

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

Interim condensed consolidated financial statements

For the six months ended 30 June 2019

CONTENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of financial position (Consolidated balance sheet)	1
Interim condensed consolidated statement of profit and loss (Consolidated income statement)	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of changes in equity (Consolidated statement of equity)	4
Interim condensed consolidated statement of cash flows (direct method)	5

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activities	6
2. Basis of preparation and summary of accounting policies	6
3. Segment information	11
4. Cash and cash equivalents	14
5. Changes in liabilities in financial activities	14
6. Expenses for expected credit losses	15
7. Amounts due from credit institutions	17
8. Loans to customers	19
9. Investment securities	28
10. Other assets and liabilities	30
11. Amounts due to credit institutions	32
12. Amounts due to customers	33
13. Eurobonds issued	33
14. Equity	34
15. Credit-related commitments	35
16. Personnel and other operating expenses	41
17. Fair value of assets and liabilities	42
18. Related party disclosures	44
19. Capital adequacy	47



Ernst & Young Audit Services LLC
19A Khreshchatyk Street
Kyiv, 01001, Ukraine
Tel: +380 (44) 490 3000
Fax: +380 (44) 490 3030
www.ey.com/ua

ТОВ «Ернст енд Янг
Аудиторські послуги»
вул. Хрещатик, 19А
Київ, 01001, Україна
Тел.: +380 (44) 490 3000
Факс: +380 (44) 490 3030

Report on Review of Interim Financial Information

To the Shareholder and Board of Directors of Joint Stock Company "The State Export-Import Bank of Ukraine"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (together referred to as "the Bank"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three- and six-month periods then ended, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young Audit Services LLC

30 August 2019
Kyiv, Ukraine

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONSOLIDATED BALANCE SHEET)****As at 30 June 2019***(thousands of Ukrainian hryvnia)*

	<i>Notes</i>	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Assets			
Cash and cash equivalents	4	19,931,446	18,545,858
Amounts due from credit institutions	7	368,496	569,890
Loans to customers	8	67,018,697	72,496,358
Investment securities:	9		
- at fair value through profit or loss		26,396,019	26,653,561
- at fair value through other comprehensive income		32,255,306	35,789,095
- at amortised cost		25,414	49,855
Tax assets		246,872	161,080
Investment property		1,153,243	1,153,243
Property and equipment		1,631,013	1,646,109
Intangible assets		48,315	54,266
Deferred income tax asset		2,033,021	2,033,021
Non-current assets held for sale		39,614	39,614
Other assets	10	524,694	2,451,523
Total assets		151,672,150	161,643,473
Liabilities			
Amounts due to credit institutions	11	23,729,393	24,405,913
Amounts due to customers	12	85,511,346	82,163,124
Eurobonds issued	13	30,484,407	42,541,905
Subordinated debt		3,391,268	3,584,690
Provision for credit-related commitments	15	51,773	72,625
Other liabilities	10	408,353	423,623
Total liabilities		143,576,540	153,191,880
Equity	14		
Share capital		38,730,042	38,730,042
Revaluation reserves		(1,281,188)	(816,406)
Result from transactions with the shareholder		635,104	635,104
Accumulated deficit		(30,151,274)	(30,260,073)
Reserve and other funds		162,926	162,926
Total equity		8,095,610	8,451,593
Total equity and liabilities		151,672,150	161,643,473

Authorised for release and signed.

30 August 2019

Chairman of the Board

O.V. Hrytsenko**Chief Accountant**

N.A. Potemskaya

V.M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS (CONSOLIDATED INCOME STATEMENT)

For the six months ended 30 June 2019

(thousands of Ukrainian hryvnia)

Notes	2019		2018	
	For the three months ended 30 June	For the six months ended 30 June	For the three months ended 30 June	For the six months ended 30 June
	(unaudited)			
Interest income				
Interest income calculated using effective interest rate				
- loans to customers	2,117,186	4,146,279	1,818,955	3,501,526
- investment securities at fair value through other comprehensive income	698,843	1,329,270	725,396	1,513,153
- investment securities at amortised cost	1,096	2,431	3,161	6,489
- amounts due from credit institutions	66,411	162,316	30,564	94,064
Other interest income				
- investment securities at fair value through profit or loss	305,735	608,105	305,735	608,112
	3,189,271	6,248,401	2,883,811	5,723,344
Interest expense				
Amounts due to customers	(1,219,189)	(2,403,239)	(912,178)	(1,847,062)
Eurobonds issued	(874,937)	(1,937,639)	(1,033,249)	(1,977,795)
Amounts due to credit institutions	(363,276)	(737,262)	(331,642)	(627,914)
Subordinated debt	(81,902)	(164,058)	(74,417)	(148,943)
Other interest expenses	(860)	(860)	-	-
	(2,540,164)	(5,243,058)	(2,351,486)	(4,601,714)
Net interest income	649,107	1,005,343	532,325	1,121,630
Net gains from modification of financial assets measured at amortised cost	(202,643)	(222,924)	(619,620)	(508,077)
(Expenses)/reversal of expenses for expected credit losses on financial assets	6 (453,174)	(656,350)	815,376	560,895
(Expenses)/reversal of expenses for expected credit losses on credit-related commitments	6 (1,660)	18,866	(20,632)	(28,650)
Commission income	271,963	530,632	235,757	466,742
Commission expense	(109,584)	(211,364)	(84,109)	(167,758)
Net losses on investment securities at fair value through profit or loss	(294,802)	(254,168)	(441,328)	(2,046,242)
Net gains/(losses) on investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption	453	175	(474)	(42,104)
Net gains from foreign currencies				
- dealing	122,378	250,576	118,458	156,561
- translation differences	1,052,248	1,460,463	370,849	2,060,088
Net gains from precious metals				
- dealing	86	89	66	192
- revaluation	428	881	(324)	(828)
Other income	31,178	56,131	25,629	51,811
Personnel expenses	16 (377,176)	(685,103)	(323,019)	(590,464)
Depreciation and amortisation	(30,331)	(56,941)	(23,663)	(49,054)
Other operating expenses	16 (185,435)	(367,021)	(164,133)	(335,942)
Profit before tax	473,036	869,285	421,158	648,800
Income tax expense	(17)	(35)	(1)	(4)
Profit for the period	473,019	869,250	421,157	648,796

Authorised for release and signed.

30 August 2019

Chairman of the Board

O.V. Hrytsenko

Chief Accountant

N.A. Potemka

V.M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2019***(thousands of Ukrainian hryvnia)*

	<i>2019</i>		<i>2018</i>	
	<i>For the three months ended 30 June</i>	<i>For the six months ended 30 June</i>	<i>For the three months ended 30 June</i>	<i>For the six months ended 30 June</i>
	<i>(unaudited)</i>			
Profit for the period	473,019	869,250	421,157	648,796
Other comprehensive (loss)/income				
Other comprehensive (loss)/income to be reclassified to the consolidated statement of profit and loss (the consolidated income statement) in subsequent periods				
Net (losses)/gains on investment securities at fair value through other comprehensive income	(339,935)	(458,163)	60,797	(720,540)
Income tax related to components of other comprehensive income	—	—	—	—
Other comprehensive (loss)/income for the period	(339,935)	(458,163)	60,797	(720,540)
Total comprehensive income/(loss) for the period	133,084	411,087	481,954	(71,744)

Authorised for release and signed.

30 August 2019

Chairman of the Board
O.V. Hrytsenko**Chief Accountant**
N.A. Potemskaya

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONSOLIDATED STATEMENT OF EQUITY)****For the six months ended 30 June 2019***(thousands of Ukrainian hryvnia)*

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Result from transactions with the shareholder</i>	<i>Accumulated deficit</i>	<i>Reserve and other funds</i>	<i>Total equity</i>
At 1 January 2018	38,730,042	211,783	635,104	(30,490,129)	162,926	9,249,726
Profit for the year	–	–	–	648,796	–	648,796
Other comprehensive loss for the period	–	(720,540)	–	–	–	(720,540)
Total comprehensive loss for the period	–	(720,540)	–	648,796	–	(71,744)
Depreciation of revaluation reserve, net of tax	–	(6,636)	–	6,636	–	–
Profit distributed for payment of dividends (Note 14)	–	–	–	(588,033)	–	(588,033)
At 30 June 2018 (unaudited)	38,730,042	(515,393)	635,104	(30,422,730)	162,926	8,589,949
At 31 December 2018	38,730,042	(816,406)	635,104	(30,260,073)	162,926	8,451,593
Profit for the year	–	–	–	869,250	–	869,250
Other comprehensive loss for the period (Note 14)	–	(458,163)	–	–	–	(458,163)
Total comprehensive income for the period	–	(458,163)	–	869,250	–	411,087
Depreciation of revaluation reserve, net of tax (Note 14)	–	(6,619)	–	6,619	–	–
Profit distributed for payment of dividends	–	–	–	(767,070)	–	(767,070)
At 30 June 2019 (unaudited)	38,730,042	(1,281,188)	635,104	(30,151,274)	162,926	8,095,610

Authorised for release and signed.

30 August 2019

Chairman of the Board
O.V. Hrytsenko**Chief Accountant**
N.A. Potemskaya

V.M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)**For the six months ended 30 June 2019***(thousands of Ukrainian hryvnia)*

	<i>Notes</i>	<i>For the period ended 30 June</i>	
		<i>2019</i>	<i>2018</i>
		<i>(unaudited)</i>	
Cash flows from operating activities			
Interest received		5,176,473	5,295,259
Interest paid		(4,881,792)	(4,296,283)
Commissions received		563,793	427,874
Commissions paid		(211,364)	(167,498)
Result from dealing in foreign currencies and precious metals		250,665	156,753
Personnel expenses		(724,492)	(638,612)
Other operating income received		55,749	50,159
Other operating and administrative expenses paid		(351,403)	(316,672)
Cash flow from operating activities before changes in operating assets and liabilities		(122,371)	510,980
<i>Net (increase)/decrease in operating assets:</i>			
Amounts due from credit institutions		(126,184)	50,252
Loans to customers		4,245,393	(987,939)
Other assets		344,787	(3,737,980)
<i>Net increase / (decrease) in operating liabilities</i>			
Amounts due to credit institutions		(446,274)	(171,806)
Amounts due to the National Bank of Ukraine		—	(2,424)
Amounts due to customers		6,330,815	(1,809,096)
Other liabilities		(291,246)	85,176
Net cash flows from operating activities before income tax		9,934,920	(6,062,837)
Income tax paid in advance		(138,117)	(105,879)
Net cash flows from operating activities		9,796,803	(6,168,716)
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		9,408,765	24,714,039
Purchase of investment securities		(7,012,638)	(20,436,037)
Dividends received		394	560
Purchases of property, equipment and intangible assets		(24,870)	(27,044)
Net cash flows from investing activities		2,371,651	4,251,518
Cash flows from financing activities			
Part of profit allocated for payment of dividends		(767,070)	(588,033)
Lease payments	5	(2,375)	—
Proceeds from Eurobonds issued	5	—	4,020,167
Repayment of Eurobonds issued	5	(10,177,147)	—
Proceeds from borrowings from credit institutions	5	3,156,265	1,352,797
Repayment of borrowings from credit institutions	5	(2,249,447)	(2,308,077)
Net cash flows from financing activities		(10,039,774)	2,476,854
Effect of exchange rates changes on cash and cash equivalents		(738,109)	(762,736)
Effect of expected credit losses on cash and cash equivalents		(4,983)	(2,727)
Net change in cash and cash equivalents		1,385,588	(205,807)
Cash and cash equivalents, 1 January		18,545,858	19,866,217
Cash and cash equivalents, 30 June	4	19,931,446	19,660,410

Authorised for release and signed.

30 August 2019

Chairman of the Board**O.V. Hrytsenko****Chief Accountant****N.A. Potemsky**

V.M. Medko 247-89-16

(thousands of Ukrainian hryvnia, unless otherwise stated)

1. Principal activities

Joint Stock Company “The State Export-Import Bank of Ukraine” (hereinafter – “UkrEximBank”) was founded in 1992. UkrEximBank operates under banking licence No. 2 dated 5 October 2011.

As at 30 June 2019 and 31 December 2018, 100% of UkrEximBank’s shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

UkrEximBank’s head office is located in Kyiv at 127 Antonovycha Str. It has 22 branches and 39 operating outlets (31 December 2018: 22 branches and 39 operating outlets) and two representative offices located in London and New-York. UkrEximBank and its branches form a single legal entity.

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

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

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

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

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

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

2. Basis of preparation and summary of accounting policies

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”).

These interim condensed consolidated financial statements do not include all information and data subject to disclosure in the annual financial statements and should be read in conjunction with the Bank’s annual consolidated financial statements as at 31 December 2018, which have been prepared in accordance with IFRS.

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

Operating environment

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

Further growth of the Ukrainian economy depends on foreign market conditions, coordinated policy and decisions of the President, Government, NBU and Verkhovna Rada regarding the necessary social and economic reforms, maintaining the social and political stability, cooperation with international financial organizations and the progress in the east of the country.

The increase in exports of goods and services in the first six months of 2019 was furthered by a record grain harvest in 2018 and the ongoing upward trend in prices for the key goods exported by Ukraine regardless of the correction of certain commodity market prices, in particular, prices for ferrous metallurgy products. Retention of high investment and consumer demand has resulted in the retention of high imports of goods and services.

The deficit of foreign trade and significant payments on foreign borrowings were compensated by proceeds of currency on the financial account, including foreign capital investments in the State bonds and private transfers from abroad. Also, in June, the Ministry of Finance entered the foreign borrowing market with the placement of seven-year External government bonds totaling EUR 1 billion with a coupon rate of 6.75% per annum. All this contributed to maintaining the foreign exchange rate stability and an acceptable level of international reserves in Ukraine. As at 30 June of 2019, the official UAH/USD exchange rate was UAH 26.17 to 1 US Dollar (31 December 2018: UAH 27.69 to 1 US Dollar). According to the NBU, as at 1 July 2019, the international reserves amounted to USD 20.6 billion (USD 20.8 billion as at 31 December 2018).

The domestic demand growth supported by further increase in salary and in amounts of consumer lending, and international trade enhancement facilitated an upward development of most economic activities and overall recovery of the Ukrainian economy (GDP growth reported during 14 consecutive quarters). Real GDP growth slowed down to 2.5% in Q1. At the same time, the industrial production in Ukraine grew by 0.5%, retail turnover grew by 10.3%, scope of completed construction works grew by 21.2%.

Due to continuous growth of administratively regulated prices and tariffs and of prices for food products and services, the inflationary rate remained relatively high. According to the State Statistics Service, consumer inflation was 3.6% in January-June of the current year (until December 2018). At the end of April, the National Bank of Ukraine lowered its discount rate by 0.5 pp. to 17.5%.

Continuous growth in overdue loans with imperfect protection of creditors' rights and respective high credit risks caused low lending activity of banks in Ukraine. The liquidity surplus available within the banking system was mostly invested in government securities.

Possible escalation of the political situation during the parliamentary election campaign in Ukraine, deterioration of foreign trade and macroeconomic situation overall given the necessity of making significant payments on the external borrowing may negatively affect the financial position and operations of the Bank. Upon receipt of such information, the Bank promptly revises its estimates of future cash flows and implements necessary measures to sustain the Bank's business.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2018, except for the adoption of the new Standards below effective as at 1 January 2019. The nature and the effect of these changes are disclosed below. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

Changes in accounting policies (continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, became effective for annual periods beginning on or after 1 January 2019.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Bank applied IFRS 16 for the first time using a modified retrospective method of adoption without any effect of IFRS 16 initial application on the Bank’s retained earnings/losses. The Bank applies the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Bank elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The adoption of IFRS 16 did not impact the Bank’s financial position and the results of the Bank’s operations.

The effect of application of IFRS 16 as at 1 January 2019 is as follows:

	<i>31 December 2018</i>	<i>Effect of transition to IFRS 16</i>	<i>1 January 2019 taking into consideration the transition to IFRS 16</i>
Property and equipment			
Property and equipment	1,646,109	–	1,646,109
Right-of-use assets	–	11,316	11,316
Total property and equipment	1,646,109	11,316	1,657,425
Other assets			
Other assets	2,451,523	(498)	2,451,025
Total other assets	2,451,523	(498)	2,451,025
Other liabilities			
Other liabilities	423,623	–	423,623
Lease liabilities	–	10,818	10,818
Total other liabilities	423,623	10,818	434,441

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

Changes in accounting policies (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018	34,652
Weighted average incremental borrowing rate as at 1 January 2019	19%
Commitments relating to short-term leases and leases of low-value assets	(22,296)
Payments in optional extension periods not recognised as at 31 December 2018	1,763
Effect of discounting at 1 January 2019	(3,301)
Lease liabilities as at 1 January 2019	10,818

(a) Nature of the effect of adoption of IFRS 16

The Bank has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Bank classified each of its leases (as a lessee) at the lease commencement date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to the ownership of the leased asset to the Bank; otherwise, it was classified as an operating lease. Finance leases were capitalised at the lease commencement date at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest amounts and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Other liabilities, respectively.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

Leases previously classified as finance leases

As at the date of transition to IFRS 16, the Bank had no existing leases previously classified as finance leases.

Leases previously classified as operating leases

The Bank recognised right-of-use assets and lease liabilities for the leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, as adjusted for the lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments discounted using the interest rate specified in the lease contract. The Bank uses the incremental borrowing rate if the rate in the lease contract is not determinable.

The Bank also applied the available practical expedients wherein it:

- ▶ Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ▶ Applied the short-term lease exemptions to the leases with the lease term that ends within 12 months of the date of initial application;
- ▶ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- ▶ Used hindsight in determining the lease term where the contract contained options to extend the lease with the term of 12 months or less.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

Changes in accounting policies (continued)

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Bank upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period, in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the lease commencement date, the amount of lease liabilities is increased to reflect the accrual of interest and reduced to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Bank does not recognise a contract to be a lease contract in case of short-term leases and leases of low-value underlying assets and accounts for no right-of-use assets and lease liabilities. Under such contracts, lease payments are recognised as expense on a straight-line basis over the lease term specified by the contract.

A short-term lease is the lease, which as at the lease commencement date according to the lease contract has the lease term of 12 months or less, and this lease contract includes no automatic lease extension conditions, and the bank does not intend to extend the lease term specified by the contract, nor it intends to acquire the underlying asset. A low value of the underlying asset is the value, which is less than the UAH equivalent of USD 5,000.00 at NBU's official UAH/foreign currency exchange rate as at the date of completion of the appropriate lease contract.

Significant judgement in determining the lease term of contracts with extension options

The Bank determines the lease term following the lease term specified in the completed contract as at the date of its completion.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

Changes in accounting policies (continued)

If following the lease contract the lease term is 12 months or less as at the lease commencement date, the automatic lease extension conditions being included, and the bank intends to extend the lease term, then the lease term under such contract is determined as the term specified by the contract and increased for the extension term.

Amounts recognised in the consolidated statement of financial position and consolidated statement of profit and loss

Set out below are the carrying amounts of the Bank's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right-of-use assets</i>	
	<i>Buildings/premises</i>	<i>Lease liabilities</i>
At 1 January 2019	11,316	10,818
Additions	247	223
Depreciation	(2,909)	–
Interest expense	–	860
Payments	–	(3,192)
At 30 June 2019	8,654	8,709

The Bank recognised UAH 6,989 thousand of rent expense on short-term leases and leases of low-value assets for the six months ended 30 June 2019.

Other standards

The below new or amended standards and interpretations had no impact on the Bank's interim condensed consolidated financial statements:

- ▶ IAS 12 *Income taxes*;
- ▶ IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- ▶ Amendments to IFRS 9 *Prepayment Features with Negative Compensation*.

3. Segment information

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

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

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

Unallocated amounts include:

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

3. Segment information (continued)

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

During the six months ended 30 June 2019 the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely: UAH 1,810,038 thousand (30 June 2018: UAH 1,994,855 thousand). Revenue from transactions with this external customer is reflected in the segment “Interbank and investments business”.

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

The following table presents income and expenses, profit and loss, as well as specific assets and liabilities of the Bank’s operating segments for the six months ended 30 June 2019 (unaudited):

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	243,123	3,905,587	2,099,691	—	6,248,401
Commission income	263,758	253,719	13,155	—	530,632
Other income	17,084	34,872	7	4,168	56,131
Net gains from modification of financial assets measured at amortised cost	2,328	—	—	—	2,328
Reversal of expenses for expected credit losses on financial assets	—	—	1,520	18	1,538
Reversal of expenses for expected credit losses on credit-related commitments	2,098	16,863	—	—	18,961
Net losses on investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption	—	—	—	175	175
Net gains from foreign currencies	49,531	95,401	105,276	1,460,831	1,711,039
Net gains from precious metals	104	—	69	797	970
Income from other segments	1,557,488	1,625,361	2,966,122	(6,148,971)	—
Total income	2,135,514	5,931,803	5,185,840	(4,682,982)	8,570,175
Interest expense	(1,138,321)	(1,266,825)	(2,837,912)	—	(5,243,058)
Commission expense	(110,850)	(90,618)	(9,722)	(174)	(211,364)
Net losses on modification of financial assets measured at amortised cost	—	(225,252)	—	—	(225,252)
Expenses for expected credit losses on financial assets	(10,143)	(647,745)	—	—	(657,888)
Expenses for expected credit losses on credit-related commitments	—	—	(95)	—	(95)
Net losses on investment securities at fair value through profit or loss	—	—	—	(254,168)	(254,168)
Personnel expenses	(314,717)	(218,029)	(45,286)	(107,071)	(685,103)
Depreciation and amortisation	(32,500)	(18,097)	(1,910)	(4,434)	(56,941)
Other operating expenses	(233,935)	(70,180)	(12,580)	(50,326)	(367,021)
Expenses from other segments	(205,450)	(3,251,516)	(1,861,994)	5,318,960	—
Segment results	89,598	143,541	416,341	219,805	869,285
Income tax expense					(35)
Profit for the year					869,250
Assets and liabilities as at 30 June 2019					
Segment assets	5,512,316	66,402,094	77,275,391		149,189,801
Unallocated assets				2,482,349	2,482,349
Total assets					151,672,150
Segment liabilities	36,972,248	48,796,726	57,400,988		143,169,962
Unallocated liabilities				406,578	406,578
Total liabilities					143,576,540
Other segment information					
Capital expenditure	(21,214)	(7,872)	(1,000)	(2,316)	(32,402)

(thousands of Ukrainian hryvnia, unless otherwise stated)

3. Segment information (continued)

The following table presents income and expenses as well as profit and loss for the six months ended 30 June 2018 (unaudited), and specific assets and liabilities of the Bank's operating segments as at 31 December 2018:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	204,059	3,303,961	2,215,324	–	5,723,344
Commission income	254,321	200,225	12,196	–	466,742
Other income	14,521	28,237	1,580	7,473	51,811
Reversal of expenses for expected credit losses on financial assets	–	616,681	26,419	–	643,100
Reversal of expenses for expected credit losses on credit-related commitments	12,648	–	–	–	12,648
Net gains from foreign currencies	58,915	84,457	16,070	2,057,207	2,216,649
Net gains from precious metals	293	1	–	–	294
Income from other segments	1,219,835	1,339,254	2,906,466	(5,465,555)	–
Total income	1,764,592	5,572,816	5,178,055	(3,400,875)	9,114,588
Interest expense	(829,551)	(1,018,710)	(2,753,453)	–	(4,601,714)
Commission expense	(95,267)	(70,726)	(1,681)	(84)	(167,758)
Net losses on modification of financial assets measured at amortised cost	(997)	(507,080)	–	–	(508,077)
Expenses for expected credit losses on financial assets	(78,491)	–	–	(3,714)	(82,205)
Expenses for expected credit losses on credit-related commitments	–	(36,417)	(4,881)	–	(41,298)
Net losses on investment securities at fair value through profit or loss	–	–	–	(2,046,242)	(2,046,242)
Net losses on investment securities at fair value through other comprehensive income reclassified from other comprehensive income at redemption	–	–	–	(42,104)	(42,104)
Net losses from precious metals	–	–	(900)	(30)	(930)
Personnel expenses	(275,051)	(191,058)	(43,419)	(80,936)	(590,464)
Depreciation and amortisation	(28,583)	(14,498)	(1,961)	(4,012)	(49,054)
Other operating expenses	(220,095)	(69,853)	(14,239)	(31,755)	(335,942)
Expenses from other segments	(169,124)	(2,668,870)	(1,878,857)	4,716,851	–
Segment results	67,433	995,604	478,664	(892,901)	648,800
Income tax expense					(4)
Profit for the period					648,796
Assets and liabilities as at 31 December 2018					
Segment assets	5,326,389	73,785,888	80,141,547		159,253,824
Unallocated assets				2,389,649	2,389,649
Total assets					161,643,473
Segment liabilities	36,498,494	46,129,782	70,354,835		152,983,111
Unallocated liabilities				208,769	208,769
Total liabilities					153,191,880
Other segment information					
Capital expenditure	(19,879)	(10,044)	(1,359)	(2,780)	(34,062)

(thousands of Ukrainian hryvnia, unless otherwise stated)

3. Segment information (continued)

Geographical information

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

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Current accounts with other credit institutions	9,562,749	8,792,208
Current account with the National Bank of Ukraine	5,832,857	2,952,279
Term deposits with other credit institutions up to 90 days	2,649,968	3,906,258
Cash on hand	1,459,450	1,159,416
Deposits certificates of the National Bank of Ukraine up to 90 days	400,765	–
Overnight deposits with other credit institutions	35,981	1,741,038
	19,941,770	18,551,199
Less: allowance for expected credit losses	(10,324)	(5,341)
Cash and cash equivalents	19,931,446	18,545,858

5. Changes in liabilities in financial activities

Changes in liabilities in financial activities were as follows:

	<i>Borrowings from credit institutions</i>	<i>Eurobonds issued</i>	<i>Subordinated debt</i>	<i>Lease liabilities</i>	<i>Total</i>
Carrying amount at 31 December 2018	22,706,497	42,541,905	3,584,690	–	68,833,092
Effect of IFRS 16 implementation	–	–	–	10,818	10,818
Additions	3,156,265	–	–	223	3,156,488
Repayments	(2,249,447)	(10,177,147)	–	(2,375)	(12,428,969)
Translation differences	(1,243,625)	(1,924,388)	(197,032)	–	(3,365,045)
Other	112,315	44,037	3,610	43	160,005
Carrying amount At 30 June 2019 (unaudited)	22,482,005	30,484,407	3,391,268	8,709	56,366,389

	<i>Borrowings from credit institutions</i>	<i>Eurobonds issued</i>	<i>Subordinated debt</i>	<i>Total</i>
Carrying amount at 31 December 2017	21,371,452	38,821,831	3,615,792	63,809,075
Additions	1,352,797	4,020,167	–	5,372,964
Repayments	(2,308,077)	–	–	(2,308,077)
Translation differences	(1,468,909)	(2,554,224)	(239,758)	(4,262,891)
Other	100,914	184,771	5,680	291,365
Carrying amount as at 30 June 2018 (unaudited)	19,048,177	40,472,545	3,381,714	62,902,436

(thousands of Ukrainian hryvnia, unless otherwise stated)

5. Changes in liabilities in financial activities (continued)

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

6. Expenses for expected credit losses

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
For the three months ended 30 June 2019							
Cash and cash equivalents	6,026	—	—	—	—	—	6,026
Amounts due from credit institutions	(3,110)	—	—	—	—	—	(3,110)
Loans to customers	(166,264)	147,245	(20,944)	393,647	(10,651)	106,776	449,809
Investment securities at fair value through other comprehensive income	(770)	—	—	—	—	—	(770)
Other financial assets	1,219	—	—	—	—	—	1,219
	(162,899)	147,245	(20,944)	393,647	(10,651)	106,776	453,174
For the six months ended 30 June 2019							
Cash and cash equivalents	5,278	—	—	—	—	—	5,278
Amounts due from credit institutions	(7,195)	—	—	—	—	—	(7,195)
Loans to customers	(187,517)	89,951	(19,329)	649,866	15,489	106,776	655,236
Investment securities at fair value through other comprehensive income	(1,046)	—	—	—	—	—	(1,046)
Other financial assets	4,077	—	—	—	—	—	4,077
	(186,403)	89,951	(19,329)	649,866	15,489	106,776	656,350

(thousands of Ukrainian hryvnia, unless otherwise stated)

6. Expenses for expected credit losses (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
For the three months ended 30 June 2018						
Cash and cash equivalents	2,727	—	—	—	—	2,727
Amounts due from credit institutions	(9,616)	—	—	—	(504)	(10,120)
Loans to customers	122,942	(100,306)	14,474	(1,078,839)	239,910	(801,819)
Investment securities at fair value through other comprehensive income	60	—	—	—	—	60
Other financial assets	(6,224)	—	—	—	—	(6,224)
	109,889	(100,306)	14,474	(1,078,839)	239,406	(815,376)
For the six months ended 30 June 2018						
Cash and cash equivalents	2,728	—	—	—	—	2,728
Amounts due from credit institutions	(15,752)	—	—	—	(1,228)	(16,980)
Loans to customers	141,179	(100,846)	31,814	(721,027)	113,395	(535,485)
Investment securities at fair value through other comprehensive income	(278)	—	—	—	—	(278)
Other financial assets	(10,880)	—	—	—	—	(10,880)
	116,997	(100,846)	31,814	(721,027)	112,167	(560,895)

The following tables present the expenses/reversal of expenses for expected credit losses on credit-related commitments recognised in profit or loss (unaudited).

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
For the three months ended 30 June 2019						
Guarantees	(481)	—	10	—	—	(471)
Credit-related commitments	14,132	(8,182)	(64)	(1,450)	(2,052)	2,384
Letters of credit	(257)	—	—	—	—	(257)
Avals on promissory notes	4	—	—	—	—	4
	13,398	(8,182)	(54)	(1,450)	(2,052)	1,660
For the six months ended 30 June 2019						
Guarantees	(324)	—	40	—	833	549
Credit-related commitments	(3,812)	(8,182)	(26)	(4,068)	(2,218)	(18,306)
Letters of credit	(1,115)	—	—	—	—	(1,115)
Avals on promissory notes	6	—	—	—	—	6
	(5,245)	(8,182)	14	(4,068)	(1,385)	(18,866)

(thousands of Ukrainian hryvnia, unless otherwise stated)

6. Expenses for expected credit losses (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
For the three months ended 30 June 2018				
Guarantees	(76)	–	–	(76)
Credit-related commitments	7,927	1,112	11,484	20,523
Letters of credit	173	–	–	173
Avals on promissory notes	12	–	–	12
	8,036	1,112	11,484	20,632
For the six months ended 30 June 2018				
Guarantees	740	–	–	740
Credit-related commitments	12,317	910	11,435	24,662
Letters of credit	3,232	–	–	3,232
Avals on promissory notes	16	–	–	16
	16,305	910	11,435	28,650

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Loans and deposits		
Ukrainian banks	806,008	811,659
OECD banks	191,824	202,981
CIS and other banks	23,972	58,732
	1,021,804	1,073,372
Amounts due from other credit institutions		
Current accounts with other credit institutions in precious metals	9,851	131,701
Other amounts due from credit institutions	172,434	210,689
	1,204,089	1,415,762
Less: Allowance for impairment	(835,593)	(845,872)
Amounts due from credit institutions	368,496	569,890

As at 30 June 2019, amounts due from credit institutions are designated at amortised cost (31 December 2018: at amortised cost), except for current accounts in precious metals in the amount of UAH 9,851 thousand (31 December 2018: UAH 131,701 thousand) at fair value through profit or loss (31 December 2018: at fair value through profit or loss).

(thousands of Ukrainian hryvnia, unless otherwise stated)

7. Amounts due from credit institutions (continued)

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

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	585,521	830,241	1,415,762
New assets originated or purchased	90,242	–	90,242
Assets derecognized/(repaid)	(223,717)	–	(223,717)
Change in carrying amount	(123,163)		(123,163)
Translation differences	(3,014)	(747)	(3,761)
Gross carrying amount at 31 March 2019 (unaudited)	325,869	829,494	1,155,363
New assets originated or purchased	39,925	–	39,925
Assets derecognized/(repaid)	(2,636)	–	(2,636)
Change in carrying amount	58,065	(1)	58,064
Reclassified to cash and cash equivalents	(32,559)	–	(32,559)
Translation differences	(12,243)	(1,825)	(14,068)
Gross carrying amount at 30 June 2019 (unaudited)	376,421	827,668	1,204,089
	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Gross carrying amount at 1 January 2018	618,137	968,135	1,586,272
New assets originated or purchased	82,717	–	82,717
Assets derecognized/(repaid)	(38,494)	(18)	(38,512)
Change in carrying amount	76,651	(723)	75,928
Translation differences	(31,803)	(2,569)	(34,372)
Gross carrying amount at 31 March 2018 (unaudited)	707,208	964,825	1,672,033
Assets derecognized/(repaid)	(74,116)	(504)	(74,620)
Reclassified to cash and cash equivalents	(77,637)	–	(77,637)
Translation differences	(22,542)	(611)	(23,153)
Gross carrying amount at 30 June 2018 (unaudited)	532,913	963,710	1,496,623
	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Allowance at 1 January 2019	15,631	830,241	845,872
New assets originated or purchased	2,642	–	2,642
Assets derecognized/(repaid)	(6,711)	–	(6,711)
Modifications in allowance	(16)	–	(16)
Translation differences	(153)	(747)	(900)
Allowance at 31 March 2019 (unaudited)	11,393	829,494	840,887
New assets originated or purchased	1,198	–	1,198
Assets derecognized/(repaid)	(47)	–	(47)
Modifications in allowance	(3,821)	–	(3,821)
Reclassified to cash and cash equivalents	(440)	–	(440)
Translation differences	(358)	(1,826)	(2,184)
Allowance at 30 June 2019 (unaudited)	7,925	827,668	835,593

(thousands of Ukrainian hryvnia, unless otherwise stated)

7. Amounts due from credit institutions (continued)

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Allowance at 1 January 2018	36,933	884,731	921,664
New assets originated or purchased	4,651	–	4,651
Assets derecognized/(repaid)	(6,952)	–	(6,952)
Modifications in allowance	(3,835)	(724)	(4,559)
Translation differences	(1,576)	(2,567)	(4,143)
Allowance at 31 March 2018 (unaudited)	29,221	881,440	910,661
Assets derecognized/(repaid)	(5,110)	(504)	(5,614)
Reclassified to cash and cash equivalents	(4,506)	–	(4,506)
Translation differences	(473)	(611)	(1,084)
Allowance at 30 June 2018 (unaudited)	19,132	880,325	899,457

8. Loans to customers

Loans to customers comprise:

	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Commercial loans	127,260,967	134,331,150
Finance lease receivables	2,606,904	1,360,897
Overdrafts	1,102,319	1,457,972
Promissory notes	73,399	74,717
	131,043,589	137,224,736
Less: Allowance for impairment	(64,024,892)	(64,728,378)
Loans to customers	67,018,697	72,496,358

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

	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Legal entities	102,017,473	103,567,422
State entities	26,940,705	31,594,636
Individuals	1,946,297	1,973,096
Municipal and utility entities	139,114	89,582
	131,043,589	137,224,736

(thousands of Ukrainian hryvnia, unless otherwise stated)

8. Loans to customers (continued)

Commercial loans

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	51,764,581	2,371,484	568,180	71,369,112	6,549,919	1,707,874	134,331,150
New assets originated or purchased	2,537,850	—	—	—	—	—	2,537,850
Assets derecognized/(repaid)	(650,886)	—	(6,527)	(9,624)	(11,556)	—	(678,593)
Transfer to Stage 1	1,219	—	(1,197)	—	(22)	—	—
Transfer to Stage 2	(180,772)	276,336	180,772	(276,336)	—	—	—
Transfer to Stage 3	(81,395)	—	(55,633)	80,935	56,093	—	—
Change in carrying amount	(4,909,075)	(36,684)	(21,033)	838,982	80,503	(23,254)	(4,070,561)
Translation differences	(830,111)	(33,178)	(10,390)	(1,061,680)	(63,092)	(23,535)	(2,021,986)
Gross carrying amount at 31 March 2019 (unaudited)	47,651,411	2,577,958	654,172	70,941,389	6,611,845	1,661,085	130,097,860
New assets originated or purchased	2,673,078	—	—	—	—	—	2,673,078
Assets derecognized/(repaid)	(571,307)	(10)	(4,229)	(127,533)	(33,937)	—	(737,016)
Transfer to Stage 1	39,442	—	(39,393)	—	(49)	—	—
Transfer to Stage 2	(1,087,051)	1,057,341	29,710	—	—	—	—
Transfer to Stage 3	(190,089)	—	(18,103)	189,727	18,465	—	—
Change in carrying amount	(1,653,723)	(85,949)	(34,070)	583,103	69,893	(34,692)	(1,155,438)
Translation differences	(1,361,604)	(85,426)	(17,199)	(1,981,628)	(129,355)	(42,305)	(3,617,517)
Gross carrying amount at 30 June 2019 (unaudited)	45,500,157	3,463,914	570,888	69,605,058	6,536,862	1,584,088	127,260,967

(thousands of Ukrainian hryvnia, unless otherwise stated)

8. Loans to customers (continued)

Commercial loans (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
Gross carrying amount at 1 January 2018	46,505,346	–	503,037	74,212,985	6,846,200	–	128,067,568
New assets originated or purchased	2,607,024	–	–	–	–	–	2,607,024
Assets derecognized/(repaid)	(1,423,612)	–	(77,398)	(3,626)	(87,115)	–	(1,591,751)
Transfer to Stage 1	3,535	–	(1,256)	–	(2,279)	–	–
Transfer to Stage 2	(446,671)	372,035	74,636	–	–	–	–
Transfer to Stage 3	(4,682)	–	(13,854)	–	18,536	–	–
Change in carrying amount	(779,856)	1,145	(24,589)	1,186,260	814	–	383,774
Translation differences	(1,815,876)	–	(13,059)	(2,835,520)	(185,436)	–	(4,849,891)
Gross carrying amount at 31 March 2018 (unaudited)	44,645,208	373,180	447,517	72,560,099	6,590,720	–	124,616,724
New assets originated or purchased	4,181,586	–	–	–	–	362,328	4,543,914
Assets derecognized/(repaid)	(847,061)	–	(52,768)	(1,535,768)	(1,854)	–	(2,437,451)
Transfer to Stage 1	423,248	(373,180)	(49,799)	–	(269)	–	–
Transfer to Stage 2	(1,343,942)	1,877,230	129,662	(662,950)	–	–	–
Transfer to Stage 3	(89,169)	–	(57,560)	444	146,285	–	–
Change in carrying amount	(847,452)	(58,380)	(9,654)	442,728	73,795	–	(398,963)
Translation differences	(750,549)	(12,416)	(7,763)	(1,262,458)	(64,275)	–	(2,097,461)
Gross carrying amount at 30 June 2018 (unaudited)	45,371,869	1,806,434	399,635	69,542,095	6,744,402	362,328	124,226,763

(thousands of Ukrainian hryvnia, unless otherwise stated)

8. Loans to customers (continued)

Commercial loans (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2019	999,187	198,347	91,661	57,110,096	6,258,715	–	64,658,006
New assets originated or purchased	59,111	–	–	–	–	–	59,111
Assets derecognized/(repaid)	(9,909)	–	(952)	(505)	(7,970)	–	(19,336)
Transfer to Stage 1	98	–	(77)	–	(21)	–	–
Transfer to Stage 2	(5,993)	21,180	5,993	(21,180)	–	–	–
Transfer to Stage 3	(4,055)	–	(11,225)	3,968	11,312	–	–
Interest income adjustment	–	–	–	608,640	67,818	–	676,458
Recoveries	–	–	–	30,212	3,374	–	33,586
Changes in allowance	(94,635)	(57,294)	3,080	254,632	34,046	–	139,829
Translation differences	(20,144)	(2,295)	(2,119)	(889,799)	(61,504)	–	(975,861)
Allowance at 31 March 2019 (unaudited)	923,660	159,938	86,361	57,096,064	6,305,770	–	64,571,793
New assets originated or purchased	73,664	–	–	–	–	–	73,664
Assets derecognized/(repaid)	(10,845)	–	(214)	(12,252)	(19,810)	–	(43,121)
Transfer to Stage 1	297	–	(248)	–	(49)	–	–
Transfer to Stage 2	(47,006)	43,519	3,487	–	–	–	–
Transfer to Stage 3	(14,882)	–	(7,109)	14,520	7,471	–	–
Interest income adjustment	–	–	–	566,409	63,382	–	629,791
Recoveries	–	–	–	41,844	4,677	–	46,521
Changes in allowance	(218,321)	147,245	(20,303)	410,858	9,119	106,776	435,374
Translation differences	(24,156)	(4,965)	(2,272)	(1,612,688)	(124,977)	–	(1,769,058)
Allowance at 30 June 2019 (unaudited)	682,411	345,737	59,702	56,504,755	6,245,583	106,776	63,944,964

(thousands of Ukrainian hryvnia, unless otherwise stated)

8. Loans to customers (continued)

Commercial loans (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Allowance at 1 January 2018	1,043,848	–	39,958	58,421,343	6,329,729	65,834,878
New assets originated or purchased	71,103	–	–	–	–	71,103
Assets derecognized/(repaid)	(24,598)	–	(1,158)	(2,217)	(48,403)	(76,376)
Transfer to Stage 1	1,643	–	(11)	–	(1,632)	–
Transfer to Stage 2	(14,037)	11,719	2,318	–	–	–
Transfer to Stage 3	(2,914)	–	(3,789)	–	6,703	–
Interest income adjustment	–	–	–	739,291	81,455	820,746
Recoveries	–	–	–	2,473	272	2,745
Changes in allowance	(34,082)	(540)	18,592	360,029	(78,108)	265,891
Translation differences	(32,620)	–	(1,454)	(2,148,380)	(44,262)	(2,226,716)
Allowance at 31 March 2018 (unaudited)	1,008,343	11,179	54,456	57,372,539	6,245,754	64,692,271
New assets originated or purchased	101,975	–	–	–	–	101,975
Assets derecognized/(repaid)	(21,248)	–	(1,676)	(123,493)	(1,852)	(148,269)
Transfer to Stage 1	12,455	(11,179)	(1,007)	–	(269)	–
Transfer to Stage 2	(170,428)	283,000	1,515	(114,087)	–	–
Transfer to Stage 3	(36,003)	–	(22,211)	186	58,028	–
Transfer to POCI	–	–	–	(972,929)	–	(972,929)
Interest income adjustment	–	–	–	663,090	78,267	741,357
Recoveries	–	–	–	15,983	1,886	17,869
Changes in allowance	29,955	(98,992)	15,518	(955,346)	242,445	(766,420)
Translation differences	(21,029)	(2,175)	(293)	(1,075,493)	(224,050)	(1,323,040)
Allowance at 30 June 2018 (unaudited)	904,020	181,833	46,302	54,810,450	6,400,209	62,342,814

Overdrafts

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	1,384,401	12,278	60,969	324	1,457,972
New assets originated or purchased	242,734	–	–	–	242,734
Assets derecognized/(repaid)	(334,405)	(12,524)	–	(2)	(346,931)
Transfer to Stage 2	(25,180)	25,180	–	–	–
Change in carrying amount	(64,092)	(4,035)	(3,182)	88	(71,221)
Translation differences	(1,825)	–	–	–	(1,825)
Gross carrying amount at 31 March 2019 (unaudited)	1,201,633	20,899	57,787	410	1,280,729
New assets originated or purchased	190,204	–	–	–	190,204
Assets derecognized/(repaid)	(254,079)	(14,478)	(58,463)	–	(327,020)
Transfer to Stage 1	541	(541)	–	–	–
Transfer to Stage 2	(6,756)	6,756	–	–	–
Transfer to Stage 3	(676)	–	676	–	–
Change in carrying amount	(36,065)	(1,527)	–	54	(37,538)
Translation differences	(4,056)	–	–	–	(4,056)
Gross carrying amount at 30 June 2019 (unaudited)	1,090,746	11,109	–	464	1,102,319

(thousands of Ukrainian hryvnia, unless otherwise stated)

8. Loans to customers (continued)

Overdrafts (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Gross carrying amount at 1 January 2018 under IFRS 9	708,479	–	1,107	19	709,605
New assets originated or purchased	333,091	–	–	–	333,091
Assets derecognized/(repaid)	(134,502)	–	(1,107)	–	(135,609)
Transfer to Stage 2	(44,999)	39,708	5,291	–	–
Change in carrying amount	63,115	–	(5,280)	(5)	57,830
Gross carrying amount at 31 March 2018 (unaudited)	925,184	39,708	11	14	964,917
New assets originated or purchased	332,716	–	–	–	332,716
Assets derecognized/(repaid)	(145,870)	–	–	–	(145,870)
Transfer to Stage 1	39,708	(39,708)	–	–	–
Transfer to Stage 2	(57,098)	54,704	2,394	–	–
Transfer to Stage 3	(40,213)	–	(11)	40,224	–
Change in carrying amount	19,164	5,015	309	(40,123)	(15,635)
Gross carrying amount at 30 June 2018 (unaudited)	1,073,591	59,719	2,703	115	1,136,128
	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Allowance at 1 January 2019	31,442	458	2,817	249	34,966
New assets originated or purchased	7,418	–	–	–	7,418
Assets derecognized/(repaid)	(8,942)	(1,461)	–	(1)	(10,404)
Transfer to Stage 2	(951)	951	–	–	–
Modifications in allowance	(2,599)	948	2,092	65	506
Translation differences	(74)	–	–	–	(74)
Allowance at 31 March 2019 (unaudited)	26,294	896	4,909	313	32,412
New assets originated or purchased	4,335	–	–	–	4,335
Assets derecognized/(repaid)	(5,724)	(596)	(4,959)	–	(11,279)
Transfer to Stage 1	4	(4)	–	–	–
Transfer to Stage 2	(740)	740	–	–	–
Transfer to Stage 3	(50)	–	50	–	–
Changes in allowanceModifications	(1,073)	169	–	40	(864)
Translation differences	(84)	(1)	–	–	(85)
Allowance at 30 June 2019 (unaudited)	22,962	1,204	–	353	24,519

(thousands of Ukrainian hryvnia, unless otherwise stated)

8. Loans to customers (continued)

Overdrafts (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Allowance at 1 January 2018	23,632	–	68	15	23,715
New assets originated or purchased	9,516	–	–	–	9,516
Assets derecognized/(repaid)	(3,296)	–	(68)	–	(3,364)
Transfer to Stage 2	(1,599)	1,569	30	–	–
Modifications in allowance	627	–	(26)	(4)	597
Allowance at 31 March 2018 (unaudited)	28,880	1,569	4	11	30,464
New assets originated or purchased	9,603	–	–	–	9,603
Assets derecognized/(repaid)	(2,768)	–	–	–	(2,768)
Transfer to Stage 1	1,569	(1,569)	–	–	–
Transfer to Stage 2	(7,917)	7,903	14	–	–
Transfer to Stage 3	(762)	–	(4)	766	–
Changes in allowance	5,347	(1,314)	632	(683)	3,982
Allowance at 30 June 2018 (unaudited)	33,952	6,589	646	94	41,281

Finance lease receivables

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

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	1,356,252	4,645	1,360,897
Change in carrying amount	1,285,378	–	1,285,378
Gross carrying amount at 31 March 2019 (unaudited)	2,641,630	4,645	2,646,275
Change in carrying amount	(39,371)	–	(39,371)
Gross carrying amount at 30 June 2019 (unaudited)	2,602,259	4,645	2,606,904
	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2018 under IFRS 9	62,654	4,645	67,299
New assets originated or purchased	2,291	–	2,291
Assets derecognized/(repaid)	(51,307)	–	(51,307)
Change in carrying amount	(1,278)	–	(1,278)
Gross carrying amount at 31 March 2018 (unaudited)	12,360	4,645	17,005
Assets derecognized/(repaid)	(367)	–	(367)
Change in carrying amount	(1,778)	–	(1,778)
Gross carrying amount at 30 June 2018 (unaudited)	10,215	4,645	14,860

(thousands of Ukrainian hryvnia, unless otherwise stated)

8. Loans to customers (continued)

Finance lease receivables (continued)

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2019	29,798	4,645	34,443
Changes in allowance	28,302	—	28,302
Allowance at 31 March 2019 (unaudited)	58,100	4,645	62,745
Changes in allowance	(8,216)	—	(8,216)
Allowance at 30 June 2019 (unaudited)	49,884	4,645	54,529
	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2018	1,243	4,645	5,888
New assets originated or purchased	14	—	14
Assets derecognized/(repaid)	(938)	—	(938)
Changes in allowance	(76)	—	(76)
Allowance at 31 March 2018 (unaudited)	243	4,645	4,888
Assets derecognized/(repaid)	(2)	—	(2)
Changes in allowance	(215)	—	(215)
Allowance at 30 June 2018 (unaudited)	26	4,645	4,671

Promissory notes

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

	<i>Stage 1 Collective</i>
Gross carrying amount at 1 January 2019	74,717
New assets originated or purchased	77,634
Assets derecognized/(repaid)	(78,709)
Change in carrying amount	2,237
Gross carrying amount at 31 March 2019 (unaudited)	75,879
New assets originated or purchased	35,275
Assets derecognized/(repaid)	(40,797)
Change in carrying amount	3,042
Gross carrying amount at 30 June 2019 (unaudited)	73,399

(thousands of Ukrainian hryvnia, unless otherwise stated)

8. Loans to customers (continued)

Promissory notes (continued)

	<i>Stage 1 Collective</i>
Gross carrying amount at 1 January 2018	52,614
New assets originated or purchased	49,057
Assets derecognized/(repaid)	(45,171)
Change in carrying amount	283
Gross carrying amount at 31 March 2018 (unaudited)	56,783
New assets originated or purchased	46,162
Assets derecognized/(repaid)	(36,572)
Change in carrying amount	810
Gross carrying amount at 30 June 2018 (unaudited)	67,183
	<i>Stage 1 Collective</i>
Allowance at 1 January 2019	963
New assets originated or purchased	966
Assets derecognized/(repaid)	(1,002)
Changes in allowance	37
Allowance at 31 March 2019 (unaudited)	964
New assets originated or purchased	228
Assets derecognized/(repaid)	(267)
Changes in allowance	(45)
Allowance at 30 June 2019 (unaudited)	880
	<i>Stage 1 Collective</i>
Allowance at 1 January 2018	767
New assets originated or purchased	611
Assets derecognized/(repaid)	(646)
Changes in allowance	2
Allowance at 31 March 2018 (unaudited)	734
New assets originated or purchased	595
Assets derecognized/(repaid)	(382)
Changes in allowance	82
Allowance at 30 June 2018 (unaudited)	1,029

Modified loans

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

8. Loans to customers (continued)

Modified loans (continued)

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

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

	<i>For the period ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>(unaudited)</i>	
Loans to customers modified during the period		
Amortised cost before modification	9,994,149	9,717,107
Net modification losses	(222,924)	(508,077)

9. Investment securities

Investment securities at fair value through profit or loss

As at 30 June 2019, investment securities at FVPL with the carrying value of UAH 26,396,019 thousand (31 December 2018: UAH 26,653,561 thousand) are represented by Ukrainian state bonds. The conditions of issue of those securities provide for indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of Hryvnia to US Dollar per month prior to the date of issue and per month prior to the maturity date. Coupon yield is not subject to indexation.

Investment securities at fair value through other comprehensive income

	<i>30 June 2019</i> <i>(unaudited)</i>	<i>31 December 2018</i>
Ukrainian state bonds	30,850,480	34,371,218
Corporate bonds	1,386,929	1,401,274
Corporate shares	17,897	16,603
Investment securities at fair value through other comprehensive income	32,255,306	35,789,095

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

	<i>Stage 1</i> <i>Collective</i>	<i>Stage 3</i> <i>Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	35,794,632	4,218,021	40,012,653
New assets originated or purchased	2,927,059	—	2,927,059
Assets derecognized/(repaid)	(5,693,763)	—	(5,693,763)
Change in carrying amount	(76,569)	—	(76,569)
Translation differences	(322,593)	—	(322,593)
Gross carrying amount at 31 March 2019 (unaudited)	32,628,766	4,218,021	36,846,787
New assets originated or purchased	4,136,519	—	4,136,519
Assets derecognized/(repaid)	(3,693,981)	—	(3,693,981)
Change in carrying amount	(16,324)	—	(16,324)
Translation differences	(795,183)	—	(795,183)
Gross carrying amount at 30 June 2019 (unaudited)	32,259,797	4,218,021	36,477,818

(thousands of Ukrainian hryvnia, unless otherwise stated)

9. Investment securities (continued)

Investment securities at fair value through other comprehensive income (continued)

	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Gross carrying amount at 1 January 2018	48,254,711	4,218,021	52,472,732
New assets originated or purchased	13,614,877	—	13,614,877
Assets derecognized/(repaid)	(15,352,246)	—	(15,352,246)
Change in carrying amount	(564,009)	—	(564,009)
Translation differences	(1,970,886)	—	(1,970,886)
Gross carrying amount at 31 March 2018 (unaudited)	43,982,447	4,218,021	48,200,468
New assets originated or purchased	6,626,580	—	6,626,580
Assets derecognized/(repaid)	(8,984,158)	—	(8,984,158)
Change in carrying amount	(114,103)	—	(114,103)
Translation differences	(524,359)	—	(524,359)
Gross carrying amount at 30 June 2018 (unaudited)	40,986,407	4,218,021	45,204,428
	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2019	5,537	4,218,021	4,223,558
Changes in allowance	(276)	—	(276)
Allowance at 31 March 2019 (unaudited)	5,261	4,218,021	4,223,282
Changes in allowance	(770)	—	(770)
Allowance at 30 June 2019 (unaudited)	4,491	4,218,021	4,222,512
	<i>Stage 1 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2018	7,374	4,218,021	4,225,395
Changes in allowance	(338)	—	(338)
Allowance at 31 March 2018 (unaudited)	7,036	4,218,021	4,225,057
Changes in allowance	60	—	60
Allowance at 30 June 2018 (unaudited)	7,096	4,218,021	4,225,117

Investment securities at amortised cost

	<i>30 June 2019 (unaudited)</i>		<i>31 December 2018</i>	
	<i>Nominal value</i>	<i>Carrying amount</i>	<i>Nominal value</i>	<i>Carrying amount</i>
Ukrainian state bonds	24,541	25,414	49,082	49,855
Investment securities at amortised cost		25,414		49,855

(thousands of Ukrainian hryvnia, unless otherwise stated)

10. Other assets and liabilities

Other assets comprise:

	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Other financial assets		
Other accrued income	334,693	363,981
Transit accounts on operations with payment cards	183,640	169,002
Accounts receivable on operations with customers	60,405	64,987
Accrued service fee on financial guarantees issued	14,728	18,804
Other	115	122
	593,581	616,896
Less: allowance for impairment	(391,044)	(389,595)
Other financial assets	202,537	227,301
Other assets		
Other tax assets, except those related to income tax	151,320	463,496
Advance payments	127,323	1,688,710
Precious metals	74,880	83,634
Cash, which availability is not confirmed	33,203	34,855
Inventories	27,661	32,743
Other	2,425	3,017
	416,812	2,306,455
Less: allowance for impairment	(94,655)	(82,233)
Other assets	322,157	2,224,222
Total other assets	524,694	2,451,523
Other liabilities comprise:		
	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Other financial liabilities		
Transit accounts on operations with payment cards	46,205	29,771
Transit accounts on operations with customers	29,327	31,643
Lease liabilities	8,709	–
Liabilities on financial guarantees issued	8,561	8,756
Accrued expenses	3,635	6,481
Other financial liabilities	96,437	76,651
Other liabilities		
Accrued unused vacations	119,305	111,952
Payables to the Individual Deposit Guarantee Fund	64,574	64,542
Payables on taxes and mandatory contributions, except for income tax	36,933	38,040
Deferred income	29,203	22,627
Accrued salary	25,230	27,329
Payables on the Bank's business activities	12,419	71,727
Deductions from salary	7,880	135
Accrued pension contributions	1,554	1,800
Other	14,818	8,820
Other liabilities	311,916	346,972
Total other liabilities	408,353	423,623

(thousands of Ukrainian hryvnia, unless otherwise stated)

10. Other assets and liabilities (continued)

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

	<i>Stage 1 Collective</i>
Gross carrying amount at 1 January 2019	447,894
New assets originated or purchased	13,545
Assets derecognized/(repaid)	(13,297)
Change in carrying amount	(28,456)
Written-off assets	(121)
Translation differences	(1,066)
Gross carrying amount at 31 March 2019 (unaudited)	418,499
New assets originated or purchased	23,320
Assets derecognized/(repaid)	(31,239)
Change in carrying amount	711
Translation differences	(1,350)
Gross carrying amount at 30 June 2019 (unaudited)	409,941

	<i>Stage 1 Collective</i>
Gross carrying amount at 1 January 2018	553,780
New assets originated or purchased	54,383
Assets derecognized/(repaid)	(7,982)
Change in carrying amount	(1,770)
Translation differences	(1,824)
Gross carrying amount at 31 March 2018 (unaudited)	596,587
New assets originated or purchased	8,930
Assets derecognized/(repaid)	(156,913)
Change in carrying amount	(1,414)
Translation differences	(1,688)
Gross carrying amount at 30 June 2018 (unaudited)	445,502

	<i>Stage 1 Collective</i>
Allowance at 1 January 2019	389,595
New assets originated or purchased	2,156
Assets derecognized/(repaid)	(2,302)
Changes in allowance	3,004
Written-off assets	(121)
Translation differences	(1,056)
Allowance at 31 March 2019 (unaudited)	391,276
New assets originated or purchased	3,776
Assets derecognized/(repaid)	(2,376)
Changes in allowance	(181)
Translation differences	(1,451)
Allowance at 30 June 2019 (unaudited)	391,044

(thousands of Ukrainian hryvnia, unless otherwise stated)

10. Other assets and liabilities (continued)

	<i>Stage 1 Collective</i>
Allowance at 1 January 2018	466,342
New assets originated or purchased	1,517
Assets derecognized/(repaid)	(723)
Changes in allowance	(5,450)
Translation differences	(3,882)
Allowance at 31 March 2018 (unaudited)	457,804
New assets originated or purchased	1,384
Assets derecognized/(repaid)	(6,104)
Transfer to POCI	(109,304)
Changes in allowance	(1,504)
Translation differences	(1,744)
Allowance at 30 June 2018 (unaudited)	340,532

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

Allowance at 1 January 2019	82,233
Charge/(reversal)	8,203
Translation differences	(565)
Allowance at 31 March 2019 (unaudited)	89,871
Charge/(reversal)	5,753
Translation differences	(969)
Allowance at 30 June 2019 (unaudited)	94,655
Allowance at 1 January 2018	73,005
Charge/(reversal)	3,165
Translation differences	678
Allowance at 31 March 2018 (unaudited)	76,848
Charge/(reversal)	(456)
Translation differences	(649)
Allowance at 30 June 2018 (unaudited)	75,743

11. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Current accounts		
Ukrainian banks	1,160,710	1,611,668
CIS and other banks	773	474
	1,161,483	1,612,142
Loans and deposits		
International financial institutions	22,334,488	22,475,335
OECD banks	147,518	231,162
Ukrainian banks	85,904	87,273
	22,567,910	22,793,770
Other amounts due to credit institutions	—	1
Amounts due to credit institutions	23,729,393	24,405,913

(thousands of Ukrainian hryvnia, unless otherwise stated)

11. Amounts due to credit institutions (continued)

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

12. Amounts due to customers

Amounts due to customers comprise:

	<i>30 June 2019</i> <i>(unaudited)</i>	<i>31 December 2018</i>
Current accounts		
- Legal entities	18,726,480	18,106,953
- Budget financed organizations	8,242,343	6,592,570
- Individuals	4,452,234	4,110,000
- Funds under the Bank's management	1	1
	31,421,058	28,809,524
Time deposits		
- Legal entities	30,473,111	31,235,635
- Individuals	22,039,500	22,117,965
- Budget financed organizations	1,577,677	–
	54,090,288	53,353,600
Amounts due to customers	85,511,346	82,163,124
Held as security against letters of credit (Note 15)	1,271,001	1,020,095
Held as security against loans to customers	994,476	1,152,540
Held as security against guarantees and avals (Note 15)	636,110	899,741
Held as security against undrawn loan commitments (Note 15)	4,048	12,800

As at 30 June 2019, amounts due from customers are designated at amortised cost (31 December 2018: at amortised cost), except for attracted deposits and current accounts in gold in the amount of UAH 54,726 thousand (31 December 2018: UAH 66,045 thousand) at fair value through profit or loss (31 December 2018: at fair value through profit or loss).

13. Eurobonds issued

	<i>30 June 2019</i> <i>(unaudited)</i>			<i>31 December 2018</i>		
	<i>Nominal value</i> <i>('000)</i>	<i>Currency</i>	<i>Carrying amount</i>	<i>Nominal value</i> <i>('000)</i>	<i>Currency</i>	<i>Carrying amount</i>
April 2010 issue	500,000	USD	6,631,016	500,000	USD	14,044,589
October 2010 issue	250,000	USD	3,315,507	250,000	USD	7,022,294
January 2013 issue	500,000	USD	13,573,479	500,000	USD	14,355,526
April 2013 issue	100,000	USD	2,714,696	100,000	USD	2,871,105
March 2018 issue	4,051,000	UAH	4,249,709	4,051,000	UAH	4,248,391
Eurobonds issued			30,484,407			42,541,905

(thousands of Ukrainian hryvnia, unless otherwise stated)

14. Equity

As at 30 June 2019, the Bank's authorised issued share capital comprised 26,490,412 (31 December 2018: 26,490,412) ordinary registered shares with a nominal value of UAH 1,462.04 per share (31 December 2018: 1,462.04 per share). As at 30 June 2019, 26,490,412 ordinary registered shares were fully paid and registered (31 December 2018: all shares were fully paid and registered).

Movements in revaluation reserves

Movements in revaluation reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Unrealised gains/ (losses) on investment securities at fair value through other comprehensive income</i>	<i>Revaluation reserves</i>
At 1 January 2018	724,063	(512,280)	211,783
Depreciation of revaluation reserve, net of tax	(6,636)	—	(6,636)
Other comprehensive loss to be subsequently reclassified to the consolidated statement of profit and loss			
Net loss on investment securities at fair value through other comprehensive income, including:			
Net loss on investment securities at fair value through other comprehensive income reclassified to the consolidated statement of profit and loss (consolidated statement of income)	—	(720,540)	(720,540)
Net unrealised losses on investment securities at fair value through other comprehensive income	—	42,104	42,104
Income tax related to components of other comprehensive income	—	(762,644)	(762,644)
	—	—	—
As at 30 June 2018 (unaudited)	717,427	(1,232,820)	(515,393)
At 31 December 2018	710,805	(1,527,211)	(816,406)
Depreciation of revaluation reserve, net of tax	(6,619)	—	(6,619)
Other comprehensive loss to be subsequently reclassified to the consolidated statement of profit and loss			
Net loss on investment securities at fair value through other comprehensive income, including:			
Reversal of expenses for expected credit losses on investment securities at fair value through other comprehensive income	—	(458,163)	(458,163)
Net realised gains on investment securities at fair value through other comprehensive income reclassified to the consolidated statement of profit and loss (consolidated income statement)	—	1,046	1,046
Net unrealised losses on investment securities at fair value through other comprehensive income	—	(175)	(175)
Income tax related to components of other comprehensive income	—	(459,034)	(459,034)
	—	—	—
At 30 June 2019 (unaudited)	704,186	(1,985,374)	(1,281,188)

(thousands of Ukrainian hryvnia, unless otherwise stated)

15. Credit-related commitments

Credit-related commitments included:

	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Undrawn loan commitments	6,743,129	5,588,762
Guarantees	3,816,540	4,166,892
Letters of credit	1,328,006	1,080,298
Avals on promissory notes	439,357	349,446
	12,327,032	11,185,398
Less: provisions	(51,773)	(72,625)
Credit-related commitments (before cash held as security)	12,275,259	11,112,773
Less: cash held as security against letters of credit, avals, guarantees and undrawn loan commitments (Notes 12)	(1,911,159)	(1,932,636)
Credit-related commitments	10,364,100	9,180,137

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

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Credit-related commitments at 1 January 2019	5,475,800	–	6,664	100,069	6,229	5,588,762
New liabilities originated or purchased	1,867,726	–	–	–	–	1,867,726
Liabilities derecognized/(repaid)	(1,636,194)	–	(6,284)	(1,244)	(282)	(1,644,004)
Transfer to Stage 1	655	–	(410)	–	(245)	–
Transfer to Stage 2	(11,802)	–	11,802	–	–	–
Transfer to Stage 3	(3,611)	–	(253)	3,497	367	–
Changes in carrying amount	385,583	–	5,502	(77,751)	(145)	313,189
Translation differences	(99,309)	–	10	–	–	(99,299)
Credit-related commitments at 31 March 2019 (unaudited)	5,978,848	–	17,031	24,571	5,924	6,026,374
New liabilities originated or purchased	2,396,266	–	–	–	–	2,396,266
Liabilities derecognized/(repaid)	(1,775,176)	–	(7,863)	(21,337)	(4,900)	(1,809,276)
Transfer to Stage 1	1,984	–	(1,906)	–	(78)	–
Transfer to Stage 2	(456,342)	453,799	2,543	–	–	–
Transfer to Stage 3	(1,194)	–	(361)	952	603	–
Changes in carrying amount	127,517	64,684	(3,938)	(3,223)	84	185,124
Translation differences	(55,249)	–	(110)	–	–	(55,359)
Credit-related commitments at 30 June 2019 (unaudited)	6,216,654	518,483	5,396	963	1,633	6,743,129

(thousands of Ukrainian hryvnia, unless otherwise stated)

15. Credit-related commitments (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Credit-related commitments at						
1 January 2018	3,415,214	–	18,805	–	397	3,434,416
New liabilities originated or purchased	2,721,014	–	–	–	–	2,721,014
Liabilities derecognized/(repaid)	(753,072)	–	(15,123)	–	(63)	(768,258)
Transfer to Stage 1	3,430	–	(3,430)	–	–	–
Transfer to Stage 2	(83,826)	542	83,284	–	–	–
Transfer to Stage 3	(421)	–	(68)	–	489	–
Changes in carrying amount	(428,354)	–	2,645	–	(107)	(425,816)
Translation differences	(25,274)	–	–	–	–	(25,274)
Credit-related commitments at						
31 March 2018						
(unaudited)	4,848,711	542	86,113	–	716	4,936,082
New liabilities originated or purchased	904,841	–	–	–	–	904,841
Liabilities derecognized/(repaid)	(952,058)	–	(4,013)	–	(65)	(956,136)
Transfer to Stage 1	79,610	(542)	(78,886)	–	(182)	–
Transfer to Stage 2	(31,814)	5,296	26,518	–	–	–
Transfer to Stage 3	(1,329)	–	(198)	886	641	–
Changes in carrying amount	913,968	(5,015)	(12,171)	–	39,677	936,459
Translation differences	(37,501)	–	(56)	–	–	(37,557)
Credit-related commitments at						
30 June 2018						
(unaudited)	5,724,428	281	17,307	886	40,787	5,783,689
	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Provision of credit-related						
commitments at 1 January 2019	61,657	–	91	3,981	2,956	68,685
New liabilities originated or purchased	36,373	–	–	–	–	36,373
Liabilities derecognized/(repaid)	(29,362)	–	(75)	–	(126)	(29,563)
Transfer to Stage 1	171	–	(10)	–	(161)	–
Transfer to Stage 2	(57)	–	57	–	–	–
Transfer to Stage 3	(130)	–	(24)	87	67	–
Changes in allowance	(24,955)	–	113	(2,618)	(40)	(27,500)
Translation differences	(1,315)	–	–	–	–	(1,315)
Provision of credit-related						
commitments at 31 March 2019						
(unaudited)	42,382	–	152	1,450	2,696	46,680
New liabilities originated or purchased	40,440	–	–	–	–	40,440
Liabilities derecognized/(repaid)	(16,540)	–	(69)	(1,450)	(2,219)	(20,278)
Transfer to Stage 1	58	–	(10)	–	(48)	–
Transfer to Stage 2	(8,259)	8,182	77	–	–	–
Transfer to Stage 3	(125)	–	(46)	–	171	–
Changes in allowance	(9,768)	(8,182)	5	–	167	(17,778)
Translation differences	(477)	–	–	–	–	(477)
Provision of credit-related						
commitments at 30 June 2019						
(unaudited)	47,711	–	109	–	767	48,587

(thousands of Ukrainian hryvnia, unless otherwise stated)

15. Credit-related commitments (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Provision of credit-related commitments at 1 January 2018	44,067	408	—	233	44,708
New liabilities originated or purchased	31,199	—	—	—	31,199
Liabilities derecognized/(repaid)	(9,599)	(293)	—	(28)	(9,920)
Transfer to Stage 1	31	(31)	—	—	—
Transfer to Stage 2	(58)	58	—	—	—
Transfer to Stage 3	(227)	(23)	—	250	—
Changes in allowance	(17,210)	91	—	(21)	(17,140)
Translation differences	(615)	—	—	(17)	(632)
Provision of credit-related commitments at 31 March 2018 (unaudited)	47,588	210	—	417	48,215
New liabilities originated or purchased	17,763	—	—	—	17,763
Liabilities derecognized/(repaid)	(14,520)	(93)	—	(37)	(14,650)
Transfer to Stage 1	129	(16)	—	(113)	—
Transfer to Stage 2	(84)	84	—	—	—
Transfer to Stage 3	(84)	(53)	56	81	—
Changes in allowance	4,684	1,205	—	11,521	17,410
Translation differences	(924)	—	—	15,961	15,037
Provision of credit-related commitments at 30 June 2018 (unaudited)	54,552	1,337	56	27,830	83,775

The following tables show the analysis of changes in the letters of credit (except for security accounts) and the corresponding provisions:

	<i>Stage 1 Collective</i>
Letters of credit at 1 January 2019	60,204
Changes in letters of credit	(4,547)
Translation differences	(2,176)
Letters of credit at 31 March 2019 (unaudited)	53,481
New letters of credit originated or purchased-	12,133
Changes in letters of credit	(6,944)
Translation differences	(1,664)
Letters of credit at 30 June 2019 (unaudited)	57,006

	<i>Stage 1 Collective</i>
Letters of credit at 1 January 2018	20,349
New created or purchased letters of credit	74,500
Translation differences	(1,105)
Letters of credit at 31 March 2018 (unaudited)	93,744
Letters of credit derecognized/(repaid)	(19,244)
Translation differences	(4,866)
Letters of credit at 30 June 2018 (unaudited)	69,634

(thousands of Ukrainian hryvnia, unless otherwise stated)

15. Credit-related commitments (continued)

	<i>Stage 1 Collective</i>
Provision for letters of credit at 1 January 2019	2,360
Changes in allowance	(858)
Translation differences	(84)
Provision for letters of credit at 31 March 2019 (unaudited)	1,418
 New created or purchased letters of credit	 58
Changes in allowance	(315)
Translation differences	(41)
Provision for letters of credit at 30 June 2019 (unaudited)	1,120
	<i>Stage 1 Collective</i>
Provision for letters of credit at 1 January 2018	–
New created or purchased letters of credit	2,993
Changes in allowance	66
Translation differences	(66)
Provision for letters of credit at 31 March 2018 (unaudited)	2,993
 Changes in allowance	 173
Translation differences	(227)
Provision for letters of credit at 30 June 2018 (unaudited)	2,939
The following tables show the analysis of changes in avals and corresponding provisions:	
	<i>Stage 1 Collective</i>
Avals at 1 January 2019	349,446
New created or purchased avals	315,928
Avals derecognized/(repaid)	(218,293)
Changes in avals	(222,755)
Avals at 31 March 2019 (unaudited)	224,326
 New created or purchased avals	 569,210
Avals derecognized/(repaid)	(202,330)
Changes in avals	(151,849)
Avals at 30 June 2019 (unaudited)	439,357
	<i>Stage 1 Collective</i>
Avals at 1 January 2018	333,227
New created or purchased avals	371,509
Avals derecognized/(repaid)	(323,342)
Avals at 31 March 2018 (unaudited)	381,394
 New created or purchased avals	 657,097
Avals derecognized/(repaid)	(330,077)
Avals at 30 June 2018 (unaudited)	708,414

(thousands of Ukrainian hryvnia, unless otherwise stated)

15. Credit-related commitments (continued)

	<i>Stage 1 Collective</i>
Provision for avals at 1 January 2019	30
New created or purchased avals	38
Avals derecognized/(repaid)	(11)
Changes in allowance	(25)
Provision for avals at 31 March 2019 (unaudited)	32
New created or purchased avals	42
Avals derecognized/(repaid)	(18)
Changes in allowance	(20)
Provision for avals at 30 June 2019 (unaudited)	36
	<i>Stage 1 Collective</i>
Provision for avals at 1 January 2018 under IFRS 9	27
New created or purchased avals	31
Avals derecognized/(repaid)	(26)
Changes in allowance	(1)
Provision for avals at 31 March 2018 (unaudited)	31
New created or purchased avals	35
Avals derecognized/(repaid)	(24)
Changes in allowance	1
Provision for avals at 30 June 2018 (unaudited)	43

The following tables show the analysis of changes in guarantees and corresponding provisions:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Guarantees at 1 January 2019	3,936,567	66,467	163,858	4,166,892
New created or purchased guarantees	802,476	–	–	802,476
Guarantees derecognised or repaid	(682,523)	(142)	–	(682,665)
Transfer to Stage 1	2,585	(2,585)	–	–
Transfer to Stage 2	(19,984)	19,984	–	–
Transfer to Stage 3	–	(13,496)	13,496	–
Changes in guarantees	(72,100)	(2,019)	–	(74,119)
Translation differences	(43,291)	(392)	(5,795)	(49,478)
Guarantees at 31 March 2019 (unaudited)	3,923,730	67,817	171,559	4,163,106
New created or purchased guarantees	126,099	–	–	126,099
Guarantees derecognised or repaid	(258,635)	(3,225)	–	(261,860)
Transfer to Stage 2	(3,270)	3,270	–	–
Changes in guarantees	(109,114)	(12,528)	–	(121,642)
Translation differences	(84,142)	(153)	(4,868)	(89,163)
Guarantees at 30 June 2019 (unaudited)	3,594,668	55,181	166,691	3,816,540

(thousands of Ukrainian hryvnia, unless otherwise stated)

15. Credit-related commitments (continued)

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Total</i>
Guarantees at 1 January 2018	2,809,454	236,353	3,045,807
New created or purchased guarantees	401,260	–	401,260
Guarantees derecognised or repaid	(475,355)	(11,230)	(486,585)
Transfer to Stage 2	(11,500)	11,500	–
Changes in guarantees	(79,167)	–	(79,167)
Translation differences	(92,776)	(5,404)	(98,180)
Guarantees at 31 March 2018 (unaudited)	2,551,916	231,219	2,783,135
New created or purchased guarantees	226,567	–	226,567
Guarantees derecognised or repaid	(233,647)	(48,091)	(281,738)
Transfer to Stage 1	11,500	(11,500)	–
Changes in guarantees	3,139	–	3,139
Translation differences	(27,452)	(11,073)	(38,525)
Guarantees at 30 June 2018 (unaudited)	2,532,023	160,555	2,692,578

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Total</i>
Provision for guarantees at 1 January 2019	1,546	4	–	1,550
New created or purchased guarantees	484	–	–	484
Guarantees derecognised or repaid (except for writing-off)	(111)	–	–	(111)
Transfer to Stage 2	(19)	19	–	–
Transfer to Stage 3	–	(49)	49	–
Changes in allowance	(216)	30	833	647
Translation differences	(12)	(1)	–	(13)
Provision for guarantees at 31 March 2019 (unaudited)	1,672	3	882	2,557
New created or purchased guarantees	45	–	–	45
Guarantees derecognised or repaid (except for writing-off)	(12)	–	–	(12)
Changes in allowance	(514)	10	–	(504)
Translation differences	(21)	–	(35)	(56)
Provision for guarantees at 30 June 2019 (unaudited)	1,170	13	847	2,030

(thousands of Ukrainian hryvnia, unless otherwise stated)

15. Credit-related commitments (continued)

	<i>Stage 1 Collective</i>
Provision for guarantees at 1 January 2018	575
New created or purchased guarantees	862
Guarantees derecognised or repaid (except for writing-off)	(91)
Changes in allowance	45
Translation differences	(50)
Provision for guarantees at 31 March 2018 (unaudited)	1,341
New created or purchased guarantees	78
Guarantees derecognised or repaid (except for writing-off)	(21)
Changes in allowance	(133)
Translation differences	(24)
Provision for guarantees at 30 June 2018 (unaudited)	1,241

16. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	<i>2019</i>		<i>2018</i>	
	<i>For the three months ended 30 June</i>	<i>For the six months ended 30 June</i>	<i>For the three months ended 30 June</i>	<i>For the six months ended 30 June</i>
	<i>(unaudited)</i>			
Salaries and bonuses	318,346	576,840	271,929	487,212
Mandatory contributions to the state funds	58,830	108,263	51,090	103,252
Personnel expenses	377,176	685,103	323,019	590,464
Payables to the Individual Deposit Guarantee Fund	64,574	128,851	59,483	119,645
Repair and maintenance of property and equipment	29,039	61,710	30,145	57,434
Security	13,861	28,019	12,212	24,220
Operating taxes	13,289	22,319	9,594	22,130
Maintenance of premises	9,798	22,667	9,168	22,225
Legal and advisory services	8,012	9,122	2,790	7,795
Electronic and data processing costs	7,628	15,063	6,999	13,829
Losses/(gains) on impairment of non-financial assets	5,753	13,956	(456)	2,709
Expenses for cash collection	5,331	10,411	5,484	10,696
Administrative expenses	4,412	9,942	3,562	9,878
Communication services	4,072	7,829	3,493	6,877
Marketing and advertising	3,564	4,377	190	363
Business travel and related expenses	2,671	3,973	1,870	2,993
Rent of premises	1,665	6,989	5,539	10,900
Representative offices expenses	867	1,609	911	1,752
Charity	645	1,398	1,763	1,763
Losses on initial recognition of financial assets	19	19	1,638	3,414
Losses on revaluation of non-current assets	—	—	4,337	4,337
Other	10,235	18,767	5,411	12,982
Other operating expenses	185,435	367,021	164,133	335,942

Expenses for contributions to the non-state pension fund for the period ended 30 June 2019 comprised UAH 11,284 thousand (30 June 2018: UAH 9,275 thousand).

(thousands of Ukrainian hryvnia, unless otherwise stated)

17. Fair value of assets and liabilities

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

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

	30 June 2019 (unaudited)			31 December 2018		
	Carrying amount	Fair value	Unrecognised gain/(loss)	Carrying amount	Fair value	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	19,931,446	19,931,446	–	18,545,858	18,545,858	–
Amounts due from credit institutions	358,646	358,646	–	438,205	438,205	–
Loans to customers	67,018,697	64,908,796	(2,109,901)	72,496,358	69,630,486	(2,865,872)
Investment securities at amortised cost	25,414	25,337	(77)	49,855	49,104	(751)
Other assets	202,537	202,537	–	227,301	227,301	–
Financial liabilities						
Amounts due to credit institutions	23,729,393	23,729,393	–	24,405,913	24,405,913	–
Amounts due to customers	85,456,620	85,407,741	48,879	82,097,079	82,081,788	15,291
Eurobonds issued	30,484,407	31,949,157	(1,464,750)	42,541,905	41,262,680	1,279,225
Subordinated debt	3,391,268	3,263,525	127,743	3,584,690	3,448,469	136,221
Other liabilities	96,437	96,437	–	76,651	76,651	–
Total unrecognised change in unrealised fair value			(3,398,106)			(1,435,886)

The following describes the methodologies and assumptions used to determine fair values for the financial instruments that are not recorded at fair value in the interim condensed consolidated statement of financial position.

Assets, which fair value approximates their carrying value

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

Fixed rate financial instruments

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

17. Fair value of assets and liabilities (continued)

Fair value of financial assets carried at fair value

The Bank uses the following hierarchy of measurement techniques to determine and disclose fair values of financial assets, including changes in fair value as a result of alternative assumptions used in the measurement model:

- ▶ Level 2: where no market quotations are available for a financial instrument, the fair value is measured using valuation techniques based on assumptions supported by observable market prices and rates available at the reporting date, i.e. either directly or indirectly based on observable market inputs;
- ▶ Level 3: for financial instruments whose fair values cannot be measured using market quotations or measurement models with observable inputs, the Bank uses measurement techniques using unobservable inputs that have material impact on reported fair values of financial instruments. This approach is appropriate for investments in non-listed shares and debt securities.

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

	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
At 30 June 2019 (unaudited)			
Current accounts with other credit institutions in precious metals	9,850	–	9,850
Investment securities at fair value through profit or loss	26,396,019	–	26,396,019
Investment securities at fair value through other comprehensive income	32,237,409	17,897	32,255,306
Total assets	58,643,278	17,897	58,661,175
Amounts due to customers in precious metals	54,726	–	54,726
Total liabilities	54,726	–	54,726
At 31 December 2018			
Current accounts with other credit institutions in precious metals	131,685	–	131,685
Investment securities at fair value through profit or loss	26,653,561	–	26,653,561
Investment securities at fair value through other comprehensive income	35,772,492	16,603	35,789,095
Total assets	62,557,738	16,603	62,574,341
Amounts due to customers in precious metals	66,045	–	66,045
Total liabilities	66,045	–	66,045

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

During six months ended 30 June 2019, the Bank did not transfer any financial assets from one level of the fair value hierarchy to another level of the fair value hierarchy.

The Bank measures financial assets by discounting cash flows from these instruments using the rates determined on the basis of non-observable data.

(thousands of Ukrainian hryvnia, unless otherwise stated)

17. Fair value of assets and liabilities (continued)

Movements in Level 3 assets measured at fair value

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

	<i>At 1 January 2019</i>	<i>Gain recognised in the interim condensed consolidated statement of profit and loss</i>	<i>Gain recognised in the interim condensed consolidated statement of comprehensive income</i>	<i>Settlements</i>	<i>At 30 June 2019 (unaudited)</i>
Investment securities at fair value through other comprehensive income	16,603	394	1,294	(394)	17,897
Total assets	16,603	394	1,294	(394)	17,897

	<i>At 1 January 2018</i>	<i>Total gain recorded in interim condensed consolidated statement of profit and loss</i>	<i>Gain recognised in the interim condensed consolidated statement of comprehensive income</i>	<i>Settlements</i>	<i>At 30 June 2018 (unaudited)</i>
Investment securities at fair value through other comprehensive income	15,097	560	2,247	(560)	17,344
Total assets	15,097	560	2,247	(560)	17,344

The table below shows the quantitative information as at 30 June 2019 about significant unobservable inputs used for fair valuation of the assets classified as those of Level 3 of the fair value hierarchy:

<i>At 30 June 2019 (unaudited)</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Investment securities at fair value through other comprehensive income	17,897	Discounted cash flows	Risk factor	Corporate: 0-1.0

<i>At 30 June 2018 (unaudited)</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Investment securities at fair value through other comprehensive income	17,344	Discounted cash flows	Risk factor	Corporate: 0-1.0

18. Related party disclosures

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

18. Related party transactions (continued)

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

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

The outstanding balances with the key management personnel as at 30 June 2019 and 31 December 2018 and the related income and expense for the six months ended 30 June 2019 and 30 June 2018 are as follows:

	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
	<i>Key management personnel</i>	
Loans to customers	184	429
Less: Allowance for impairment	(6)	(6)
Loans to customers	178	423
Current accounts	12,713	11,181
Time deposits	17,424	13,160
Amounts due to customers	30,137	24,341
Other liabilities	35	5
	<i>For the period ended 30 June 2019</i>	<i>2018</i>
	<i>(unaudited)</i>	
Interest income on loans	18	4
Interest expense on customer deposits	(578)	(308)
Commission income	6	7
Translation differences	(1,408)	(80)

During the six months ended 30 June 2019, the total compensation and other remunerations of the key management personnel comprised UAH 22,946 thousand (UAH 505 thousand of payments to the non-state pension fund) (30 June 2018: UAH 18,735 thousand) (UAH 272 thousand of payments to the non-state pension fund).

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

18. Related party transactions (continued)

Balances with government-related entities which are individually significant in terms of the carrying value as at 30 June 2019 (unaudited) are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Guarantees issued</i>
Client 1	State entities	—	—	2,967,490	—
Client 2	State entities	—	—	1,735,483	—
Client 3	State entities	—	—	1,299,720	—
Client 4	State entities	—	—	792,221	—
Client 5	Agriculture and food industry	—	—	16,438,266	—
Client 6	Agriculture and food industry	—	918,705	—	—
Client 7	Extractive industry	—	10,323,824	1,483,837	—
Client 8	Extractive industry	—	2,057,158	—	—
Client 9	Power engineering	—	5,382,059	1,048,546	—
Client 10	Finance	6,233,622	—	—	—
Client 11	Trade	—	—	2,165,401	458,130
Client 12	Trade	—	—	—	579,730
Client 13	Trade	—	—	—	48,792
Client 14	Mechanical engineering	—	2,322,193	—	528,418
Client 15	Mechanical engineering	—	—	—	177,882
Client 16	Transport and communications	—	2,481,188	—	—
Client 17	Professional, scientific and technical activities	—	732,691	—	—
Other	—	—	—	8,020,399	—

Balances with government-related entities which are individually significant in terms of the carrying value as at 31 December 2018 are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Amounts due to credit institutions</i>	<i>Guarantees issued</i>
Client 1	State entities	—	—	3,074,872	—	—
Client 2	State entities	—	—	1,695,382	—	—
Client 4	Agriculture and food industry	—	—	17,149,604	—	—
Client 5	Agriculture and food industry	—	1,452,146	—	—	—
Client 6	Extractive industry	—	14,301,076	790,050	—	—
Client 7	Extractive industry	—	2,162,457	997,126	—	—
Client 10	Power engineering	—	6,886,921	1,524,272	—	—
Client 8	Finance	2,952,279	—	—	—	—
Client 17	Finance	—	—	—	452,367	—
Client 14	Mechanical engineering	—	2,453,169	—	—	469,462
Client 15	Mechanical engineering	—	—	—	—	196,526
Client 11	Trade	—	—	1,452,994	—	777,844
Client 12	Trade	—	—	—	—	714,369
Client 13	Trade	—	—	—	—	84,490
Client 16	Transport and communications	—	1,302,138	564,863	—	—
Other	—	—	864,381	6,635,272	—	—

(thousands of Ukrainian hryvnia, unless otherwise stated)

18. Related party transactions (continued)

For the six-month period ended 30 June 2019, the Bank recorded UAH 1,209,642 thousand on significant transactions with the state-controlled entities (30 June 2018: UAH 1,395,118 thousand) of interest income, including interest income from operations with the NBU deposit certificates with maturity up to 90 days – UAH 32 131 thousand (30 June 2018: UAH 37,246 thousand) and interest expense of UAH 725,225 thousand (30 June 2018: UAH 637,532 thousand).

As at 30 June 2019 and 31 December 2018, the Bank's investments in debt securities issued by the government or the government-related corporate entities were as follows:

	30 June 2019 (unaudited)	31 December 2018
Investment securities at fair value through profit or loss	26,396,019	26,653,561
Investment securities at fair value through other comprehensive income	32,250,608	35,784,441
Investment securities at amortised cost	25,414	49,855

For the six-month period ended 30 June 2019, the Bank recognised UAH 1,810,038 thousand on transactions with the State bonds (30 June 2018: UAH 1,994,855 thousand) of interest income on transactions with other investment securities, UAH 129,768 thousand (30 June 2018: UAH 132,900 thousand) of interest income.

19. Capital adequacy

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

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

The Bank manages its capital structure and adjusts its total assets to provide for observed and expected changes in the business environment and the risk profile of its business activities.

NBU capital adequacy ratio

The Bank's regulatory capital adequacy ratio was as follows:

	30 June 2019 (unaudited)	31 December 2018
Main capital	7,265,102	7,266,802
Additional capital, calculated	3,709,098	3,880,435
Additional capital, included in calculation of total capital (limited to main capital)	3,709,098	3,880,435
Total regulatory capital	10,974,200	11,147,237
Risk weighted assets	79,338,962	87,452,131
Main capital adequacy ratio	9.16%	–
Regulatory capital adequacy ratio	13.83%	12.75%

Starting January 2019, the NBU has implemented the main capital adequacy ratio.

(thousands of Ukrainian hryvnia, unless otherwise stated)

19. Capital adequacy (continued)

NBU capital adequacy ratio (continued)

The statutory value of the main capital adequacy ratio should be not less than 7%.

Regulatory capital comprises Tier 1 capital (Main capital) consisting of paid-in registered share capital plus reserves less expected losses, and Tier 2 capital (Additional capital) consisting of asset revaluation reserve, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes, the qualifying Tier 2 capital amount is limited to 100% of Tier 1 capital.

Capital adequacy ratio under Basel Capital Accord 1988

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

	<i>30 June 2019</i> <i>(unaudited)</i>	<i>31 December 2018</i>
Tier 1 capital	8,741,694	8,632,895
Tier 2 capital, calculated	1,316,395	2,587,524
Tier 2 capital, included in calculation of total capital	1,316,395	2,587,524
Total capital	10,058,089	11,220,419
Risk weighted assets	80,335,224	87,646,914
Tier 1 capital adequacy ratio	10.9%	9.8%
Total capital adequacy ratio	12.5%	12.8%