to customers and finance leases at amortized cost:	10						
- Legal entities		Stage 1	2,325,321	20,031,566	4,013,923	-	26,370,810
		Stage 2	-	3,134,124	8,407,481	-	11,541,605
		Stage 3	-	-	1,423,417	1,990,519	3,413,936
		POCI	-	-	298,922	-	298,922
- SME		Stage 1	1,704,857	2,588,040	411,438	-	4,704,335
		Stage 2	99,940	862,664	1,062,896	-	2,025,500
		Stage 3	-	61,701	819,979	74,055	955,735
- Individuals		Stage 1	2,828,444	237,598	114	338	3,066,494
		Stage 2	240	23,309	6,291	-	29,840
		Stage 3	-	75,947	192	2,388,123	2,464,262
			-	2,089	-	3,335	5,424
Investments at fair value through other comprehensive income	11	Stage 1	54,440,291	-	-	-	54,440,291
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	2,124,499	2,124,499
Undrawn loan commitments:	23						
- Legal entities		Stage 1	285,268	2,468,365	902,929	-	3,656,562
		Stage 2	-	406,041	1,718,300	-	2,124,341
		Stage 3	-	-	163,708	27,600	191,308
- SME		Stage 1	359,176	459,691	109,568	-	928,435
		Stage 2	5,746	2,129	14	-	7,889
		Stage 3	-	685	121	-	806
- Individuals		Stage 1	1,451,612	11,757	518	1,767	1,465,654
		Stage 2	-	594	138	-	732
		Stage 3	-	903	27	6,277	7,207
Financial guarantees and letters of credit (other than covered letter of credit):	23						
- Legal entities		Stage 1	195,439	3,136,888	2,524,954	-	5,857,281
		Stage 2	-	262,423	196,337	-	458,760
		Stage 3	-	-	452	-	452
- SME		Stage 1	11,387	12,432	9,574	-	33,393
		Stage 2	-	-	1,429	-	1,429
		Stage 3	-	-	10,213	-	10,213
<b>Total</b>			<b>96,518,301</b>	<b>33,947,832</b>	<b>22,374,839</b>	<b>6,627,741</b>	<b>159,468,713</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

The following table describes the grouping on balances by rating categories.

<i>Description of the internal rating level</i>	<i>Number of days past due</i>	<i>Level of internal rating</i>	<i>Rating of external international rating agency (Fitch), non-resident counterparties</i>	<i>Rating of external international rating agency (Fitch), resident counterparties</i>
<b>High grade</b>	Overdue payments are not present	A1, A2, A3	AAA+ to BBB	According to the interbank rating established for resident banks with grades 1, 2 and B (rating of Ukraine), which includes domestic government bonds and municipal bonds, and which applies to the Operational Department of the NBU and PJSC "SETTLEMENT CENTER" in accordance with para. 41 of NBU Regulation No. 351 dated 30 June 2016.
<b>Standard grade</b>	From 1 to 30 days, from 31 to 60 days	B1, B2, B3	BB+ to B	According to the intrabank rating established for resident banks with grade 3 (values of the international scale rating "B" and below or "NR") and other issuers by category of investment available for sale, which have no rating and are attributed to Stage 1
<b>Sub-standard grade</b>	From 61 to 90 days	C1, C2, C3, D1, D2, D3	CCC to C	According to the intrabank rating established for resident banks with grade 4 (values of the international scale rating "B" and below or "NR") and other issuers by category of investment available for sale, which have no rating and are attributed to Stage 2
<b>Impaired</b>	More than 90 days	E	D	According to the intrabank rating established for resident banks with grade 5 (values of the international scale rating "D" and below or "NR") and other issuers by category of investment available for sale, which have no rating and are attributed to Stage 3

**Geographical concentration**

The following table summarizes geographical concentration of monetary assets and liabilities:

	<b>31 March 2021</b>			
	<b>Ukraine</b>	<b>OECD countries</b>	<b>CIS and other foreign banks</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	8,212,229	15,416,678	25,329	<b>23,654,236</b>
Precious metals	2,698	–	–	<b>2,698</b>
Due from credit institutions	280,112	125,379	–	<b>405,491</b>
Derivative financial assets	106	2,982	–	<b>3,088</b>
Loans to customers and finance leases	45,509,050	–	–	<b>45,509,050</b>
Investments at fair value through other comprehensive income	55,212,941	2,794,043	–	<b>58,006,984</b>
Other assets	450,794	–	–	<b>450,794</b>
	<b>109,667,930</b>	<b>18,339,082</b>	<b>25,329</b>	<b>128,032,341</b>
<b>Liabilities</b>				
Due to National Bank of Ukraine	998,342	–	–	<b>998,342</b>
Due to credit institutions	3,905,118	2,617,837	19,729	<b>6,542,684</b>
Derivative finance liabilities	69,381	763	–	<b>70,144</b>
Due to customers	112,914,311	–	–	<b>112,914,311</b>
Provisions for guarantees and commitments	441,160	–	–	<b>441,160</b>
Lease liabilities	120,643	–	–	<b>120,643</b>
Other liabilities	558,074	–	–	<b>558,074</b>
	<b>119,007,029</b>	<b>2,618,600</b>	<b>19,729</b>	<b>121,645,358</b>
<b>Difference between assets and liabilities</b>	<b>(9,339,099)</b>	<b>15,720,482</b>	<b>5,600</b>	<b>6,386,983</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

	<b>31 December 2020</b>			<b>Total</b>
	<b>Ukraine</b>	<b>OECD countries</b>	<b>CIS and other foreign banks</b>	
<b>Assets</b>				
Cash and cash equivalents	11,230,499	24,007,958	49,537	<b>35,287,994</b>
Precious metals	2,401	–	–	<b>2,401</b>
Due from credit institutions	647,625	13,866	–	<b>661,491</b>
Derivative financial assets	4,930	256	–	<b>5,186</b>
Loans to customers and finance leases	47,517,583	–	–	<b>47,517,583</b>
Investments at fair value through other comprehensive income	50,346,378	5,687,678	–	<b>56,034,056</b>
Other assets	184,858	–	–	<b>184,858</b>
	<b>109,934,274</b>	<b>29,709,758</b>	<b>49,537</b>	<b>139,693,569</b>
<b>Liabilities</b>				
Due to National bank of Ukraine	–	–	–	–
Due to credit institutions	3,933,175	1,736,503	–	<b>5,669,678</b>
Derivative financial liabilities	226,669	982	–	<b>227,651</b>
Due to customers	126,498,709	–	–	<b>126,498,709</b>
Provisions for guarantees and commitments	406,111	–	–	<b>406,111</b>
Lease liabilities	126,148	–	–	<b>126,148</b>
Other liabilities	765,151	–	–	<b>765,151</b>
	<b>131,955,963</b>	<b>1,737,485</b>	–	<b>133,693,448</b>
<b>Difference between assets and liabilities</b>	<b>(22,021,689)</b>	<b>27,972,273</b>	<b>49,537</b>	<b>6,000,121</b>

**Liquidity risk and funding management**

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations as they fall due without incurring unacceptable losses, or as a result of its inability to manage unplanned cash outflows, changes in funding sources and/or off-balance sheet liabilities. To mitigate this risk, management uses different sources of funding in addition to the main base of deposits. Management of the Bank also performs day-to-day liquidity management activities, with due account for balances on the correspondent accounts and cash inflow/outflow projections; management of current liquidity (up to 1 month) through identification of the Bank's requirements for liquid assets and assessment of the liquidity gaps for the period; management of liquidity over one month through assessment of mismatch between maturities on assets and liabilities and development of remedial measures to maintain the Bank's relevant liquidity levels in the future.

Analysis of financial liabilities grouped based on dates from the reporting date to the maturity date is carried out in accordance with the applicable agreement.

As at 31 March 2021 and 31 December 2020, the Bank complied with the regulatory requirements of the National Bank of Ukraine regarding the minimum level of liquidity coverage ratio in all currencies and separately in foreign currencies (regulatory values as at 31 March 2021 and 31 December 2020 – not less than 100%). The values of liquidity coverage ratios in all currencies and separately in foreign currencies are as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
All-currency LCR, liquidity coverage ratio for all currencies	208.73%	226.99%
Foreign currency LCR, liquidity coverage ratio in foreign currency	123.99%	151.72%

Analysis of assets and liabilities of the Bank by the estimated dates of their recovery or repayment is discussed in Note 31.

*(in thousands of Hryvnias, unless otherwise indicated)**Analysis of financial liabilities by remaining contractual maturities*

The tables below summarize the information on undiscounted cash flows of financial liabilities as at 31 March 2021 and 31 December 2020 based on the remaining time to maturity according to the terms of agreements. Gross settled derivative instruments that are presented in terms of amounts receivable and payable as per maturities. Liabilities that are subject to repayment on demand are to be repaid on the earliest possible date. However, the Bank expects that most customers will not demand repayment on the earliest possible date.

<b>Financial liabilities As at 31 March 2021</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Due to National Bank of Ukraine	5,342	10,863	48,795	1,245,397	<b>1,310,397</b>
Due to credit institutions	3,865,935	852,296	1,254,374	1,008,846	<b>6,981,451</b>
<i>Gross settled derivative financial instruments</i>					
- contractual amounts receivable	(4,415,304)	-	-	-	<b>(4,415,304)</b>
- contractual amounts payable	4,485,449	-	-	-	<b>4,485,449</b>
Due to customers	93,317,259	18,755,312	1,659,110	4,552	<b>113,736,233</b>
Lease liabilities	19,922	51,103	66,959	-	<b>137,984</b>
Other liabilities	558,073	-	-	-	<b>558,073</b>
<b>Total undiscounted financial liabilities</b>	<b>97,836,676</b>	<b>19,669,574</b>	<b>3,029,238</b>	<b>2,258,795</b>	<b>122,794,283</b>

<b>Financial liabilities As at 31 December 2020</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Due to National Bank of Ukraine	-	-	-	-	-
Due to credit institutions	2,745,711	1,749,843	1,174,644	-	<b>5,670,198</b>
<i>Gross settled derivative financial instruments</i>					
- contractual amounts receivable	(4,883,748)	-	-	-	<b>(4,883,748)</b>
- contractual amounts payable	5,111,399	-	-	-	<b>5,111,399</b>
Due to customers	106,358,378	18,446,773	2,503,506	12,611	<b>127,321,268</b>
Lease liabilities	20,311	56,162	77,591	-	<b>154,064</b>
Other liabilities	765,151	-	-	-	<b>765,151</b>
<b>Total undiscounted financial liabilities</b>	<b>110,117,202</b>	<b>20,252,778</b>	<b>3,755,741</b>	<b>12,611</b>	<b>134,138,332</b>

The table below shows the contractual maturity of commitments and contingencies of the Bank. Each undrawn loan commitment is included in the period containing the earliest date when a customer may require its fulfilment. For the issued financial guarantee contracts, the maximum guarantee amount is attributed to the earliest period, in which the guarantee could be required for settlement.

	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
31 March 2021	3,483,206	3,809,594	2,650,693	373,046	<b>10,316,539</b>
31 December 2020	1,787,053	4,317,128	2,242,281	396,044	<b>8,742,506</b>

**Operational risk**

Operational risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in expected profit due to errors or deficiencies in the internal processes, willful or negligent acts by the staff or others, failures in information systems or due to external events.

Operational risk management is the responsibility of the Bank's Management Board, which is authorized to establish the principles to ensure the methodology for effective management and monitoring of operational risks. The Operational Risk Management Committee is a collegial structure of the Management Board, which functions include implementing the operational risk management policies, improving the business processes, implementing the internal control systems/additional controls, developing measures based on reviews of operational incidents.

*(in thousands of Hryvnias, unless otherwise indicated)***Interest rate risk**

Interest rate risk is the existing or potential risk to the Bank's earnings and capital arising from adverse changes in interest rates on the market. This risk affects both the profitability of the Bank and the economic value of its assets, liabilities and off-balance sheet instruments. The table below shows the sensitivity to possible changes in interest rates, with constant values of all other variables of the Bank's statement of profit or loss and other comprehensive income.

Sensitivity of the statement of profit or loss and other comprehensive income reflects the effect of the assumed changes in interest rates on net interest income for one year, which is a result of gaps between maturities of assets and liabilities before revision of the interest rate that reflects maturity before revision of the base rate for instruments with a floating (variable) interest rate and maturity for instruments with a fixed interest rate.

*Sensitivity of statement of profit or loss and other comprehensive income (method of liquidity gaps before revision)*

<b>31 March 2021</b>						
	<b>Up to 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Assets	44,628,424	7,518,829	39,764,895	30,371,368	2,506,077	<b>124,789,593</b>
Liabilities	83,747,892	16,507,181	14,911,447	4,372,526	995,520	<b>120,534,566</b>
<b>Difference between assets and liabilities</b>	<b>(39,119,468)</b>	<b>(8,988,352)</b>	<b>24,853,448</b>	<b>25,998,842</b>	<b>1,510,557</b>	<b>4,255,027</b>
1%	(375,118)	(74,862)	93,285			<b>(356,695)</b>
-1%	375,118	74,862	(93,285)			<b>356,695</b>
<b>31 March 2020</b>						
	<b>Up to 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Assets	57,561,997	7,200,363	30,915,325	27,776,389	3,350,060	<b>126,804,134</b>
Liabilities	89,254,526	8,984,456	17,909,988	6,291,762	153,482	<b>122,594,214</b>
<b>Difference between assets and liabilities</b>	<b>(31,692,529)</b>	<b>(1,784,093)</b>	<b>13,005,337</b>	<b>21,484,627</b>	<b>3,196,578</b>	<b>4,209,920</b>
1%	(303,901)	(14,859)	48,815			<b>(269,946)</b>
-1%	303,901	14,859	(48,815)			<b>269,946</b>

**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges and security prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios. The market risks for non-trading positions are managed and monitored using sensitivity analysis.

**Currency risk**

Currency risk is the existing or potential risk for the Bank's earnings or capital arising out of unfavourable fluctuations in foreign exchange rates and precious metal prices. The Assets and Liabilities Management Committee sets limits on positions by foreign currencies based on the requirements of the National Bank of Ukraine. Currency positions are monitored on a daily basis.

The major foreign currency denominated positions of assets and liabilities as at 31 March 2021 are as follows:

	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	6,396,852	10,070,068	6,830,033	357,283	<b>23,654,236</b>
Precious metals	-	-	-	2,698	<b>2,698</b>
Due from credit institutions	280,112	19,425	105,954	-	<b>405,491</b>
Loans to customers and finance leases	20,083,250	12,960,884	12,464,916	-	<b>45,509,050</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>	<b>Total</b>
Investments at fair value through other comprehensive income	37,531,167	17,829,108	2,646,709	-	<b>58,006,984</b>
Investment property	149,255	-	-	-	<b>149,255</b>
Property and equipment, intangible assets	1,292,695	-	-	-	<b>1,292,695</b>
Right-of-use assets	150,895	-	-	-	<b>150,895</b>
Other property	742,744	-	-	-	<b>742,744</b>
Current income tax assets	-	-	-	-	<b>-</b>
Other assets	583,643	203,036	28,963	60	<b>815,702</b>
<b>Total assets</b>	<b>67,210,613</b>	<b>41,082,521</b>	<b>22,076,575</b>	<b>360,041</b>	<b>130,729,750</b>
<b>Liabilities</b>					
Due to National Bank of Ukraine	998,342	-	-	-	<b>998,342</b>
Due to credit institutions	259,856	1,783,569	4,464,030	35,229	<b>6,542,684</b>
Due to customers	59,141,651	40,046,931	13,534,508	191,221	<b>112,914,311</b>
Provisions for guarantees, commitments and legal risks	354,784	14,808	71,568	-	<b>441,160</b>
Lease liabilities	120,643	-	-	-	<b>120,643</b>
Current income tax liabilities	26,420	-	-	-	<b>26,420</b>
Deferred income tax liabilities	10,349	-	-	-	<b>10,349</b>
Other liabilities	751,409	202,647	82,815	8,826	<b>1,045,697</b>
<b>Total liabilities</b>	<b>61,663,454</b>	<b>42,047,955</b>	<b>18,152,921</b>	<b>235,276</b>	<b>122,099,606</b>
<b>Net long/(short) recognized position</b>	<b>5,547,159</b>	<b>(965,434)</b>	<b>3,923,654</b>	<b>124,765</b>	
Assets receivable	3,251,650	4,123,685	497,885	55,015	<b>7,928,235</b>
Assets payable	-	(3,733,294)	(4,083,442)	(178,555)	<b>(7,995,291)</b>
<b>Net long/(short) unrecognized position</b>	<b>3,251,650</b>	<b>390,391</b>	<b>(3,585,557)</b>	<b>(123,540)</b>	
<b>Total long/(short) recognized and unrecognized position</b>	<b>8,798,809</b>	<b>(575,043)</b>	<b>338,097</b>	<b>1,225</b>	

The major foreign currency denominated positions of assets and liabilities as at 31 December 2020 are as follows:

	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	9,426,754	16,129,350	9,395,292	336,598	<b>35,287,994</b>
Precious metals	-	-	-	2,401	<b>2,401</b>
Due from credit institutions	588,564	72,927	-	-	<b>661,491</b>
Loans to customers and finance leases	20,260,259	13,622,689	13,634,635	-	<b>47,517,583</b>
Investments at fair value through other comprehensive income	36,032,871	18,957,236	1,043,949	-	<b>56,034,056</b>
Investment property	149,255	-	-	-	<b>149,255</b>
Property and equipment, intangible assets	1,348,538	-	-	-	<b>1,348,538</b>
Right-of-use assets	157,200	-	-	-	<b>157,200</b>
Other property	770,248	-	-	-	<b>770,248</b>
Current income tax assets	39,429	-	-	-	<b>39,429</b>
Other assets	681,374	16,457	31,513	7	<b>729,351</b>
<b>Total assets</b>	<b>69,454,492</b>	<b>48,798,659</b>	<b>24,105,389</b>	<b>339,006</b>	<b>142,697,546</b>
<b>Liabilities</b>					
Due to National bank of Ukraine	-	-	-	-	<b>-</b>
Due to credit institutions	276,962	1,620,986	3,700,786	70,944	<b>5,669,678</b>
Due to customers	63,059,768	44,176,943	19,050,638	211,360	<b>126,498,709</b>
Provisions for guarantees, commitments and legal risks	371,522	9,002	25,587	-	<b>406,111</b>
Lease liabilities	126,148	-	-	-	<b>126,148</b>
Current income tax liabilities	-	-	-	-	<b>-</b>
Deferred income tax liabilities	60,806	-	-	-	<b>60,806</b>

*(in thousands of Hryvnias, unless otherwise indicated)*

	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>	<b>Total</b>
Other liabilities	1,038,636	51,887	71,761	2,514	<b>1,164,798</b>
<b>Total liabilities</b>	<b>64,933,842</b>	<b>45,858,818</b>	<b>22,848,772</b>	<b>284,818</b>	<b>133,926,250</b>
<b>Net long/(short) recognized position</b>	<b>4,520,650</b>	<b>2,939,841</b>	<b>1,256,617</b>	<b>54,188</b>	
Assets receivable	4,237,183	666,159	740,511	36,995	<b>5,680,848</b>
Assets payable	-	(3,693,096)	(2,129,537)	(80,680)	<b>(5,903,313)</b>
<b>Net long/(short) unrecognized position</b>	<b>4,237,183</b>	<b>(3,026,937)</b>	<b>(1,389,026)</b>	<b>(43,685)</b>	
<b>Total long/(short) recognized and unrecognized position</b>	<b>8,757,833</b>	<b>(87,096)</b>	<b>(132,409)</b>	<b>10,503</b>	

The following table presents the currencies in which the Bank has significant positions as at 31 March 2021 and 31 March 2020 against the Ukrainian Hryvnia on the statement of profit or loss and other comprehensive income (due to the presence of non-trading monetary assets and liabilities which fair value is sensitive to changes in exchange rates). The negative value shown in the table reflects the potential net decrease in the statement of profit or loss and other comprehensive income or equity, and the positive values reflect the potential net increase.

<b>Currency</b>	<b>Increase in foreign currency exchange rate, % 31 March 2021</b>	<b>Effect on profit before tax 31 March 2021</b>	<b>Increase in foreign currency exchange rate, % 31 March 2020</b>	<b>Effect on profit before tax 31 March 2020</b>
USD	15.00%	(86,256)	11.00%	4,052
EUR	16.00%	54,095	13.00%	(9,748)

<b>Currency</b>	<b>Decrease in foreign currency exchange rate, % 31 March 2021</b>	<b>Effect on profit before tax 31 March 2021</b>	<b>Decrease in foreign currency exchange rate, % 31 March 2020</b>	<b>Effect on profit before tax 31 March 2020</b>
USD	-12.00%	69,005	-14.00%	(5,157)
EUR	-14.00%	(47,333)	-15.00%	11,247

### 30. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The estimated fair value has been determined by the Bank using the available market information, where it exists, and the appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument or pay in the transfer of liabilities.

The Bank uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly on market data; and
- ▶ Level 3: techniques, which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

#### **Fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis and fair value of buildings**

Some of the Bank's financial assets and financial liabilities as well as the Bank's buildings are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities is determined (in particular, the valuation techniques and inputs used):

*(in thousands of Hryvnias, unless otherwise indicated)*

<b>Assets/liabilities</b>	<b>Fair value hierarchy</b>	<b>Valuation techniques and key inputs</b>
Investments at fair value through other comprehensive income	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable either directly or indirectly. The estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Investments at fair value through other comprehensive income	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer, its risk profile and economic assumptions with respect to the industry and geographical jurisdiction where the issuer operates.
Loans to customers at fair value through profit or loss	3	Discounted cash flows. Future cash flows are estimated using observable market data as well as non-observable market data. Non-observable data include assumptions about the borrower's future financial performance, risk profile, and economic assumptions about the industry and geographical jurisdiction in which the borrower operates.
Derivative financial instruments	2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (observable foreign exchange rates at the end of the reporting period) and forward exchange rates discounted at a rate reflecting a credit risk from different counterparties.
Buildings and land plots, investment property	3	The Bank engages professional independent appraisers to determine the fair value of its buildings and land plots and investment property by using a comparative approach to evaluation and income approach for the items for which there are no market comparatives. In the comparative approach to evaluation, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of a property item). The main parameter used in this valuation technique is the price per square meter of a property item.

The table below provides the analysis of assets and liabilities recognized in the statement of financial position at fair value on initial recognition using a three-level fair value hierarchy:

	<b>31 March 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value</b>				
Investments at fair value through other comprehensive income	2,794,043	55,201,629	11,312	<b>58,006,984</b>
Derivative financial assets	-	3,088	-	<b>3,088</b>
Investment property	-	-	149,255	<b>149,255</b>
Buildings and land plots	-	-	922,327	<b>922,327</b>
Loans to customers at fair value through profit or loss	-	-	134,523	<b>134,523</b>
	<b>2,794,043</b>	<b>55,204,717</b>	<b>1,217,417</b>	<b>59,216,177</b>
<b>Liabilities measured at fair value</b>				
Derivative financial liabilities	-	70,144	-	<b>70,144</b>
<b>Total</b>	<b>-</b>	<b>70,144</b>	<b>-</b>	<b>70,144</b>

	<b>31 December 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value</b>				
Investments at fair value through other comprehensive income	5,687,678	50,335,066	11,312	<b>56,034,056</b>
Derivative financial assets	-	5,186	-	<b>5,186</b>
Investment property	-	-	149,255	<b>149,255</b>
Buildings and land plots	-	-	928,721	<b>928,721</b>
Loans to customers at fair value through profit or loss	-	-	123,109	<b>123,109</b>
	<b>5,687,678</b>	<b>50,340,252</b>	<b>1,212,397</b>	<b>57,240,327</b>
<b>Liabilities measured at fair value</b>				
Derivative financial liabilities	-	227,651	-	<b>227,651</b>
<b>Total</b>	<b>-</b>	<b>227,651</b>	<b>-</b>	<b>227,651</b>

*Movements in Level 3 financial instruments measured at fair value*

The table below shows changes in the amounts of Level 3 assets and liabilities that are measured at fair value:

*(in thousands of Hryvnias, unless otherwise indicated)*

<b>Financial assets</b>	<b>As at 1 January 2021</b>	<b>Total gains/ (losses) recognized in the statement of profit or loss</b>	<b>Acquisition</b>	<b>Repayment</b>	<b>Revaluation surplus recognized as part of equity</b>	<b>As at 31 March 2021</b>
Investments at fair value through other comprehensive income	11,312	-	-	-	-	11,312
Loans to customers at fair value through profit or loss	123,109	8,796	26,468	(23,850)	-	134,523

*Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions*

The following table shows the impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions:

<b>Financial assets</b>	<b>31 March 2021</b>		<b>31 December 2020</b>	
	<b>Carrying amount</b>	<b>Impact of possible alternative assumptions</b>	<b>Carrying amount</b>	<b>Impact of possible alternative assumptions</b>
Investments at fair value through other comprehensive income	11,312	(11,312)	11,312	(11,312)
Loans to customers at fair value through profit or loss	134,523	1,935 / (1,874)	123,109	2,011/(1,943)

To analyse the sensitivity of the loans to customers at fair value through profit or loss, the assumption of changes in the discount rate of future cash flows was applied. Decrease of discount rates by 10% will increase the carrying value by UAH 1,874 thousand. The increase of the discount rates by 10% will reduce the carrying value by UAH 1,935 thousand.

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

The estimated fair values of financial assets and liabilities are determined using market prices, discounted cash flows and other appropriate valuation techniques and may not be indicative of the fair value of those instruments at the date these financial statements are authorized for issue. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Cash and cash equivalents and due from credit institutions comprise balances on correspondent accounts and short-term deposits. Due to short-term life of those financial instruments and corresponding actual interest rates to those prevailing money market interest rates for similar financial instruments, the carrying amounts of cash and cash equivalents, due from banks balances approximate their fair value.

To determine fair value, projected cash flows are discounted at market rates established at the reporting date for similar instruments.

<b>Financial assets/ financial liabilities</b>	<b>Fair value hierarchy</b>	<b>Valuation techniques and key outputs</b>
Loans to customers and finance leases Due from credit institutions	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include the assumptions regarding future financial performance of the counterparty, its risk profile and economic assumptions with respect to the industry and geographical jurisdiction where the counterparty operates. The most significant outputs included a discount rate reflecting the credit risk of counterparties.
Due to credit institutions Due to customers	3	Discounted cash flows. Future cash flows are estimated based on unobservable inputs.

*(in thousands of Hryvnias, unless otherwise indicated)*

	<b>31 March 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	23,654,236	-	-	23,654,236
Due from credit institutions	-	-	405,491	405,491
Loans to customers and finance leases	-	-	46,999,482	46,999,482
<b>Total</b>	<b>23,654,236</b>	<b>-</b>	<b>47,404,973</b>	<b>71,059,209</b>
<b>Liabilities for which fair values are disclosed</b>				
Due to National bank of Ukraine	-	-	998,342	998,342
Due to credit institutions	-	-	6,542,684	6,542,684
Due to customers	-	-	113,136,367	113,136,367
<b>Total</b>	<b>-</b>	<b>-</b>	<b>120,677,393</b>	<b>120,677,393</b>
	<b>31 December 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	35,287,994	-	-	35,287,994
Due from credit institutions	-	-	661,491	661,491
Loans to customers and finance leases	-	-	49,787,938	49,787,938
<b>Total</b>	<b>35,287,994</b>	<b>-</b>	<b>50,449,429</b>	<b>85,737,423</b>
<b>Liabilities for which fair values are disclosed</b>				
Due to National bank of Ukraine	-	-	-	-
Due to credit institutions	-	-	5,669,678	5,669,678
Due to customers	-	-	126,693,980	126,693,980
<b>Total</b>	<b>-</b>	<b>-</b>	<b>132,363,658</b>	<b>132,363,658</b>

The following 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 statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<b>31 March 2021</b>		<b>31 December 2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>				
Cash and cash equivalents	23,654,236	23,654,236	35,287,994	35,287,994
Due from credit institutions	405,491	405,491	661,491	661,491
Loans to customers and finance leases	45,372,593	46,999,482	47,392,435	49,787,938
<b>Total assets</b>	<b>69,432,320</b>	<b>71,059,209</b>	<b>83,341,920</b>	<b>85,737,423</b>
<b>Financial liabilities</b>				
Due to National bank of Ukraine	998,342	998,342	-	-
Due to credit institutions	6,542,684	6,542,684	5,669,678	5,669,678
Due to customers	112,914,311	113,136,367	126,498,709	126,693,980
<b>Total liabilities</b>	<b>120,455,337</b>	<b>120,677,393</b>	<b>132,168,387</b>	<b>132,363,658</b>

*(in thousands of Hryvnias, unless otherwise indicated)***31. Analysis of assets and liabilities by maturities**

The table below summarizes assets and liabilities according to the periods when they are expected to be recovered or settled. See Note 28 for the Bank's contractual undiscounted repayment obligations.

	31 March 2021				31 December 2020			
	Within one year	More than one year	Maturity undefined	Total	Within one year	More than one year	Maturity undefined	Total
Cash and cash equivalents	23,654,236	-	-	23,654,236	35,287,994	-	-	35,287,994
Precious metals	2,698	-	-	2,698	2,401	-	-	2,401
Derivative financial assets	3,088	-	-	3,088	5,186	-	-	5,186
Due from credit institutions	299,537	105,954	-	405,491	661,491	-	-	661,491
Loans to customers and finance leases	17,629,056	27,879,994	-	45,509,050	17,946,031	29,571,552	-	47,517,583
Investments at fair value through other comprehensive income	37,928,057	20,078,927	-	58,006,984	40,489,238	15,544,818	-	56,034,056
Investment property	-	-	149,255	149,255	-	-	149,255	149,255
Property and equipment and intangible assets	-	-	1,292,695	1,292,695	-	-	1,348,538	1,348,538
Right-of-use assets	-	-	150,895	150,895	-	-	157,200	157,200
Other property	-	-	742,744	742,744	-	-	770,248	770,248
Current income tax assets	-	-	-	-	39,429	-	-	39,429
Other assets	751,118	64,584	-	815,702	647,194	82,157	-	729,351
<b>Total</b>	<b>80,267,790</b>	<b>48,129,459</b>	<b>2,335,589</b>	<b>130,732,838</b>	<b>95,078,964</b>	<b>45,198,527</b>	<b>2,425,241</b>	<b>142,702,732</b>
Due to National Bank of Ukraine	-	998,342	-	998,342	-	-	-	-
Due to credit institutions	4,621,289	1,921,395	-	6,542,684	4,586,887	1,082,791	-	5,669,678
Derivative financial liabilities	70,144	-	-	70,144	227,651	-	-	227,651
Due to customers	110,305,463	2,608,848	-	112,914,311	124,035,469	2,463,240	-	126,498,709
Lease liabilities	16,106	104,537	-	120,643	12,371	113,777	-	126,148
Provisions for guarantees and commitments	371,300	69,860	-	441,160	341,915	64,196	-	406,111
Current income tax liabilities	26,420	-	-	26,420	-	-	-	-
Deferred income tax liabilities	-	10,349	-	10,349	-	60,806	-	60,806
Other liabilities	923,319	122,378	-	1,045,697	1,014,088	150,710	-	1,164,798
<b>Total</b>	<b>116,334,041</b>	<b>5,835,709</b>	<b>-</b>	<b>122,169,750</b>	<b>130,218,381</b>	<b>3,935,520</b>	<b>-</b>	<b>134,153,901</b>
<b>Net amount</b>	<b>(36,066,251)</b>	<b>42,293,750</b>	<b>2,335,589</b>	<b>8,563,088</b>	<b>(35,139,417)</b>	<b>41,263,007</b>	<b>2,425,241</b>	<b>8,548,831</b>

The Bank's management believes that the negative liquidity gap (liquidity gap between financial assets and financial liabilities repayable within one year as at 31 March 2021 amounted to UAH 35,974,909 thousand) that arose is under control and does not threaten the Bank's ability to settle its liabilities in full and in a timely manner. Thus, the Bank has access to secondary reserve of liquid funds represented by:

- ▶ Unencumbered securities – Ukrainian domestic government bonds in the amount of UAH 14,951,028 thousand, municipal bonds in the amount of UAH 1,738,816 thousand that have a high degree of liquidity and were included in the category of repayable after one year. Liquid funds may be received either through the sale of the said securities or raising of a refinancing borrowing from the National Bank of Ukraine with the securities used as a collateral. As at 31 March 2021, the fair value of securities that may be considered as a cover for the cumulative liquidity gap in the category of repayable within one year amounted to UAH 16,689,844 thousand;
- ▶ Stable balances on current and other customer accounts determined based on Bank's own methods, which are based on statistical analysis of fluctuations in current customer account balances. As at 31 March 2021, the stable balances on current and other accounts were estimated to be equal to UAH 52,779,413 thousand. Based on the going concern assumption, actual maturity of the stable balances may be considered as undefined.

Thus, the negative liquidity gap that arose as at 31 March 2021 in the amount of UAH 35,974,909 thousand based on the estimated maturities of the above-mentioned financial instruments has changed to a positive liquidity gap and may be estimated in the amount of UAH 33,494,348 thousand.

**32. Related party transactions**

The Bank grants loans and advances to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability directly or indirectly through one or more intermediaries to control the other party or exercise significant influence over the party when making financial and operational decisions. Terms and conditions of transactions with related parties are established on a daily basis and may differ from the market terms.

*(in thousands of Hryvnias, unless otherwise indicated)*

As at 31 March 2021, the Bank was 94.94% state-owned bank under the control of the Ministry of Finance of Ukraine (2020: 94.94%). Correspondingly transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel and entities, if any, that are controlled, jointly controlled, or significantly influenced by them.

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by the government. Government refers to government agencies and similar bodies whether local, national or international.

Business entities related to public authorities – business entities that are controlled, are under the joint control or significant influence of public authorities.

Public authorities – public authorities, government agencies and similar public authorities – local, national or international.

In considering each possible related party relationship, attention is focused on the substance of such relationship and not merely its legal form. The balances and transactions with related parties at the end of the period and the relevant amounts of profit and loss for the period are as follows:

	31 March 2021			31 March 2020 / 31 December 2020		
	State controlled entities	Other related parties	Key management personnel	State controlled entities	Other related parties	Key management personnel
<b>Assets</b>						
Cash and cash equivalents	–	–	–	3,500,478	–	–
Current accounts with the National Bank of Ukraine	5,472,631	–	–	4,913,458	–	–
Current accounts and overnight placements with other credit institutions	115,194	–	–	116,309	–	–
Due from credit institutions	892	–	–	142	–	–
Loans to customers and finance leases, gross	14,914,107	3,574	20,663	13,901,802	3,602	23,003
Less: expected credit losses / allowance for impairment	(1,294,848)	(1)	(210)	(1,094,596)	(2)	(176)
Investments at fair value through other comprehensive income	55,203,112	–	–	50,336,550	–	–
<b>Liabilities</b>						
Due to National bank of Ukraine	998,342	–	–	–	–	–
Due to credit institutions	1,220,938	3,549	–	1,429,020	10,214	–
Due to customers – deposits	14,226,286	80,837	45,151	16,455,587	417,925	45,701
Due to customers – current accounts	30,090,105	50,561	48,635	36,881,613	82,859	59,397
Commitments and guarantees issued	4,893,627	2,679	7,663	4,877,124	5,692	8,200

	31 March 2021			31 March 2020 / 31 December 2020		
	State controlled entities	Other related parties	Key management personnel	State controlled entities	Other related parties	Key management personnel
<b>Statement of profit or loss and other comprehensive income</b>						
Interest income on loans to customers	368,256	71	425	461,422	60	471
Interest income on investments at fair value through other comprehensive income	1,032,897	–	–	610,069	–	–
Interest income on deposit certificates of the National Bank of Ukraine	84,849	–	–	417,307	–	–
Interest expense on amounts due to the National Bank of Ukraine	11,136	–	–	–	–	–
Interest expense on amounts due to credit institutions	10,234	–	–	14,502	18,480	–
Interest expense on amounts due to customers	418,064	2,887	582	567,789	7,626	670
Credit loss expense for loans to customers: (accruals)/reversals	(200,252)	1	(33)	216,075	(3)	359
Net gains on investments at fair value through other comprehensive income	71,911	–	–	28,162	–	–
Other operating expense	54,241	–	–	46,956	–	–

*(in thousands of Hryvnias, unless otherwise indicated)*

Concentration risk is determined by the Bank as the risk of possible losses due to concentration of risk in specific instruments, operations and industries.

The Bank's activities relate to a significant scale of operations with state-owned companies resulting in concentration of credit and investment risks in relation to certain counterparties and groups of related counterparties and industries.

As at 31 March 2021, 57% of assets and 42% of liabilities were concentrated in operations with state-owned companies, the National Bank of Ukraine, state banks and government authorities (2020: 53% assets and 45% liabilities).

The Bank manages concentration risk in its loan and investment portfolios by setting limits for counterparties and groups of counterparties.

Remuneration to key management personnel comprises the following:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Salaries and bonuses	17,020	54,114
<b>Total remuneration to key management personnel</b>	<b>17,020</b>	<b>54,114</b>

### 33. Capital adequacy

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also considered and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The regulator, the National Bank of Ukraine, sets and monitors capital requirements for the Bank as a whole and monitors compliance with these requirements on the basis of reporting to national standards. The Bank as a whole and its individual banking operation are directly supervised by the local regulator.

Under the current capital requirements set by the National Bank of Ukraine, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 March 2021 and 2020 the minimum level required by the National Bank of Ukraine was 10%. The Bank complied with the statutory capital ratios during the periods ended 31 March 2021 and 2020.

The Bank analyses its activities to meet the minimum capital requirements, including the capital adequacy requirements calculated in accordance with the Basel Accord of 1988, as defined in the International Convergence: of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. As at 31 March 2021 and 31 December 2020, the minimum level required by Basel I was 8% and the minimum Tier 1 capital adequacy ratio was 4%.

Analytical bases for calculation of capital adequacy according to the NBU requirements and requirements of Basel I are different, therefore are not comparable.

As at 31 March 2021 and 31 December 2020, the Bank's capital adequacy ratio was as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Base capital	8,105,069	8,314,311
Supplementary capital	66,004	93,325
Deductible	6,660	6,660
<b>Regulatory Capital</b>	<b>8,164,413</b>	<b>8,400,976</b>
N2 ratio	16.61%	14.31%
N3 ratio	16.49%	14.16%

*(in thousands of Hryvnias, unless otherwise indicated)*

The following table shows the composition of the Bank's capital position calculated in accordance with the requirements of Basel I as at 31 March 2021 and 31 December 2020:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Tier 1 capital	9,207,639	8,963,581
Tier 2 capital	(644,551)	(414,750)
<b>Total capital</b>	<b>8,563,088</b>	<b>8,548,831</b>
<b>Risk weighted assets</b>	<b>71,665,861</b>	<b>73,057,413</b>
Tier 1 capital ratio	12.85%	12.27%
Total capital ratio	11.95%	11.70%

As at 31 March 2021 and 31 December 2020 the Bank was in compliance with the capital ratio calculated in accordance with the Basel Accord.

### 34. Changes in liabilities arising from financing activities

	<i>Due to the National Bank of Ukraine</i>	<i>Due to credit institutions (long-term)</i>	<i>Lease liabilities</i>	<i>Total</i>
<b>Carrying amount at 1 January 2020</b>	-	<b>2,453,166</b>	<b>131,747</b>	<b>2,584,913</b>
Additions	-	1,402,766	61,580	<b>1,464,346</b>
Repayment	-	(1,394,031)	(62,858)	<b>(1,456,889)</b>
Exchange differences	-	703,854	-	<b>703,854</b>
Other	-	(1,234)	(4,321)	<b>(5,555)</b>
<b>Carrying amount at 31 December 2020</b>	<b>-</b>	<b>3,164,521</b>	<b>126,148</b>	<b>3,290,669</b>
Additions	1,000,000	988,896	16,503	<b>2,005,399</b>
Repayment	-	(140,760)	(16,884)	<b>(157,644)</b>
Exchange differences	-	(179,641)	-	<b>(179,641)</b>
Other	(1,658)	4,768	(5,124)	<b>(2,014)</b>
<b>Carrying amount at 31 March 2021</b>	<b>998,342</b>	<b>3,837,784</b>	<b>120,643</b>	<b>4,956,769</b>

### 35. Subsequent events

After the reporting date, the Board of the National Bank of Ukraine on April 15, 2021 decided to increase the discount rate from 6.5% per annum to 7.5% per annum.

Ukraine has entered the third wave of COVID-19 incidence. The number of COVID-19 patients has significantly increased. The state is introducing additional restrictive measures that will reduce the burden on the health care system. The Ministry of Health has launched a campaign to vaccinate the population of Ukraine.

In recent weeks, there has been an escalation of the conflict in the territories of the temporarily occupied Donetsk and Luhansk regions.

On April 13, 2021 amendments were made to the Law of Ukraine "On Consumer Lending", which regulates the conditions for restructuring consumer loans in foreign currency.