

**JOINT STOCK COMPANY  
“STATE SAVINGS BANK OF UKRAINE”**

**Interim Condensed Consolidated Financial Statements**

*For the six months ended 30 June 2021*

*Translation from Ukrainian original*

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

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## Report on Review of Interim Financial Information

To the Shareholder and Management of JSC “Oschadbank”

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of JSC “Oschadbank” (“Bank”) and its subsidiaries (“Group”) that comprise the interim consolidated statement of financial position as at 30 June 2021, and the interim consolidated statement of profit and loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information (“interim financial information”). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the International Accounting Standard 34, *Interim financial statements*. 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.

### **Basis for qualified conclusion**

The Group’s accounting policy in respect of its buildings is revaluation model. IAS 16 «Property, plant and equipment» requires revaluations to be made with sufficient regularity to ensure that the buildings’ carrying amount does not differ materially from their fair value at the end of each reporting period. In the presence of information, which indicates that the fair value of buildings as at 31 December 2019 and 30 June 2020 could materially differ from their carrying amount, no revaluation was performed as at that dates which constitutes a departure from IAS 16. The Group revalued its buildings as at 1 December 2020 and recorded a cumulative change in the fair value of buildings in its annual consolidated financial statements for 2020 in other comprehensive income in the amount of UAH 201,274 thousand and in operating expenses in the amount of UAH 243,973 thousand. The period these recognised gains and losses from revaluation of buildings relate to, as well as the effect of the departure from IFRS on depreciation charge and income tax expense for the six months ended 30 June 2020 have not been determined. Our auditor’s report on the consolidated financial statements for 2020 and report on review of interim financial information for the six months ended 30 June 2020 were modified in respect of this matter. Our report on review of interim financial information for the six months ended 30 June 2021 is also modified because of the effects of this matter on the comparability of the current period’s figures and the corresponding figures.



***Qualified conclusion***

Based on our review, with the exception of the matter described in the preceding paragraph, 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 the International Accounting Standard 34, *Interim Financial Reporting*.

***Other matter***

Financial information for the three months ended 30 June 2021 and 30 June 2020 was not reviewed.

A handwritten signature in blue ink that reads 'Ernst &amp; Young Audit Services LLC'. The signature is written in a cursive style.

27 August 2021

Kyiv, Ukraine

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

INTERIM CONSOLIDATED FINANCIAL STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS ENDED 30 JUNE 2021  
*(in thousands of UAH)*

	Notes	For the three months ended 30 June 2021	For the six months ended 30 June 2021	For the three months ended 30 June 2020	For the six months ended 30 June 2020
		(unaudited)			
Interest income on financial assets at amortised cost and at fair value through other comprehensive income	5	4,350,677	8,409,898	3,743,241	7,591,350
Interest income on financial assets at fair value through profit or loss	5	853,677	1,810,849	814,307	1,643,239
Interest expense	5	(2,109,184)	(4,226,527)	(2,673,781)	(5,854,687)
<b>Net interest income</b>		<b>3,095,170</b>	<b>5,994,220</b>	<b>1,883,767</b>	<b>3,379,902</b>
(Accrual)/reversal of allowance for expected credit losses and losses on modifications of interest bearing assets	6	(654,090)	(336,011)	42,108	(119,551)
<i>included (accrual)/ reversal of allowance for expected credit losses on interest bearing assets</i>		<i>(22,593)</i>	<i>391,009</i>	<i>689,509</i>	<i>523,694</i>
<b>Net interest income after allowance for expected credit losses on interest bearing assets and losses on modifications of interest bearing assets</b>		<b>2,441,080</b>	<b>5,658,209</b>	<b>1,925,875</b>	<b>3,260,351</b>
Fee and commission income	7	2,341,467	4,649,914	1,678,946	3,456,203
Fee and commission expense	7	(737,306)	(1,637,721)	(702,303)	(1,425,513)
Net gain/(loss) on foreign exchange transactions	8	509,513	760,923	912,416	(1,942,068)
Net (loss)/gain on transactions with financial instruments at fair value through profit or loss	10	(1,483,642)	(3,551,250)	(479,894)	5,234,159
(Accrual)/reversal of allowance for expected credit losses on other financial assets and guarantees	6	(5,559)	(14,048)	2,302	(51,382)
Accrual of allowance for impairment losses on non-financial assets	6	(5,913)	(6,820)	(7,111)	(2,912)
Net other income		28,143	251,267	102,706	139,449
<b>Net non-interest income</b>		<b>646,703</b>	<b>452,265</b>	<b>1,507,062</b>	<b>5,407,936</b>
<b>Operating income</b>		<b>3,087,783</b>	<b>6,110,474</b>	<b>3,432,937</b>	<b>8,668,287</b>
Operating expenses	9	(2,827,880)	(5,598,819)	(2,468,160)	(5,074,736)
<b>Profit before tax</b>		<b>259,903</b>	<b>511,655</b>	<b>964,777</b>	<b>3,593,551</b>
Income tax benefit		(3)	205	11	10
<b>Net profit for the period</b>		<b>259,900</b>	<b>511,860</b>	<b>964,788</b>	<b>3,593,561</b>
<b>Attributable to:</b>					
Shareholder of the Bank		260,005	512,077	964,830	3,593,414
Non-controlling interest		(105)	(217)	(42)	147

Notes set out on pages 7 to 46 form the integral part of these interim condensed consolidated financial statements.

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**INTERIM CONSOLIDATED FINANCIAL STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)**

*(in thousands of UAH)*

<b>Notes</b>	<b>For the three months ended 30 June 2021</b>	<b>For the six months ended 30 June 2021</b>	<b>For the three months ended 30 June 2020</b>	<b>For the six months ended 30 June 2020</b>
	<b>(unaudited)</b>			
<b>Other comprehensive (expenses)/income</b>				
<i>Items that will not be reclassified to profit or loss in subsequent period</i>				
Net profit on revaluation of shares at fair value through other comprehensive income	14,398	961	129,315	52,643
<i>Items that will be reclassified to profit or loss in subsequent period</i>				
Exchange difference on translation of foreign operation to national currency	(81)	(125)	(155)	341
Net change in fair value of investments at fair value through other comprehensive income net of deferred income tax effect	(109,630)	(240,097)	1,035,478	78,017
<b>Other comprehensive (expenses)/income</b>	<b>(95,313)</b>	<b>(239,261)</b>	<b>1,164,638</b>	<b>131,001</b>
<b>Total comprehensive income for the period</b>	<b>164,587</b>	<b>272,599</b>	<b>2,129,426</b>	<b>3,724,562</b>
<b>Attributable to:</b>				
Shareholder of the Bank	164,692	272,816	2,129,468	3,724,415
Non-controlling interests	(105)	(217)	(42)	147

**On behalf of the Management Board:**

**S.V. Naumov**  
**Chairman of the Management Board**

27 August 2021



**G.S. Kostenko**  
**Chief Accountant**

27 August 2021

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**INTERIM CONSOLIDATED FINANCIAL STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021  
(in thousands of UAH)**

	Notes	30 June 2021 (unaudited)	31 December 2020
<b>Assets</b>			
Cash and cash equivalents	13	41,102,149	26,553,199
Due from banks	14	53,234	46,350
Loans to customers	15	69,462,152	63,226,077
Investments	16	125,241,552	130,251,541
Investment property		633,526	633,526
Property, equipment and intangible assets		9,384,374	9,725,445
Income tax prepaid		422,165	275,237
Other assets	17	2,281,322	2,888,522
<b>Total assets</b>		<b>248,580,474</b>	<b>233,599,897</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks	18	7,314,642	5,823,982
Customer accounts	19	203,315,017	186,165,452
Eurobonds issued	20	9,577,201	11,744,616
Other borrowed funds	21	3,581,040	4,452,649
Other liabilities	22	2,163,076	1,948,998
Deferred income tax liabilities	11	184,823	233,833
Subordinated debt	23	1,050,851	1,276,240
<b>Total liabilities</b>		<b>227,186,650</b>	<b>211,645,770</b>
<b>Equity</b>			
Share capital	24	49,724,980	49,724,980
Revaluation reserve of premises		1,571,943	1,572,968
Revaluation reserve for securities at fair value through other comprehensive income		736,924	976,060
Cumulative foreign exchange differences		1,458	1,583
Accumulated deficit		(30,654,783)	(30,334,988)
<b>Total equity attributable to the shareholder of the Bank</b>		<b>21,380,522</b>	<b>21,940,603</b>
Non-controlling interests		13,302	13,524
<b>Total equity</b>		<b>21,393,824</b>	<b>21,954,127</b>
<b>Total liabilities and equity</b>		<b>248,580,474</b>	<b>233,599,897</b>

On behalf of the Management Board:



  
**S.V. Naumov**  
 Chairman of the Management Board  
 27 August 2021


  
**G.S. Kostenko**  
 Chief Accountant  
 27 August 2021

**JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"**

**INTERIM CONSOLIDATED FINANCIAL STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED ON 30 JUNE 2021  
(in thousands of UAH)**

	Notes	Share capital	Revaluation reserve of premises	Revaluation reserve of investments at fair value through other comprehensive income	Cumulative foreign exchange difference	Accumulated deficit	Total equity attributable to the shareholder of the Bank	Non-controlling interests	Total equity
<b>1 January 2020</b>		49,724,980	1,817,194	1,018,205	1,061	(33,004,661)	19,556,779	13,493	19,570,272
Profit for the period		-	-	-	-	3,593,414	3,593,414	147	3,593,561
Other comprehensive income for the period, net of income tax		-	-	130,660	341	-	131,001	-	131,001
<b>Total comprehensive income for the period</b>		-	-	130,660	341	3,593,414	3,724,415	147	3,724,562
Other adjustments	24	-	-	-	-	(73,059)	(73,059)	-	(73,059)
Payment of the profit share based on the financial result of the year		-	-	-	-	(76,548)	(76,548)	(6)	(76,554)
Disposal of premises revaluation reserve		-	(51)	-	-	51	-	-	-
<b>30 June 2020 (unaudited)</b>		49,724,980	1,817,143	1,148,865	1,402	(29,560,803)	23,131,587	13,634	23,145,221
<b>1 January 2021</b>		49,724,980	1,572,968	976,060	1,583	(30,334,988)	21,940,603	13,524	21,954,127
Profit for the period		-	-	-	-	512,077	512,077	(217)	511,860
Other comprehensive income for the period, net of income tax		-	-	(239,136)	(125)	-	(239,261)	-	(239,261)
<b>Total comprehensive income for the period</b>		-	-	(239,136)	(125)	512,077	272,816	(217)	272,599
Payment of the profit share based on the financial result of the year	24	-	-	-	-	(832,897)	(832,897)	(5)	(832,902)
Disposal of premises revaluation reserve		-	(1,025)	-	-	1,025	-	-	-
<b>30 June 2021 (unaudited)</b>		49,724,980	1,571,943	736,924	1,458	(30,654,783)	21,380,522	13,302	21,393,824

On behalf of the Management Board:



**S.V. Naumov**  
Chairman of the Management Board

**G.S. Kostenko**  
Chief Accountant

27 August 2021

27 August 2021

Prepared by: O.V. Rybaika, 537-47-75, K.G. Zadneprovsky, 537-47-84.

Notes set out on pages 7 to 46 form the integral part of these interim condensed consolidated financial statements.

## JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

INTERIM CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021  
(in thousands of UAH)

	Notes	For the six months ended 30 June 2021	For the six months ended 30 June 2020
(unaudited)			
<b>Cash flows from operating activities</b>			
Interest received		9,036,768	8,479,483
Interest paid		(4,313,407)	(6,303,857)
Fee and commissions received		4,621,610	3,461,174
Fee and commissions paid		(1,637,721)	(1,425,513)
Foreign currency transactions	8	42,915	8,432
Other operating income received		245,390	158,582
Staff costs paid		(2,950,302)	(2,741,502)
Operating expenses paid		(1,575,992)	(1,438,473)
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>		<b>3,469,261</b>	<b>198,326</b>
<b>Changes in operating assets and liabilities</b>			
<i>Decrease/(increase) in operating assets:</i>			
Due from banks		(6,794)	35,788
Loans to customers		(7,147,125)	(200,622)
Other assets		535,141	389,986
<i>(Decrease)/increase in operating liabilities</i>			
Due to banks		1,498,006	(20,156)
Customer accounts		20,410,484	(34,058,509)
Other liabilities		149,277	63,064
<b>Net cash from/(used in) operating activities before income tax</b>		<b>18,908,250</b>	<b>(33,592,123)</b>
Income tax paid		(147,650)	(12,775)
<b>Net cash from/(used in) operating activities</b>		<b>18,760,600</b>	<b>(33,604,898)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(907,478,866)	(486,912,492)
Proceeds from sale and redemption of investments		908,182,277	496,270,585
Purchase of property and equipment and intangible assets		(465,590)	(512,118)
Proceeds from sale of property and equipment		6,218	222
<b>Net cash from investing activities</b>		<b>244,039</b>	<b>8,846,197</b>
<b>Cash flows from financing activities</b>			
Payment of the profit share based on the financial result of the year	24	(832,902)	(76,554)
Redemption of other borrowed funds	21	(592,714)	(506,712)
Redemption of Eurobonds issued	20	(1,663,919)	(7,635,328)
Redemption of subordinated debt	23	(174,816)	(1,199,105)
Redemption of lease obligations	22	(95,177)	(80,383)
<b>Net cash used in financing activities</b>		<b>(3,359,528)</b>	<b>(9,498,082)</b>

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**INTERIM CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2021  
(in thousands of UAH)**

	Notes	For the six months ended 30 June 2021	For the six months ended 30 June 2020
		(unaudited)	
Effect of exchange rates changes on cash and cash equivalents		(1,091,192)	6,437,526
Effect of allowance change for cash and cash equivalents		(4,969)	18,928
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>14,548,950</b>	<b>(27,800,329)</b>
Cash and cash equivalents, at the beginning of the period	13	26,553,199	56,803,113
Cash and cash equivalents, at the end of the period	13	<b>41,102,149</b>	<b>29,002,784</b>

**On behalf of the Management Board:**

**S.V. Naumov**  
**Chairman of the Management Board**

27 August 2021



**G.S. Kostenko**  
**Chief Accountant**

27 August 2021

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(in thousands of UAH)

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#### 1. ORGANIZATION

The Bank is a legal successor of the State Specialized Commercial Savings Bank of Ukraine registered by the National Bank of Ukraine (hereinafter – “the NBU”) on 31 December 1991, registration №4. Open Joint Stock Company “State Savings Bank of Ukraine” was established in accordance with the Decree of the President of Ukraine No. 106 dated 20 May 1999 and the Resolution of the Cabinet of Ministers of Ukraine No. 876 dated 21 May 1999 by converting the State Specialized Commercial Savings Bank of Ukraine into the State Savings Bank of Ukraine in the form of an open joint stock company. Open Joint Stock Company “State Savings Bank of Ukraine” was registered by the NBU on 26 May 1999, registration №4. The change of the Bank’s name to Public Joint Stock Company “State Savings Bank of Ukraine” was registered on 7 June 2011. On 5 June 2019 the Cabinet of Ministers of Ukraine adopted the Resolution №568 “Aspects of the Joint Stock Company “State Savings Bank of Ukraine”, formally published and effective from 10 July 2019, which outlined the change of the legal type of Joint Stock Company “State Savings Bank of Ukraine” from public to private and adopted the new version of the Charter of JSC “Oschadbank”. The new version of the Charter was validated by the NBU and on 18 July 2019 its state registration was completed.

The Bank operates under a banking license issued by the National Bank of Ukraine. The Bank has a general license issued by the National Bank of Ukraine for conducting foreign currency transactions and a license issued by the National Securities and Stock Market Commission (hereinafter – the “NSSMC”) for operations with securities.

The Bank’s primary business activities are represented by processing banking accounts and attracting deposits from legal entities and individuals, issuing loans, transferring payments, trading in securities, and operating with foreign currencies.

The Bank is not a member of the Individual Deposit Guarantee Fund since all the deposits placed by individuals are guaranteed by the state.

As at 30 June 2021 and 31 December 2020, 100% of the Bank’s shares were state-owned.

The legal address of the Bank is: 12G Hospitalna str., Kyiv, 01001, Ukraine.

These interim condensed consolidated financial statements have been prepared for the Bank and PJSC “Mortgage Loans Refinancing Agency” (hereinafter – “the Group”):

Name	Country of operation	Participatory/voting interest (%) as at		Type of activities
		30 June 2021	31 December 2020	
JSC “Oschadbank”	Ukraine		Parent company	Banking
PJSC “Mortgage Loans Refinancing Agency”	Ukraine	70.86	70.86	Loan refinancing

These interim condensed consolidated financial statements were approved by the Management Board on 27 August 2021.

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)

*(in thousands of UAH)*

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#### 2. OPERATING ENVIRONMENT AND GOING CONCERN

Gradual reduction of quarantine restrictions and spread of vaccination during the second quarter of 2021 contributes to the revival of economic activity of enterprises, increase of business optimism and economic recovery. The financial system remained profitable and resilient to the crisis. High attention of banks to the quality of portfolios before and during the crisis, timely restructuring of loans to borrowers who experienced difficulties, allowed passing the crisis period without significant losses. This was facilitated by stabilization of the situation on the financial markets and surplus of liquidity in the banking system.

At the same time, rising inflationary trends in the world, volatility of world prices for oil and Ukrainian exports, rising excise taxes, emergence of additional epidemiological costs and the shortfall in quarantine restrictions accelerated inflation. Since the beginning of 2021, consumer inflation amounted to 6.4% per annum, the annual growth rate of consumer prices in Ukraine in May and June reached 9.5% per annum.

Against the background of increasing inflationary pressures and deteriorating inflation expectations, the NBU used a tool to raise the discount rate. Since March 2021, the discount rate has been raised twice - by a total of 150 bp. - up to 7.5% per annum, which contributed to higher interest rates on loans, but interest rates on deposits, on the contrary, continued to decline.

As of 1 July 2021, the international reserves of Ukraine amounted to 28.4 billion US dollars (equivalent). Foreign exchange earnings in favor of the Government and the intervention of the National Bank offset the repayment of external and internal liabilities of the state, which were made during the second quarter of the current year.

Since the beginning of the second quarter of 2021, the net stable funding ratio (NSFR) came into force. The value of the standard will be gradually increased to 100% by April 2022. Also, from April 1, risk weights were introduced for foreign currency securities issued by the Ukrainian Government.

On 30 June 2021, the Verkhovna Rada of Ukraine adopted in the first reading a bill on the accession of the Bank to the Deposit Guarantee Fund of Ukraine.

Negotiations with the IMF continue. Cooperation with the IMF and other international partners strengthens the Government's ability to support the country's economy during the crisis and will contribute to exchange rate stability and overcoming of the peak of debt repayments in the fall. In the framework of cooperation with the IMF, the Verkhovna Rada of Ukraine adopted a bill on improving corporate governance in banks, strengthening the responsibility of management, internal control systems and risk management in Ukrainian banks.

As of 30 June 2021, the Bank is a specialized savings bank and belongs to the systemically important banks of Ukraine. The bank ranks second among Ukrainian banks in terms of assets and is second in terms of borrowed funds.

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of UAH)

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Determinants that will have an impact on the continued operation and successful implementation of the Bank's development strategy remain

- vaccination rate, spread of new strains of coronavirus, risk of re-introduction of quarantine;
- suspension of structural and economic reforms in the state;
- continuance of cooperation with international financial organizations against the background of significant amounts of public debt repayments;
- introduction of additional regulatory requirements;
- monetary policy of the NBU;
- decline in economic and consumer activity of business and the population;
- weakening of borrowers' creditworthiness, reduction of collateral liquidity;
- risk of devaluation of the national currency;
- intensification of competition in the banking system, in particular among state-owned banks;
- the need for significant capital investments in development and reengineering of banking technologies and business models;
- possible escalation of military activity in the east of the country, which may adversely affect the financial condition of individual borrowers and the Bank as a whole;
- risk of emergencies of natural and man-caused orientation.

The Management focuses on maintaining the Group's sound performance in line with the current circumstances and information available. However, it is possible that the external factors occur that may have a negative impact on the stability of the banking system as a whole, and thus on the results of operations and financial condition of the Group, the nature and consequences of which are currently impossible to determine.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Statements* (IAS 34), and in compliance with the requirements of paragraph 8.2, section III of Instruction about the order of preparation and publication of Ukrainian banks' financial statements, approved by the Resolution of the Management Board of the NBU No. 373 dated 24 October 2011 (with amendments).

Therefore, it does not contain all information required by the International Financial Reporting Standards (“IFRS”), produced by the International Accounting Standards Board (“IASB”). These interim condensed consolidated financial statements should be considered together with the Group's consolidated financial statements as at 31 December 2020 and for the year than ended, that are published on the official website of the Bank ([www.oschadbank.ua](http://www.oschadbank.ua)).

#### (b) Basis of presentation

These interim condensed consolidated financial statements are presented in thousands of UAH, unless otherwise indicated.

These interim condensed consolidated financial statements of the Group do not include all information and disclosures that could materially duplicate the information included in the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with the IFRS, such as accounting policies. The Management believes that the interim condensed consolidated financial statements reflect all adjustments necessary to present a true and fair view of the Group's financial position, operating results, statement of changes in equity and statement of cash flows for the interim period.

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of UAH)

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#### (c) Functional currency

Items included in the interim condensed consolidated financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group (“functional currency”). The functional currency of these interim condensed consolidated financial statements is hryvnia (“UAH”). All amounts are rounded to thousands, unless otherwise indicated.

#### *Foreign currency transactions*

Monetary assets and liabilities denominated in foreign currencies are translated into UAH at the appropriate spot exchange rates effective at the reporting date. Foreign currency transactions are accounted for at the exchange rates set at the date of the transaction. Gains and losses arising from these translations as well as from the settlement of foreign exchange transactions are included in net gain/(loss) on foreign exchange operations.

The official exchange rates at period-end used by the Group in preparation of the interim condensed consolidated financial statements are as follows:

	<b>30 June 2021</b>	<b>31 December 2020</b>
UAH/USD 1	27.1763	28.2746
UAH/EUR 1	32.3018	34.7396

#### (e) Significant assumptions and sources of estimation uncertainty

While preparing the interim condensed consolidated financial statements of the Group, management is required to make assumptions, estimates and use professional judgment in terms of the carrying amount of assets and liabilities that are not apparent from other sources. The estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

While preparing the interim condensed consolidated financial statements, the critical judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with the IFRS.

#### (f) Accounting policies

The accounting policies and calculation methods used in the preparation of these interim condensed consolidated financial statements were the same as those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020.

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)***(in thousands of UAH)***4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)*****Transition to new or revised standards and interpretations***

The application of the following amendments and improvements to the standards, which were first applied in 2021, did not have an impact on the Group’s interim condensed consolidated financial statements:

Amendments to IFRS 9 Financial Instruments and IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 16 *Leases* and IFRS 4 *Insurance Contracts* (issued in December 2020; apply to annual periods beginning on 1 January 2021). *IBOR reform - Phase 2* to address the accounting issues which arise upon the replacement of an IBOR with a RFR. These amendments provide a number of exemptions and additional disclosures. Exemptions apply when a risk-free rate is applied to a financial instrument instead of IBOR. As a simplification of practical nature, the change in the basis for determining the contractual cash flows as a result of the base interest rate reform should be considered as a change in the floating interest rate, provided that under the transition from IBOR to the risk-free rate, the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The Group did not apply in advance any other standards, interpretations and amendments to them that have been made public but have not yet entered into force.

**5. NET INTEREST INCOME**

Net interest income is presented as follows:

	<b>For the six months ended 30 June 2021</b>	<b>For the six months ended 30 June 2020</b>
	<b>(unaudited)</b>	
<b>Interest income includes:</b>		
<b>Interest income calculated using effective interest rate method</b>		
<b>Interest income on financial assets at amortised cost</b>		
Interest income on loans to customers	4,427,063	4,436,297
Interest income on investments	3,077,285	1,140,240
Interest income on due from banks	4,642	90,185
Other interest income	687	2,650
<b>Interest income on financial assets at fair value through other comprehensive income</b>		
Interest income on investments	900,221	1,921,978
<b>Total interest income calculated using effective interest rate method</b>	<b>8,409,898</b>	<b>7,591,350</b>
<b>Interest income on financial assets at fair value through profit or loss</b>		
Interest income on investments	1,347,125	1,288,273
Interest income on loans to customers	463,724	354,966
<b>Total interest income</b>	<b>10,220,747</b>	<b>9,234,589</b>
<b>Interest expense comprises</b>		
<b>Interest expense on financial liabilities at amortised cost</b>		
Interest expense on customer accounts	(3,380,744)	(4,969,945)
Interest expense on Eurobonds issued (Note 20)	(450,485)	(676,547)
Interest expense on amounts due to banks	(237,174)	–
Interest expense on other borrowed funds (Note 21)	(88,802)	(107,377)
Interest expense on subordinated debt (Note 23)	(37,684)	(63,761)
Other interests	–	(1)
<b>Other interest expense</b>		
Interest expense on lease obligations	(31,638)	(37,056)
<b>Total interest expense</b>	<b>(4,226,527)</b>	<b>(5,854,687)</b>
<b>Net interest income</b>	<b>5,994,220</b>	<b>3,379,902</b>

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FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)***(in thousands of UAH)***6. ALLOWANCE FOR EXPECTED CREDIT LOSSES OF INTEREST BEARING ASSETS, OTHER PROVISIONS**

Movements in allowances for expected credit losses on interest bearing assets were as follows:

	Cash and cash equivalents	Due from banks	Loans to legal entities	Loans to individuals	Investments	Total
<b>1 January 2020</b>	<b>45,550</b>	<b>3,980,474</b>	<b>54,162,429</b>	<b>3,317,611</b>	<b>200,392</b>	<b>61,706,456</b>
(Reversal)/accrual of allowance for expected credit losses	(18,928)	(38)	(262,266)	537	38,719	(241,976)
(Reversal)/accrual of allowance due to modification	-	-	(279,617)	1,140	(3,241)	(281,718)
Interest income adjustment	-	-	1,546,562	(9,831)	-	1,536,731
Write-off of assets	-	(1,250)	(25,043,576)	(15,071)	-	(25,059,897)
Reclassification of allowance due to restructuring of asset	-	-	(86,688)	-	-	(86,688)
Foreign exchange differences	13,318	388,498	5,954,014	185,006	7,117	6,547,953
<b>30 June 2020 (unaudited)</b>	<b>39,940</b>	<b>4,367,684</b>	<b>35,990,858</b>	<b>3,479,392</b>	<b>242,987</b>	<b>44,120,861</b>
<b>1 January 2021</b>	<b>10,607</b>	<b>4,607,160</b>	<b>22,554,379</b>	<b>3,466,127</b>	<b>265,630</b>	<b>30,903,903</b>
Accrual/(reversal) of allowance for expected credit losses	4,969	-	(146,583)	105,592	53,409	17,387
(Reversal)/accrual of allowance due to modification	-	-	(409,612)	1,216	-	(408,396)
Interest income adjustment	-	-	372,301	(3,338)	-	368,963
Write-off of assets	-	(4,451,105)	(1,465,314)	(47,025)	-	(5,963,444)
Asset value recovery	-	-	719,632	-	-	719,632
Foreign exchange differences	(789)	(156,055)	(671,539)	(73,787)	(1,454)	(903,624)
<b>30 June 2021 (unaudited)</b>	<b>14,787</b>	<b>-</b>	<b>20,953,264</b>	<b>3,448,785</b>	<b>317,585</b>	<b>24,734,421</b>

In the first half of 2021, one of the Group's borrowers made an early repayment of a loan in amount of UAH 811,459 thousand, which was initially recognized as a credit-impaired financial asset. The asset value recovery during the first half of 2021 was reflected as part of (Accrual) / reversal of allowance for expected credit losses on interest-bearing assets in amount of UAH 376,482 thousand. Totally, the asset value recovery was recognized in amount of initial impairment (discount) on the loan – UAH 719,632 thousand.

Movements in allowance for expected credit losses on other operations were as follows:

	Other financial assets	Guarantees and other commitments	Total
<b>1 January 2020</b>	<b>1,922,990</b>	<b>526,697</b>	<b>2,449,687</b>
Accrual of allowance	9,090	42,292	51,382
Write-off of assets	(946)	-	(946)
Foreign exchange differences	26,822	22,177	48,999
<b>30 June 2020 (unaudited)</b>	<b>1,957,956</b>	<b>591,166</b>	<b>2,549,122</b>
<b>1 January 2021</b>	<b>1,977,359</b>	<b>634,094</b>	<b>2,611,453</b>
(Reversal)/accrual of allowance	37,463	(23,415)	14,048
Write-off of assets	(228,472)	-	(228,472)
Foreign exchange differences	(10,164)	(8,312)	(18,476)
<b>30 June 2021 (unaudited)</b>	<b>1,776,186</b>	<b>602,367</b>	<b>2,378,553</b>

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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*(in thousands of UAH)*

Movements in allowance for impairment losses on other operations were as follows:

	<b>Other non-financial assets</b>
<b>1 January 2020</b>	<b>179,474</b>
Accrual of allowance	2,912
<b>30 June 2020 (unaudited)</b>	<b>182,386</b>
<b>1 January 2021</b>	<b>155,554</b>
Accrual of allowance	6,820
Write-off of assets	(8,603)
Foreign exchange differences	(350)
<b>30 June 2021 (unaudited)</b>	<b>153,421</b>

**7. FEE AND COMMISSION INCOME AND EXPENSE**

Fee and commission income and expense are presented as follows:

	<b>For the six months ended 30 June 2021</b>	<b>For the six months ended 30 June 2020</b>
	<b>(unaudited)</b>	
<b>Fee and commission income:</b>		
Payment card transactions	2,795,378	2,085,404
Settlement and cash transactions	1,680,289	1,225,987
Foreign currency transactions	56,556	48,139
Off-balance sheet operations	32,685	25,085
Dealing with securities	2,541	1,494
Other	82,465	70,094
<b>Total fee and commission income</b>	<b>4,649,914</b>	<b>3,456,203</b>
<b>Fee and commission expense:</b>		
Payment card transactions	(1,554,556)	(1,354,638)
Settlement and cash transactions	(61,944)	(54,174)
Foreign currency transactions	(13,911)	(8,222)
Dealing with securities	(3,188)	(2,855)
Other	(4,122)	(5,624)
<b>Total fee and commission expense</b>	<b>(1,637,721)</b>	<b>(1,425,513)</b>

**8. NET GAIN/(LOSS) ON FOREIGN EXCHANGE TRANSACTIONS**

Net gain/(loss) on foreign exchange transactions includes:

	<b>For the six months ended 30 June 2021</b>	<b>For the six months ended 30 June 2020</b>
	<b>(unaudited)</b>	
Foreign exchange differences, net	718,008	(1,950,500)
Dealing in foreign currencies, net	42,915	8,432
<b>Total net gain/(loss) on foreign currency transactions</b>	<b>760,923</b>	<b>(1,942,068)</b>

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*(in thousands of UAH)*

**9. OPERATING EXPENSES**

Operating expenses are presented as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
	(unaudited)	
Salaries and bonuses	2,594,947	2,367,835
Depreciation and amortization	816,770	734,754
Property and equipment maintenance	718,720	513,929
Payroll	554,998	508,243
Communication services	208,260	235,315
Utilities	103,479	74,681
Depreciation of right-of-use assets	103,109	97,792
Taxes, other than income tax	76,393	57,640
Office maintenance	39,988	58,228
Security	33,948	33,869
Professional services	22,629	23,745
Operating leases	22,276	19,370
Insurance	17,191	12,422
Advertising costs	9,046	10,893
Business trips	3,548	4,505
Other expenses	273,517	321,515
<b>Total operating expenses</b>	<b>5,598,819</b>	<b>5,074,736</b>

**10. NET (LOSS)/GAIN ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

Net (loss)/gain on transactions with financial instruments at fair value through profit or loss is presented as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
	(unaudited)	
<i>Change in fair value:</i>		
- loans to customers	(193,898)	(211 942)
- investments	(3,357,352)	5 446 101
<b>Total net (loss)/gain on transactions with financial instruments at fair value through profit or loss</b>	<b>(3,551,250)</b>	<b>5,234,159</b>

**11. INCOME TAX**

The Bank calculates income tax based on the tax accounts maintained and prepared in accordance with the current Ukrainian tax legislation, which may differ from International Financial Reporting Standards.

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(in thousands of UAH)**

Movements in deferred tax assets/(liabilities) are presented as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
	(unaudited)	
<b>At the beginning of the period</b>	<b>(233,833)</b>	<b>(369,794)</b>
Change in deferred tax liabilities recognized in profit or loss	208	–
Tax effect of revaluation reserve of securities at fair value through comprehensive income	–	11
Tax effect of decrease of the fair value reserve of securities	48,802	(17,995)
<b>At the end of the period</b>	<b>(184,823)</b>	<b>(387,778)</b>

**12. EARNINGS PER SHARE**

For the purposes of these interim condensed consolidated financial statements, the earnings per share are not disclosed whereas 100% of the Bank’s shares belong to the state.

**13. CASH AND CASH EQUIVALENTS**

	30 June 2021 (unaudited)	31 December 2020
Correspondent accounts	22,485,081	11,327,031
Cash on hand	10,006,453	10,793,959
Balances with the National Bank of Ukraine	8,625,402	4,442,816
Less: allowance for expected credit losses	(14,787)	(10,607)
<b>Total cash and cash equivalents</b>	<b>41,102,149</b>	<b>26,553,199</b>

Balances with the NBU represent funds placed with the NBU to secure daily settlements and other operations.

Movements in expected credit losses for cash and cash equivalents for the six months ended 30 June 2021 and 2020 are presented in Notes 6, 30.

As of 30 June 2021, the maximum credit risk on cash and cash equivalents amounted to UAH 31,095,696 thousand (31 December 2020: UAH 15,759,240 thousand).

As at 30 June 2021 and 31 December 2020 corresponding accounts including cash and cash equivalents in the amount of UAH 11,647,460 thousand (28.33%) and UAH 5,473,916 thousand (20.61%) were placed in one bank respectively, which is the evidence of high concentration.

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)  
(in thousands of UAH)**

**14. DUE FROM BANKS**

Due from banks comprises:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
Correspondent accounts	53,134	4,464,365
Loans and term deposits	100	189,145
	<b>53,234</b>	<b>4,653,510</b>
Less: allowance for expected credit losses	-	(4,607,160)
<b>Total due from banks</b>	<b>53,234</b>	<b>46,350</b>

Movements in allowance for expected credit losses on balances due from banks for the six months ended 30 June 2021 and 2020 are disclosed in Notes 6, 30.

As at 30 June 2021 and 31 December 2020 the maximum credit risk exposure in due from banks amounted to UAH 53,234 thousand and UAH 46,350 thousand respectively.

As at 31 December 2020 the Bank had placements with one banks in the amount of UAH 4,196,185 thousand (91.17%), which represents a significant concentration.

As at 30 June 2021, there are no funds on which 100% of the provision for expected credit risks has been accrued (31 December 2020: UAH 4,607,160 thousand were placed in three banks and were not included in the amount of cash and cash equivalents).

**15. LOANS TO CUSTOMERS**

Loans to customers are presented as follows:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
Loans measured at amortised cost	66,895,637	60,749,810
Loans measured at fair value through profit or loss (Note 27)	2,566,515	2,476,267
<b>Total loans to customers</b>	<b>69,462,152</b>	<b>63,226,077</b>
	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Loans at amortised cost</b>		
Loans to legal entities	76,945,643	74,389,212
Loans to individuals	14,352,043	12,381,104
Allowance for expected credit losses	(24,402,049)	(26,020,506)
<b>Total loans at amortised cost</b>	<b>66,895,637</b>	<b>60,749,810</b>
	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Loans at fair value through profit or loss</b>		
Loans to legal entities	2,566,515	2,476,267
<b>Total loans at fair value through profit or loss</b>	<b>2,566,515</b>	<b>2,476,267</b>

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of UAH)

Movements in the allowance for expected credit losses for the six months ended 30 June 2021 and 30 June 2020 are disclosed in Notes 6, 30.

As at 30 June 2021 and 31 December 2020 the maximum credit risk exposure for loans to customers amounted to UAH 69,462,152 thousand and UAH 63,226,077 thousand respectively.

As at 30 June 2021 and 31 December 2020 loans in the amount of UAH 40,377,261 thousand (43%) and UAH 40,220,368 thousand (45%), respectively were issued to ten borrowers legal entities which is the evidence of high concentration.

The table below represents the structure of the Group’s borrowers by economic sectors:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Analysis by sector</b>		
Energy	23,614,697	20,518,538
Food and beverage manufacturing and processing	14,642,830	14,940,283
Individuals	14,352,043	12,381,104
Construction and real estate	11,516,302	11,249,544
Trade	5,922,238	5,595,614
Oil, gas and chemical production	4,498,869	7,059,939
Mining and metallurgy	3,893,846	4,488,383
Agriculture	4,659,029	3,562,085
Municipal authorities	3,160,965	3,108,068
Road construction and maintenance	2,303,232	2,911,154
Transport	2,479,456	133,182
Engineering	1,572,247	1,573,212
Industrial and consumer goods manufacturing	695,226	1,056,046
Services	398,667	459,015
Press and publishing	32,754	26,099
Financial services	15,738	18,364
Media and communications	6,106	96,256
Other	99,956	69,697
	<b>93,864,201</b>	<b>89,246,583</b>
Less: allowance for expected credit losses	(24,402,049)	(26,020,506)
<b>Total loans to customers</b>	<b>69,462,152</b>	<b>63,226,077</b>

The Group obtained real estate and other assets by taking possession of collateral it held as security. As at 30 June 2021 and 31 December 2020 such assets in the amount of UAH 1,151,759 thousand and UAH 1,570,749 thousand respectively were included in other assets (Note 17).

Loans to individuals comprise the following products:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
Payment card loans	4,821,616	4,399,749
Car loans	3,792,659	2,810,990
Mortgage loans	2,482,246	2,105,011
Consumer loans secured by real estate and guarantees	1,563,887	1,665,378
Other consumer loans	1,691,635	1,399,976
	<b>14,352,043</b>	<b>12,381,104</b>
Less: allowance for expected credit losses	(3,448,785)	(3,466,127)
<b>Total loans to individuals</b>	<b>10,903,258</b>	<b>8,914,977</b>

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousands of UAH)*

**16. INVESTMENTS**

Investments are presented as follows:

	30 June 2021			31 December 2020		
	At fair value through profit or loss	At fair value through other comprehensive income  (unaudited)	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost
<b>Ukrainian government debt securities</b>						
Short-term Ukrainian government debt securities	-	-	4,467,208	-	-	19,615,494
Medium-term Ukrainian government debt securities	-	1,392,976	53,644,147	-	8,818,004	41,864,394
Long-term Ukrainian government debt securities	43,318,468	2,283,801	5,766,843	46,152,268	2,358,244	5,765,731
	<b>43,318,468</b>	<b>3,676,777</b>	<b>63,878,198</b>	<b>46,152,268</b>	<b>11,176,248</b>	<b>67,245,619</b>
<b>Other</b>						
Debt commitments of the NBU	-	10,012,329	2,500,445	-	-	3,000,411
Bonds issued by corporate entities	-	620,991	41,712	-	625,886	41,945
Bonds issued by local government authorities	-	-	-	-	450,269	302,197
Bonds issued by State Mortgage Institution	-	-	845,965	-	-	840,116
	-	<b>10,633,320</b>	<b>3,388,122</b>	-	<b>1,076,155</b>	<b>4,184,669</b>
Allowance for expected credit losses	-	-	(235,288)	-	-	(163,986)
<b>Total debt securities</b>	<b>43,318,468</b>	<b>14,310,097</b>	<b>67,031,032</b>	<b>46,152,268</b>	<b>12,252,403</b>	<b>71,266,302</b>
<b>Equity securities</b>						
Corporate shares	-	581,955	-	-	580,568	-
<b>Total equity securities</b>	-	<b>581,955</b>	-	-	<b>580,568</b>	-
<b>Total investments</b>	<b>43,318,468</b>	<b>14,892,052</b>	<b>67,031,032</b>	<b>46,152,268</b>	<b>12,832,971</b>	<b>71,266,302</b>

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2021***(in thousands of UAH)*

Movements in allowance for expected credit losses for the six months ended 30 June 2021 and 2020 are disclosed in Notes 6, 30.

As at 30 June 2021 on fulfillment of the terms of the NBU's cash reserves agreement government debt securities of Ukraine in the amount of UAH 11,770,903 thousand were pledged as collateral, i.e. those carried at amortized cost in amount of UAH 2,750,692 thousand, and those carried at fair value through profit or loss in the amount of UAH 9,020,211 thousand (as at 31 December 2020 government debt securities of Ukraine in the amount of UAH 12,302,575 thousand, i.e. those carried at amortized cost in amount of UAH 2,714,572 thousand, and those carried at fair value through profit or loss in the amount of UAH 9,588,003 thousand were pledged under the same agreement).

As at 30 June 2021 and 31 December 2020 the government debt securities in the amount of UAH 434,316 thousand and UAH 459,748 thousand at fair value through profit or loss were pledged as collateral to secure the loans received from the Business Development Fund (Note 21).

In accordance with the terms of the General Loan Agreement concluded with the NBU, the Group pledged government debt securities of Ukraine. As at 30 June 2021 and 31 December 2020 the carrying value of the pledged assets comprised UAH 11,833,514 thousand and UAH 31,984,806 thousand correspondingly. Securities carried at amortized cost in amount of UAH 11,833,514 thousand are pledged as collateral (as at 31 December 2020: UAH 22,982,181 thousand, as well as securities carried at fair value through other comprehensive income in the amount of UAH 9,002,625 thousand).

Corporate shares are investments in equity instruments at fair value through other comprehensive income, and represented mostly by shares of Visa and Mastercard.

**17. OTHER ASSETS**

Other assets comprise:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Other financial assets</b>		
Accounts receivable for securities settlements	1,642,422	1,642,422
Income accrued	241,324	223,172
Settlements with money transfer systems	184,886	279,162
Accounts receivable for transactions with other financial instruments	19,381	256,088
Other receivables	14,109	6,767
The fair value of spot currency transactions	85	-
	<b>2,102,207</b>	<b>2,407,611</b>
Less: allowance for expected credit losses	(1,776,186)	(1,977,359)
	<b>326,021</b>	<b>430,252</b>
<b>Other non-financial assets</b>		
Collateral repossessed by the Group	1,151,759	1,570,749
Deferred expenses	441,788	468,887
Inventories	164,777	192,966
Prepayments for purchase of assets	130,196	150,606
Prepaid services	86,950	76,794
Receivables from employees and third parties	77,256	84,832
Precious metals	39,226	57,434
Receivables on taxes and obligatory payments	16,527	11,542
Other	243	14
	<b>2,108,722</b>	<b>2,613,824</b>
Less: allowance for impairment losses	(153,421)	(155,554)
	<b>1,955,301</b>	<b>2,458,270</b>
<b>Total other assets</b>	<b>2,281,322</b>	<b>2,888,522</b>

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2021 (in thousands of UAH)

Movements in allowance for expected credit losses are disclosed in Note 6, 30.

Accounts receivable for securities settlements as at 30 June 2021 in amount of UAH 1,642,422 thousand are represented by the principal outstanding at the time of repayment including the interest accrued on corporate bonds (as at 31 December 2020: UAH 1,642,422 thousand represented by the principal outstanding at the time of repayment including the interest accrued on corporate bonds). Due to the claim of the corporate bonds for repayment before maturity date and failure to obtain payment for them, respective amounts due were recognised as accounts receivable for securities and reclassified from the investments to other assets. Allowance for accounts receivable for securities settlements as at 30 June 2021 was recognized in full amount UAH 1,642,422 thousand (as at 31 December 2020: UAH 1,642,422 thousand).

Accounts receivable for transactions with other financial instruments include impaired receivables under letters of credit issued by the Group.

In the first half of 2021, the Group sold repossessed assets with a carrying value of UAH 418,990 thousand. As a result, gain in amount of UAH 73,950 thousand was recognized in the interim consolidated statement of profit or loss and other comprehensive income within Net other income.

Precious metals are represented by gold and silver in vault.

#### 18. DUE TO BANKS

Due to banks comprises:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
Loans received from the National Bank of Ukraine	7,248,677	5,499,287
Correspondent accounts of other banks	65,215	324,695
Loans received from banks	750	-
<b>Total due to banks</b>	<b>7,314,642</b>	<b>5,823,982</b>

Loans received from the National Bank of Ukraine were obtained under a general loan agreement secured by government securities (Note 16).

#### 19. CUSTOMER ACCOUNTS

Customer accounts comprise:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2019</b>
Demand accounts	110,393,481	84,401,184
Term deposits	92,921,536	101,764,268
<b>Total customer accounts</b>	<b>203,315,017</b>	<b>186,165,452</b>

As at 30 June 2021 and 31 December 2020 the total balances of top ten customers amounted to UAH 38,726,149 thousand and UAH 15,997,748 thousand, which represents 19% and 9% of total customer accounts respectively. As at 30 June 2021 and 31 December 2020 the total balance on accounts of the largest customer comprised 9% and 4% of the total balances on customers' accounts respectively.

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2021***(in thousands of UAH)*

The table below represents customer accounts' structure by industry sectors:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Analysis by sectors of economy</b>		
Individuals	124,943,925	125,359,459
Oil, gas and chemical production	18,202,034	6,765,739
Transport	14,129,507	4,873,077
Agriculture	9,598,070	7,625,900
Energy	8,919,117	9,258,827
State authorities and local governments	5,406,820	1,363,447
Trade	4,249,121	7,221,800
Services	3,772,050	4,107,834
Financial services	2,660,440	3,862,736
Construction and real estate	2,382,516	3,444,363
Engineering	1,145,961	1,579,524
Industrial and consumer goods manufacturing	876,510	1,273,724
Media and communications	835,621	3,070,056
Food and beverage manufacturing and processing	468,394	849,502
Mining and metallurgy	412,734	560,623
Press and publishing	79,596	109,445
Other	5,232,601	4,839,396
<b>Total customer accounts</b>	<b>203,315,017</b>	<b>186,165,452</b>

As at 30 June 2021 customer accounts include deposits in the amount of UAH 795,095 thousand (31 December 2020: UAH 54,190 thousand) that are pledged as collateral for financial guarantees issued and other commitments (Note 25).

In the first half of 2021, the Group derecognized liabilities on customer accounts related to the Crimean Republican Branch, which ceased its operations in 2014 due to the annexation of Crimea, as clients identification data was no longer available. At the same time, the Group recognized provision to cover possible payments under these liabilities in full. Provision was created in order to cover payments under liabilities on customer accounts of the Crimean Republican Branch in case of receipt of all information for client identification, as required by the current legislation of Ukraine (Note 22).

**20. EURO BONDS ISSUED**

Eurobonds issued are presented as follows:

<b>Issue date</b>	<b>Maturity</b>	<b>Coupon rate p.a., %</b>	<b>Carrying value, 30 June 2021 (unaudited)</b>	<b>Carrying value, 31 December 2020</b>
March and July 2011	September 2021 – March 2023	9.375%	3,944,858	5,142,605
March 2013	September 2021 – March 2025	9.625%	5,632,343	6,602,011
			<b>9,577,201</b>	<b>11,744,616</b>

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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*(in thousands of UAH)*

Changes within the Eurobonds issued are presented as follows:

	<b>For the six months ended 30 June 2021</b>	<b>For the six months ended 30 June 2020</b>
	<b>(unaudited)</b>	
<b>At the beginning of the period</b>	<b>11,744,616</b>	<b>18,303,877</b>
Redemption of Eurobonds issued	(1,663,919)	(7,635,328)
Foreign exchange differences	(421,556)	2,356,712
Interest expense (Note 5)	450,485	676,547
Interest paid	(532,425)	(937,437)
<b>At the end of the period</b>	<b>9,577,201</b>	<b>12,764,371</b>

On 5 March 2021 the Group repaid USD 35,000 thousand (UAH 971,474 thousand as of the maturity date) of Eurobonds issued in March and July 2011. On 18 March 2021, the Group repaid USD 25,000 thousand (UAH 692,445 thousand as of the maturity date) of Eurobonds issued in March 2013. The repayments took place on time, in accordance with the terms of the Eurobonds issue. Along with the planned redemptions of the principal amount of Eurobonds, the Group also paid accrued interest.

On 5 March 2020, the Group repaid USD 35,000 thousand (UAH 871,178 thousand as of the maturity date) of Eurobonds issued in March and July 2011. On 18 March 2020, the Group repaid USD 250,000 thousand (UAH 6,764,150 thousand as of the maturity date) of Eurobonds issued in March 2013. The repayments took place on time, in accordance with the terms of the Eurobonds issue. Along with the planned redemptions of the principal amount of Eurobonds, the Group also paid accrued interest.

The Bank is obliged to comply with certain covenants specified in the loan agreement with SSB No.1 Plc in relation to the Eurobonds issued. Those covenants comprise: requirement to submit financial statements according to the schedule stated below, restriction to declare or pay dividends or make other distributions if this may lead to delays in repayment of the Eurobonds or if such distributions, in aggregate, exceed 30% of net profits of the Bank for the relevant period (calculated in accordance with the laws of Ukraine), certain limitations on transactions with related parties, etc.

In accordance with the terms of the loan agreements, the Group is required to submit the following financial statements:

- Audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- Unaudited interim IFRS financial statements for the six months ending 30 June within 120 days from the reporting date.

SSB No. 1 Plc has the right to require the Bank to comply with these covenants in accordance with the terms of the agreements.

As at 30 June 2021 and 31 December 2020, there were no breaches of obligations.

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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**21. OTHER BORROWED FUNDS**

Other borrowed funds include:

	Currency	Maturity	30 June 2021 (unaudited)		31 December 2020		
			Coupon rate p.a., %	Carrying value, 30 June 2020	Maturity	Coupon rate p.a., %	Carrying value, 31 December 2019
Borrowings from the European Investment Bank	USD	August 2021 – February 2022	5.87%	495,785	February 2021 – February 2022	5.87	772,912
Borrowings from the European Investment Bank	EUR	September 2021 – September 2024	4.43%	1,080,925	March 2021 – September 2024	4.43	1,328,870
Borrowings from the European Investment Bank	EUR	December 2021 – December 2024	4.26%	1,066,902	June 2021 – December 2024	4.26	1,311,600
Borrowings from the European Investment Bank	EUR	January 2022 – July 2025	3.91%	724,348	January 2022 – July 2025	3.91	779,169
Loan from Business Development Fund	EUR	July 2021 – January 2022	2.80%	162,566	January 2021 – January 2022	2.80	209,748
Loan from Business Development Fund	UAH	March 2022	7.45%	50,514	March 2022	8.22	50,350
<b>Total other borrowed funds</b>				<b>3,581,040</b>			<b>4,452,649</b>

Changes in other borrowed funds are presented as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
	(unaudited)	
<b>At the beginning of the period</b>	<b>4,452,649</b>	<b>4,430,083</b>
Repayment of other borrowed funds	(592,714)	(506,712)
Foreign exchange differences	(272,215)	543,980
Interest expense (Note 5)	88,802	107,377
Interest paid	(95,482)	(109,303)
<b>At the end of the period</b>	<b>3,581,040</b>	<b>4,465,425</b>

Under the loan agreement with the EIB the Bank is required to comply with certain non-financial requirements and financial covenants, which include maintaining certain coefficients (ratios) at the established levels.

As at 30 June 2021, debt securities measured at fair value through profit or loss with carrying amount of UAH 434,316 thousand (Note 16), were used as a collateral to secure the loans received from the Business Development Fund (31 December 2020: UAH 459,748 thousand).

In accordance with the procedures prescribed by the loan agreement concluded with the Business Development Fund the Bank is obliged to comply with certain covenants and provide financial statements.

As at 30 June 2021 and 31 December 2020, there were no breaches of obligations.

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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**22. OTHER LIABILITIES**

Other liabilities comprise:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Other financial liabilities</b>		
Expected credit losses for guarantees and other credit commitments (Notes 6, 27)	602,367	634,094
Lease liabilities	408,512	414,899
Other accounts payable	102,971	51,201
Accrued expenses	49,111	46,506
Fair value of spot foreign currency transactions	45	–
	<b>1,163,006</b>	<b>1,146,700</b>
<b>Other non-financial liabilities</b>		
Provision for unused vacations	569,146	489,717
Accrued bonuses and salaries	194,036	75,933
Taxes payable other than income tax	107,850	108,295
Advances received	65,734	53,609
Provision for commitments to customers	22,219	–
Other	41,085	74,744
	<b>1,000,070</b>	<b>802,298</b>
<b>Total other liabilities</b>	<b>2,163,076</b>	<b>1,948,998</b>

Movements in expected credit losses for guarantees and other commitments are disclosed in Notes 6, 30.

Provision for commitments to customers was formed to cover payments under liabilities on customer accounts related to the Crimean Republican Branch in the event of receipt of all information for client's identification, as required by current legislation of Ukraine (Note 19).

Movement in lease liabilities is presented as follows:

	<b>For the six months ended 30 June 2021</b>	<b>For the six months ended 30 June 2020</b>
	<b>(unaudited)</b>	
<b>At the beginning of the period</b>	<b>414,899</b>	<b>465,211</b>
Liabilities recognized	88,564	14 690
Liabilities repayments	(95,177)	(80 383)
Interest accrual (Note 5)	31,638	37 056
Interest paid	(31,412)	(36 607)
<b>At the end of the period</b>	<b>408,512</b>	<b>399,967</b>

**23. SUBORDINATED DEBT**

Subordinated debt is presented as follows:

Currency	Maturity of principal	Interest rate %	<b>30 June 2021 (unaudited)</b>	Interest rate %	<b>31 December 2020</b>
USD	19 January 2024	7.12	1,050,851	7.22	1,276,240
<b>Total subordinated debt</b>			<b>1,050,851</b>		<b>1,276,240</b>

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2021 (in thousands of UAH)

Changes in subordinated debt are presented as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
	(unaudited)	
<b>At the beginning of the period</b>	<b>1,276,240</b>	<b>2,462,640</b>
Redemption of the subordinated debt	(174,816)	(1 199 105)
Foreign exchange differences	(44,097)	166 323
Interest expense (Note 5)	37,684	63 761
Interest paid	(44,160)	(108 803)
<b>At the end of the period</b>	<b>1,050,851</b>	<b>1,384,816</b>

On 16 January 2021 the Group made partial repayment of subordinated debt in accordance with the repayment schedule in amount of USD 6,250 thousand (which is UAH 174,816 thousand in UAH equivalent as at the repayment date) and paid interest.

On 16 January 2020 the Group made partial repayment of subordinated debt in accordance with the repayment schedule in amount of USD 50,000 thousand (which is UAH 1,199,105 thousand in UAH equivalent as at the repayment date) and paid interest.

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinated to the repayments of the Bank’s liabilities to all other creditors.

In accordance with the terms of the loan agreement the Group should comply, inter alia, with the following covenants and is required to submit:

- Audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- Unaudited interim IFRS financial statements for the six months ending 30 June within 120 days from the reporting date.

SSB No. 1 Plc has the right to require the Bank to comply with these covenants in accordance with the terms of the agreement.

As at 30 June 2021 and 31 December 2020, there were no breaches of obligations.

#### 24. SHARE CAPITAL

Share capital is presented as follows:

	Number of shares	Nominal value, UAH thousand	Adjusted amount, UAH thousand
<b>31 December 2019</b>	<b>42,649</b>	<b>49,472,840</b>	<b>49,724,980</b>
Additional issue of shares	–	–	–
<b>31 December 2020</b>	<b>42,649</b>	<b>49,472,840</b>	<b>49,724,980</b>
Additional issue of shares	–	–	–
<b>30 June 2021 (unaudited)</b>	<b>42,649</b>	<b>49,472,840</b>	<b>49,724,980</b>

As at 30 June 2021 and 31 December 2020 the nominal value of each share amounted to UAH 1,160,000. All shares rank equally and carry one vote.

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2021 (in thousands of UAH)

These interim condensed consolidated financial statements reflect the amount of paid share capital carried at cost, which was adjusted for the effect of hyperinflation in the amount of UAH 252,140 thousand that existed before 31 December 2000.

In 2021, based on the financial result of 2020, the Bank paid out a portion of profit in the amount of UAH 832,897 thousand to the State Budget of Ukraine in accordance with the Resolution of the Cabinet of Ministers of Ukraine dated 28 April 2021 No. 415 “On approval of the basic standard of deduction of a share of the profit directed on payment of dividends on results of financial and economic activity in 2020 of the companies, the statutory capital of which includes corporate rights of the state”.

In 2020, based on the financial result of 2019, the Bank paid out a portion of profit in the amount of UAH 76,548 thousand to the State Budget of Ukraine in accordance with the Resolution of the Cabinet of Ministers of Ukraine dated 24 April 2020 No. 328 “On approval of the basic standard of deduction of a share of the profit directed on payment of dividends on results of financial and economic activity in 2019 of the companies, the statutory capital of which includes corporate rights of the state”.

As at 30 June 2021 and 31 December 2020 the Group’s capital was established and paid in by cash, by Ukrainian government debt securities and using the profit of UAH 49,724,980 thousand, contributed to increase the share capital, taking into account effect of hyperinflation as required by IAS 29 *Financial Reporting in Hyperinflationary Economies*.

The cash contributed to the Group share capital is used for the activities envisaged by the Group Charter.

## 25. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risks, are not reflected in the consolidated statement of financial position.

The Group’s maximum exposure to credit risk under contingent liabilities and contractual commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral, or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for operations recorded in the interim condensed consolidated statement of financial position.

As at 30 June 2021 and 31 December 2020, the nominal or contractual amounts were as follows:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Contingent financial liabilities and credit commitments</b>		
Irrevocable commitments on loans and unused credit lines	14,467,171	14,199,955
Financial guarantees issued and similar commitments	1,218,509	739,221
Letters of credit and other operations related to contingencies	1,732,089	1,071,489
<b>Total contingent financial liabilities and credit commitments</b>	<b>17,417,769</b>	<b>16,010,665</b>

As at 30 June 2021 the maximum credit risk exposure on contingent liabilities and credit commitments extended by the Group to its customers amounted to UAH 16,815,402 thousand (31 December 2020: UAH 15,376,571 thousand).

As at 30 June 2021 and 31 December 2020 non-financial guarantees amounted to UAH 165,596 thousand and UAH 7,291 thousand respectively.

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2021 (in thousands of UAH)

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As at 30 June 2020, allowance for financial guarantees and other liabilities amounted to UAH 602,367 thousand (31 December 2020: UAH 634,094 thousand); provisions for non-financial guarantees and other liabilities amounted to UAH nil (31 December 2020: UAH nil) (Notes 6, 22, 30).

As at 30 June 2021, guarantees issued and other liabilities were provided by cash deposits in the amount of UAH 795,095 thousand (31 December 2020: UAH 54,190 thousand) (Note 19).

Increase of loans to customers within loans and credit line limits is approved by the Group on a case-by-case basis and depends on the borrowers' financial performance, debt service quality, and other conditions. As at 30 June 2021, the total amount of such revocable commitments amounted to UAH 12,320,081 thousand (31 December 2020: UAH 11,983,230 thousand).

Total amount of debt for unused credit lines, letters of credit and guarantees under the agreements do not necessarily represent future cash claim, since the expiration or cancellation of those commitments without providing funds to the borrower could be possible.

#### Litigations

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management believes that no material losses will be incurred within the Group and, accordingly, no provision has been made in these interim condensed consolidated financial statements.

#### Taxation

Due to presence in the Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, Ukrainian tax authorities may take a stricter position in their interpretation of the law during the tax audits. Combined with possible efforts to increase collection of taxes to meet state budget requirements this could increase the level and frequency of inspections by the tax authorities. In particular, it is possible that transactions and activities that were not challenged in the past, may be challenged. As a result, significant additional taxes, penalties and fines may be assessed. Such uncertainty may relate to the valuation of financial instruments, impairment provisions, operations with non-residents and the market level for pricing of deals.

In respect of certain areas, the Ukrainian tax legislation does not contain clear guidance. From time to time, the Group uses the interpretation of such uncertain areas, based on the provisions of current Ukrainian legislation, intergovernmental legislative acts on avoidance of double taxation, which results in application by the Group (the tax agent) of the tax rates which are based on intergovernmental agreements. As noted above, such tax positions may be subject to detailed inspection. The impact of any claims by the tax authorities cannot be reliably estimated; however, it may be material to the financial position and/or general operations of the Group.

As at 30 June 2021 and 31 December 2020 the Group has neither overdue tax liabilities (existence/absence of tax debt), nor unpaid penalties for violations of the financial services legislation, including those on the securities market. The management believes that it has already made all tax payments, and, therefore, no allowance has been made in the interim condensed consolidated financial statements. Tax records remain open to review by the tax authorities for three years.

As at 30 June 2021 and 31 December 2020 the Group has no contingent assets and/or liabilities with a high probability of their recognition in the balance sheet, except for those reported in these financial statements.

## JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2021 (in thousands of UAH)

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#### 26. RELATED PARTY TRANSACTIONS

Related parties of the Group, as defined by IAS 24 *Related Party Disclosures*, represent:

- a) A person or a close member of that person’s family is related to the reporting entity if that person:
  - i) Has control or joint control over the reporting entity;
  - ii) Has significant influence over the reporting entity; or
  - iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to the reporting entity if any of the following conditions applies:
  - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others);
  - ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member);
  - iii) Both entities are joint ventures of the same third party;
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - vi) The entity is controlled or jointly controlled by a person identified in a);
  - vii) A person identified in a)i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel of the Group, and entities, if any, that are controlled, jointly controlled, or significantly influenced by them.

Government-related entities are entities that are controlled, jointly controlled, or significantly influenced by the government.

Government refers to the Government of Ukraine, government agencies, and similar bodies, whether local, national, or international.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Other related parties comprise government, government-related entities (both directly and indirectly) and entities that are controlled, jointly controlled or significantly influenced by them.

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

*(in thousands of UAH)*

The Group's balances with its related parties as at 30 June 2021 and 31 December 2020 are presented in the table below.

	30 June 2021		31 December 2020	
	Transactions with related parties	Total in category	Transactions with related parties	Total in category
	(unaudited)			
Cash and cash equivalents	8,658,085	41,102,149	4,513,976	26,553,199
- other related parties	8,658,085		4,513,976	
Due from banks, less allowance for expected credit losses:	100	53,234	100	46,350
- other related parties	100		100	
Loans to customers, before allowance for expected credit losses:	21,032,453	93,864,201	16,964,100	89,246,583
- key management personnel of the Bank	3,439		7,119	
- other related parties	21,029,014		16,956,981	
Allowance for expected credit losses on the loans granted to customers:	(456,661)	(24,402,049)	(479,048)	(26,020,506)
- key management personnel of the Bank	(84)		(73)	
- other related parties	(456,577)		(478,975)	
Investments after deducting the allowance for expected credit losses:	124,646,690	125,241,552	128,905,873	130,251,541
- other related parties	124,646,690		128,905,873	
Due to banks:	7,264,670	7,314,642	5,696,257	5,823,982
- other related parties	7,264,670		5,696,257	
Customer accounts:	32,883,330	203,315,017	20,142,214	186,165,452
- key management personnel of the Bank	65,139		68,988	
- other related parties	32,818,191		20,073,226	
Other borrowed funds:	213,080	3,581,040	260,098	4,452,649
- other related parties	213,080		260,098	
Other liabilities:	10,337	2,163,076	12,841	1,948,998
- key management personnel of the Bank	10,337		12,841	
Contingent liabilities and credit commitments, including allowance for expected credit losses:	4,011,808	29,903,446	5,998,308	28,001,186
- key management personnel of the Bank	1,708		1,936	
- other related parties	4,010,100		5,996,372	

**JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

*(in thousands of UAH)*

Included in the interim consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 and 2020 were the following amounts which arose due to transactions with related parties:

	For the year ended 30 June 2021		For the year ended 30 June 2020	
	Transactions with related parties	Total in category	Transactions with related parties	Total in category
	(unaudited)			
Interest income:	6,551,729	10,220,747	5,750,802	9,234,589
- key management personnel of the Bank	273		387	
- other related parties:	6,551,456		5,750,415	
- due from banks	-		4	
- loans to customers	1,278,434		1,457,841	
- investments	5,273,022		4,292,570	
Interest expense:	(684,149)	(4,226,527)	(700,684)	(5,854,687)
- key management personnel of the Bank	(887)		(786)	
- other related parties:	(683,262)		(699,898)	
- due to banks	(237,174)		-	
- customer accounts	(439,636)		(693,900)	
- other borrowed funds	(4,723)		(5,998)	
- lease obligations	(1,729)		-	
Reversal of allowance for expected credit losses on interest bearing assets:	(73,216)	(336,011)	(205,635)	(119,551)
- other related parties	(73,216)		(205,635)	
Commission income:	208,281	4,649,914	154,394	3,456,203
- key management personnel of the Bank	64		34	
- other related parties	208,217		154,360	
Fee and commission expense:	(26,341)	(1,637,721)	(9,226)	(1,425,513)
- other related parties	(26,341)		(9,226)	
Net (loss)/gain on transactions with financial instruments at fair value through profit or loss:	(3,357,352)	(3,551,250)	5,446,101	5,234,159
- other related parties	(3,357,352)		5,446,101	
Net other income/(expenses)	5,132	251,267	2,231	139,449
- other related parties	5,132		2,231	
Operating expenses:	(155,299)	(5,598,819)	(86,407)	(5,074,736)
- key management personnel of the Bank	(98,616)		(50,012)	
- other related parties	(56,683)		(36,395)	
Key management personnel remuneration:	(101,120)	(3,149,945)	(50,454)	(2,876,078)
- short-term employee benefits	(96,045)		(46,295)	
- social charges	(5,075)		(4,159)	

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IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value. The estimates presented in the interim condensed consolidated financial statements are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument or pay in the transfer of liabilities.

**Fair value of the Group’s financial assets and financial liabilities at fair value on a recurring basis and fair value of buildings**

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

<b>Assets/liabilities</b>	<b>Fair value hierarchy</b>	<b>Valuation techniques and key inputs</b>
Investments	1	Quoted bid prices (unadjusted) in an active market (available to the Group on assessment date) for identical investments. Fair value is assessed using market approach.
	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile. The fair value is calculated using the adjusted option pricing model for European currency options (Garman-Kohlhagen’s form of the Black-Scholes’s formula). The following input data are used in the calculations: <ul style="list-style-type: none"> <li>• Strike rate of US dollar against UAH. Defined as the average US dollar exchange rate against UAH on the interbank market for the month preceding the date of issue of the relevant series of bonds with indexed value (according to the indexation mechanism provided for in the terms of issue). For the Ukrainian government bonds with indexed value received by the Group as contribution to the share capital, strike rate was in the range UAH 14.81-27.22 per US dollar for a package of bonds depending on the date of issue of relevant series of bonds;</li> <li>• Forward US dollar exchange rate against UAH. Determined based on the risk-free rate of return in the US dollars (according to the yield to maturity of the United States government securities) as well as the national currency (according to zero-coupon yield curve published by the National Bank of Ukraine). As at 30 June 2021, the estimated value of the forward US dollar in UAH, which is adopted for calculating the fair value of the embedded option, ranged from 34.15 UAH/USD for 2.07 year time horizon to 64.51 UAH/USD for 10.65 year time horizon (31 December 2020: from 37.48 UAH/USD for 2.56 year time horizon to 72.26 UAH/USD for 11.14 year time horizon);</li> <li>• Volatility of the US dollar against UAH. Defined as the annual volatility of interbank US dollar against UAH. As at 30 June 2021, the volatility of the US dollar against the hryvnia was 16.63% (31 December 2020: 17.24%);</li> <li>• Discount rate. The discount rate is determined according zero-coupon yield curve published by the National Bank of Ukraine. As at 30 June 2021, the discount rate ranged from 11.33% per annum for the term of 2.07 years to 9.65% per annum for the period of 10.65 years (31 December 2020: from 11.14% per annum for the term of 2.56 years to 9.41% per annum for the period of 11.14 years).</li> </ul>

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Assets/liabilities	Fair value hierarchy	Valuation techniques and key inputs
Loans measured at fair value through profit or loss	3	Discounted cash flows. Future cash flows are estimated based on expected cash flows attributable to the repayment of loans and are risk-adjusted considering the Group’s analytical evaluations of respective amounts and maturities and taking into account the probabilities of their origination. Cash flows are discounted applying risk-free interest rates adjusted for systemic risk in respective currencies determined according zero-coupon yield curve published by the National Bank of Ukraine.
Real estate: capital investments on construction in progress	3	The Group engages professional independent appraisers to determine the fair values of its constructions in progress. To assess the fair value of constructions in progress, a combination of market, income and cost approaches is used, considering time from the beginning of construction, degree of readiness of construction and prospect of completion of the valuation objects. Prospective low-readiness projects that have been purchased or recently started can be evaluated using a cost approach. The cost approach shows an estimate of the cost of replacing or replacing an object minus all types of wear (physical, functional, economic).
Real estate: buildings Investment property	3	The Group engages professional independent appraisers to determine the fair values of its buildings and office premises and investment property by using sales comparison approach, and for items for which there are no market analogues, income capitalization approach is used. In the sales comparison approach, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as property space). The main parameter used in this valuation technique is the price per square meter of a property.

The following table summarizes financial instruments and buildings and office premises carried at fair value using a fair value hierarchy. The levels reflect the ability of direct determination of the fair value based on the market data:

	Level 1	Level 2	Level 3	30 June 2021 Total
	(unaudited)			
<b>Assets</b>				
Investments at fair value through profit or loss:				
<i>government securities</i>	–	–	43,318,468	43,318,468
Investments at fair value through other comprehensive income:				
<i>government securities</i>	–	3,676,777	–	3,676,777
<i>other securities</i>	551,240	10,012,329	651,706	11,215,275
Loans measured at fair value through profit or loss	–	–	2,566,515	2,566,515
Real estate:				
<i>construction in progress</i>	–	–	12,726	12,726
<i>buildings</i>	–	–	2,594,104	2,594,104
Investment property	–	–	633,526	633,526
<b>Total</b>	<b>551,240</b>	<b>13,689,106</b>	<b>49,777,045</b>	<b>64,017,391</b>

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(in thousands of UAH)

	Level 1	Level 2	Level 3	31 December 2020 Total
<b>Assets</b>				
Investments at fair value through profit or loss:				
<i>government securities</i>	-	-	46,152,268	46,152,268
Investments at fair value through other comprehensive income:				
<i>government securities</i>	-	11,176,248	-	11,176,248
<i>other securities</i>	551,179	-	1,105,544	1,656,723
Loans measured at fair value through profit or loss	-	-	2,476,267	2,476,267
Real estate:				
<i>construction in progress</i>	-	-	19,142	19,142
<i>buildings</i>	-	-	2,618,546	2,618,546
Investment property	-	-	633,526	633,526
<b>Total</b>	<b>551,179</b>	<b>11,176,248</b>	<b>53,005,293</b>	<b>64,732,720</b>

The following tables present movements in fair value of Level 3 financial instruments at fair value as follows:

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

<b>1 January 2021</b>	<b>1,105,544</b>	<b>1 January 2020</b>	<b>1,170,937</b>
Total income and expense:		Total income and expense:	
In profit or loss:	96,165	In profit or loss:	92,442
Interest income and dividends	91,524	Interest income and dividends	101,118
Reversal of allowance for expected credit losses	4,641	Accrual of allowance for expected credit losses	(8,676)
In other comprehensive income:	(30,847)	In other comprehensive income:	83,279
Net change in fair value of investments at FVOCI	(30,847)	Net change in fair value of investments at FVOCI	83,279
Coupon income and dividend collection	(82,787)	Coupon income and dividend collection	(104,874)
Sale	(436,369)	Sale	-
<b>30 June 2021 (unaudited)</b>	<b>651,706</b>	<b>30 June 2020 (unaudited)</b>	<b>1,241,784</b>

**Investments measured at fair value through profit or loss**

<b>1 January 2021</b>	<b>46,152,268</b>	<b>1 January 2020</b>	<b>38,578,398</b>
Total income and expense:		Total income and expense:	
In profit or loss:	(2,010,448)	In profit or loss:	6,734,226
Interest income	1,347,124	Interest income	1,288,273
Net change in fair value	(3,357,572)	Net change in fair value	5,445,953
Interest income collected	(823,352)	Interest income collected	(823,352)
<b>30 June 2021 (unaudited)</b>	<b>43,318,468</b>	<b>30 June 2020 (unaudited)</b>	<b>44,489,272</b>

**Loans at fair value through profit or loss**

<b>1 January 2021</b>	<b>2,476,267</b>	<b>1 January 2020</b>	<b>2,849,932</b>
Total income and expense:		Total income and expense:	
In profit or loss:	269,827	In profit or loss:	165,692
Interest income	463,724	Interest income	354,966
Net change in fair value	(193,897)	Net change in fair value	(189,274)
Interest income received	(59,392)	Interest income received	(65,198)
Repayment	(120,187)	Redemption	(183,337)
<b>30 June 2021 (unaudited)</b>	<b>2,566,515</b>	<b>30 June 2020 (unaudited)</b>	<b>2,767,089</b>

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**Sensitivity analysis of measurement of fair value of Level 3 financial instruments at fair value**

Sensitivity of the fair value measurement for level 3 measurements to reasonably possible changes in inputs used is presented below:

*Investments at fair value through profit or loss*

Fair value of investments measured at fair value through profit or loss consists of the fair value of the principal contract (domestic government debt securities with indexed value denominated in hryvnias) and the fair value of the embedded option for domestic government debt securities with index value. The table below provides information on the sensitivity of the fair value measurement of investments, measured at fair value through profit or loss, taking into account the sensitivity to market indicators (indicators), the change of which affects the fair value of the embedded option (the forward exchange rate of the US dollar to the hryvnia, the volatility of the dollar USD to hryvnia and discount rates):

**Government securities**

	Change of input		Change in fair value of financial instrument			
			30 June 2021 (unaudited)		31 December 2020	
Forward USD/UAH exchange rate	+1%	-1%	366,771	(366,325)	389,024	(388,735)
Volatility of USD/UAH exchange rate	+1 p.p.	-1 p.p.	32,540	(27,824)	30,403	(25,620)
Discount rate	+1 p.p.	-1 p.p.	(1,681,770)	1,783,525	(2,001,558)	2,130,014

The fair value of investments is the most sensitive to volatility of discount rates. A 1 p.p. increase/decrease in discount rate would result in the fair value of the option decrease/increase by UAH (-1,681,770)/+1,783,525 thousand as at 30 June 2021 and by UAH (-2,001,558)/+2,130,014 thousand as at 31 December 2020 respectively.

The Group also carried out a simulation of the fair value change of the hybrid instrument on the basis of changes that were objectively feasible – an increase in the forward rate of the US dollar to the hryvnia by 10% and simultaneous increase of discount rates by 1 p.p. If the above scenario is implemented, the fair value of the investments will increase by UAH 1,840,210 thousand as at 30 June 2021 and UAH 1,710,892 thousand as at 31 December 2020. Reduction of the forward exchange rate of the US dollar to the hryvnia by 5% and reduction of discount rates by 1 p.p. will result in an increase in the fair value of investments of UAH 127,602 thousand as at 30 June 2021 and an increase in the fair value of UAH 90,850 thousand as at 31 December 2020.

*Investments at fair value through other comprehensive income*

Other securities

**Risk premium applied on observable discount rate as at (input)**

	Change in input		Fair value	Change in fair value	
30 June 2021 (unaudited)	+1 p.p.	-1 p.p.	651,706	(8,616)	8,834
31 December 2020	+1 p.p.	-1 p.p.	1,105,544	(12,705)	13,041

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**Sensitivity analysis of the fair value of loans measured at fair value through profit or loss**

Presented below is the sensitivity of the fair value of loans measured at fair value through profit or loss to the changes in the inputs by 1 p.p.

Discount rate as at	Change in discount rate		Change in fair value	
30 June 2021 (unaudited)	+1 p.p.	-1 p.p.	(104,471)	112,041
31 December 2020	+1 p.p.	-1 p.p.	(101,945)	109,311

**Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

**Other financial instruments**

For financial assets and liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to on-demand deposits and current accounts without defined maturity.

The Group’s management believes that, except for included in the table below, the carrying amounts of financial assets and financial liabilities recognized in the interim condensed consolidated financial statements approximate their fair values.

	30 June 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	(unaudited)			
Loans to legal entities	55,992,379	58,946,821	51,834,833	54,684,561
Loans to individuals	10,903,258	9,576,961	8,914,977	7,953,976
Investments	67,031,032	67,069,977	71,266,302	71,365,575
<b>Total assets</b>	<b>133,926,669</b>	<b>135,593,759</b>	<b>132,016,112</b>	<b>134,004,112</b>
Customer accounts	203,315,017	203,549,432	186,165,452	186,520,518
Eurobonds issued	9,577,201	10,196,967	11,744,616	12,388,354
Other borrowed funds	3,581,040	3,436,201	4,452,649	4,274,884
Subordinated debt	1,050,851	1,091,695	1,276,240	1,314,237
<b>Total liabilities</b>	<b>217,524,109</b>	<b>218,274,295</b>	<b>203,638,957</b>	<b>204,497,993</b>

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used):

Financial assets / financial liabilities	Fair value hierarchy	Valuation techniques and key inputs
Due from banks	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Loans to customers at amortised cost	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty and its risk profile.
	2	Discounted cash flows.

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<b>Financial assets / financial liabilities</b>	<b>Fair value hierarchy</b>	<b>Valuation techniques and key inputs</b>
Investments at amortised cost	3	Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active. Discounted cash flows.
Due to banks	2	Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile. Discounted cash flows.
Customer accounts	2	Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active. Discounted cash flows.
Eurobonds issued	2	Future cash flows are estimated based on both observable and unobservable inputs. Discounted cash flows.
Other borrowed funds	2	Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active. Discounted cash flows.
Subordinated debt	2	Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active. Discounted cash flows.

The following table provides analysis of financial assets and financial liabilities that are not measured at fair value on an ongoing basis (but disclosure on fair value is required). The levels correspond to the ability of direct determination of fair value based on market data:

<b>30 June 2021, fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>(unaudited)</b>			
<b>Assets</b>				
Due from banks	–	53,234	–	53,234
Loans to customers	–	–	68,523,782	68,523,782
Investments	–	66,111,989	957,988	67,069,977
<b>Total</b>	<b>–</b>	<b>66,165,223</b>	<b>69,481,770</b>	<b>135,646,993</b>
<b>Liabilities</b>				
Due to banks	–	7,314,642	–	7,314,642
Customer accounts	–	203,549,432	–	203,549,432
Eurobonds issued	–	10,196,967	–	10,196,967
Other borrowed funds	–	3,436,201	–	3,436,201
Subordinated debt	–	1,091,695	–	1,091,695
<b>Total</b>	<b>–</b>	<b>225,588,937</b>	<b>–</b>	<b>225,588,937</b>

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<b>31 December 2020, fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Due from banks	–	46,350	–	46,350
Loans to customers	–	–	62,638,537	62,638,537
Investments	–	69,994,519	1,371,056	71,365,575
<b>Total</b>	<b>–</b>	<b>70,040,869</b>	<b>64,009,593</b>	<b>134 050 462</b>
<b>Liabilities</b>				
Due to banks	–	5,823,982	–	5,823,982
Customer accounts	–	186,520,518	–	186,520,518
Eurobonds issued	–	12,388,354	–	12,388,354
Other borrowed funds	–	4,274,884	–	4,274,884
Subordinated debt	–	1,314,237	–	1,314,237
<b>Total</b>	<b>–</b>	<b>210,321,975</b>	<b>–</b>	<b>210,321,975</b>

**28. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to the shareholder through the optimization of the debt and equity balance.

The capital structure of the Group consists of share capital, reserves, and accumulated deficit as disclosed in the interim condensed consolidated statement of changes in equity and borrowed funds, which include subordinated debt disclosed in Note 23.

The Bank’s Management Board comprehensively analyzes the cost of capital, its components and risks that are inherent in the Bank’s activities and threaten the loss of a certain component of capital. The Bank adjusts its capital structure, in particular, by issuing additional shares, raising / repaying subordinated debt.

As at 30 June 2021 and 31 December 2020, the Group complied with the requirements of the National Bank of Ukraine regarding the regulatory capital adequacy of the banking group.

**29. REGULATORY MATTERS**

The adequacy of the Group’s capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in supervising the Bank and companies forming the Group.

Quantitative measures established by regulation to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets.

Quantitative measures established by the Basel Committee to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total (8%) and Tier 1 capital (4%) to riskweighted assets.

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The following table analyses the Group’s regulatory capital resources for capital adequacy purposes in accordance with the Basel Capital Accord 1988:

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Regulatory capital:</b>		
<b>Tier 1 capital</b>		
Share capital	49,724,980	49,724,980
Accumulated deficit	(30,654,783)	(30,334,988)
<b>Total Tier 1 qualified capital</b>	<b>19,070,197</b>	<b>19,389,992</b>
<b>Tier 2 capital</b>		
Revaluation reserves	2,310,325	2,550,611
Subordinated debt	407,645	565,492
<b>Total Tier 2 qualified capital up to a limit 100% of total Tier 1 capital</b>	<b>2,717,970</b>	<b>3,116,103</b>
<b>Total regulatory capital</b>	<b>21,788,167</b>	<b>22,506,095</b>
<b>Capital ratios</b>		
<b>Total regulatory capital expressed as a percentage of total risk-weighted assets</b>	<b>15.77%</b>	<b>16.93%</b>
<b>Total Tier 1 capital expressed as a percentage of total risk-weighted assets</b>	<b>13.81%</b>	<b>14.59%</b>

**30. RISK MANAGEMENT POLICIES**

With the exception of credit risk disclosed below, there were no material changes in the Group’s risk management approach during the reporting period compared to those disclosed in the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with IFRS.

**Credit risk**

***Movements in loss allowance by Stages for financial instruments for which IFRS 9 impairment requirements apply***

*Cash and cash equivalents*

	<b>Stage 1 12-month ECL</b>	<b>Stage 2 Lifetime ECL (not impaired)</b>	<b>Stage 3 Lifetime ECL (impaired)</b>	<b>Total</b>
<b>Balance as at 31 December 2020</b>	<b>10,607</b>	–	–	<b>10,607</b>
New assets	–	–	–	–
Repayed assets	(4)	–	–	(4)
Other adjustments	4,973	–	–	4,973
<b>Accrual of allowance for expected credit losses</b>	<b>4,969</b>	–	–	<b>4,969</b>
Foreign exchange differences	(789)	–	–	(789)
<b>Balance as at 30 June 2021 (unaudited)</b>	<b>14,787</b>	–	–	<b>14,787</b>

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Total
<b>Balance as at 31 December 2019</b>	<b>45,550</b>	-	-	<b>45,550</b>
New assets	223	-	-	223
Other adjustments	(19,151)	-	-	(19,151)
<b>Reversal of allowance for expected credit losses</b>	<b>(18,928)</b>	-	-	<b>(18,928)</b>
Foreign exchange differences	13,318	-	-	13,318
<b>Balance as at 30 June 2020 (unaudited)</b>	<b>39,940</b>	-	-	<b>39,940</b>

*Due from banks*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Total
<b>Balance as at 31 December 2020</b>	-	-	<b>4,607,160</b>	<b>4,607,160</b>
New assets	-	-	-	-
Repaid assets	-	-	-	-
Other adjustments	-	-	-	-
<b>Accrual/(reversal) of allowance for expected credit losses</b>	-	-	-	-
Write-off of assets	-	-	(4,451,105)	(4,451,105)
Foreign exchange differences	-	-	(156,055)	(156,055)
<b>Balance as at 30 June 2021 (unaudited)</b>	-	-	-	-

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Total
<b>Balance as at 31 December 2020</b>	<b>37</b>	-	<b>3,980,437</b>	<b>3,980,474</b>
New assets	-	-	-	-
Repaid assets	(38)	-	-	(38)
Other adjustments	-	-	-	-
<b>Reversal of allowance for expected credit losses</b>	<b>(38)</b>	-	-	<b>(38)</b>
Write-off of assets	-	-	(1,250)	(1,250)
Foreign exchange differences	1	-	388,497	388,498
<b>Balance as at 30 June 2020 (unaudited)</b>	-	-	<b>4,367,684</b>	<b>4,367,684</b>

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*Investments at amortised cost*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Total
<b>Balance as at 31 December 2020</b>	<b>155,675</b>	<b>8,312</b>	<b>-</b>	<b>163,987</b>
New assets	87,640	-	-	87,640
Stage 3	(1,528)	(8,312)	9,840	-
Repaid assets	(35,376)	-	-	(35,376)
Other adjustments	(55,139)	-	75,504	20,365
<b>Reversal/Accrual of allowance for expected credit losses</b>	<b>(4,403)</b>	<b>(8,312)</b>	<b>85,344</b>	<b>72,629</b>
Foreign exchange differences	(1,328)	-	-	(1,328)
<b>Balance as at 30 June 2021 (unaudited)</b>	<b>149,944</b>	<b>-</b>	<b>85,344</b>	<b>235,288</b>
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Total
<b>Balance as at 31 December 2019</b>	<b>63,656</b>	<b>-</b>	<b>-</b>	<b>63,656</b>
New assets	52,445	-	-	52,445
Repaid assets	(535)	-	-	(535)
Other adjustments	(6,785)	-	-	(6,785)
<b>Accrual/(reversal) of allowance for expected credit losses</b>	<b>45,125</b>	<b>-</b>	<b>-</b>	<b>45,125</b>
Modification effect	(3,241)	-	-	(3,241)
Foreign exchange differences	4,669	-	-	4,669
<b>Balance as at 30 June 2020 (unaudited)</b>	<b>110,209</b>	<b>-</b>	<b>-</b>	<b>110,209</b>

*Investments at fair value through other comprehensive income*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Total
<b>Balance as at 31 December 2020</b>	<b>30,107</b>	<b>-</b>	<b>71,536</b>	<b>101,643</b>
Repaid assets	(14,891)	-	(1,569)	(16,460)
Other adjustments	(2,760)	-	-	(2,760)
<b>Reversal of allowance for expected credit losses</b>	<b>(17,651)</b>	<b>-</b>	<b>(1,569)</b>	<b>(19,220)</b>
Foreign exchange differences	(126)	-	-	(126)
<b>Balance as at 30 June 2021 (unaudited)</b>	<b>12,330</b>	<b>-</b>	<b>69,967</b>	<b>82,297</b>

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Total
<b>Balance as at 31 December 2019</b>	<b>65,200</b>	<b>–</b>	<b>71,536</b>	<b>136,736</b>
Repaid assets	(7,866)	–	–	(7,866)
Other adjustments	1,460	–	–	1,460
<b>Reversal of allowance for expected credit losses</b>	<b>(6,406)</b>	<b>–</b>	<b>–</b>	<b>(6,406)</b>
Foreign exchange differences	2,448	–	–	2,448
<b>Balance as at 30 June 2020 (unaudited)</b>	<b>61,242</b>	<b>–</b>	<b>71,536</b>	<b>132,778</b>

*Loans to legal entities, that measured at amortised cost*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Purchased or initially impaired loans	Total
<b>Balance as at 31 December 2020</b>	<b>253,406</b>	<b>669,712</b>	<b>20,703,473</b>	<b>927,788</b>	<b>22,554,379</b>
New assets	28,238	–	–	–	28,238
Stage 1	4,335	(825)	(3,510)	–	–
Stage 2	(680)	2,794	(2,114)	–	–
Stage 3	(1,409)	(1,269)	2,678	–	–
Repaid assets	(10,580)	(17,458)	(3,607)	(376,482)	(408,127)
Other adjustments	(11,604)	(49,443)	376,740	(82,387)	233,306
<b>Accrual/(reversal) of allowance for expected credit losses</b>	<b>8,300</b>	<b>(66,201)</b>	<b>370,187</b>	<b>(458,869)</b>	<b>(146,583)</b>
Modification effect	(30,780)	(70,452)	(388,527)	80,147	(409,612)
Interest income adjustment	–	–	312,597	59,704	372,301
Reversal of allowance	–	–	–	719,632	719,632
Write-off of assets	–	–	(1,465,314)	–	(1,465,314)
Foreign exchange differences	(2,731)	(35,106)	(627,630)	(6,072)	(671,539)
<b>Balance as at 30 June 2021 (unaudited)</b>	<b>228,195</b>	<b>497,953</b>	<b>18,904,786</b>	<b>1,322,330</b>	<b>20,953,264</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Purchased or initially impaired loans	Total
<b>Balance as at 31 December 2019</b>	<b>171,039</b>	<b>17,857</b>	<b>53,541,385</b>	<b>432,148</b>	<b>54,162,429</b>
New assets	26,042	–	–	(3,242)	22,800
Stage 1	7,509	(7,278)	(231)	–	–
Stage 2	(20,551)	20,551	–	–	–
Stage 3	(1,116)	(2,699)	3,815	–	–
Repaid assets	(1,281)	(990)	(888)	–	(3,159)
Other adjustments	148,401	258,752	(344,923)	(344,137)	(281,907)
<b>Accrual/(reversal) of allowance for expected credit losses</b>	<b>159,004</b>	<b>268,336</b>	<b>(342,227)</b>	<b>(347,379)</b>	<b>(262,266)</b>
Interest income adjustment	–	–	1,502,820	43,742	1,546,562
Write-off of assets	–	–	(25,043,576)	–	(25,043,576)
Modification effect	(32,341)	(3,128)	(231,672)	(12,476)	(279,617)
Foreign exchange differences	3,697	5,782	5,954,047	(9,512)	5,954,014
Allowance reclassification due to restructuring of the asset resulted in derecognition of financial instrument	–	–	(86,688)	–	(86,688)
<b>Balance as at 30 June 2020 (unaudited)</b>	<b>301,399</b>	<b>288,847</b>	<b>35,294,089</b>	<b>106,523</b>	<b>35,990,858</b>

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## Loans to individuals that measured at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Purchased or initially impaired loans	Total
<b>Balance as at 31 December 2019</b>	<b>145,024</b>	<b>49,530</b>	<b>3,271,573</b>	<b>-</b>	<b>3,466,127</b>
New assets	58,962	-	-	-	58,962
Stage 1	17,111	(15,254)	(1,857)	-	-
Stage 2	(49,119)	49,706	(587)	-	-
Stage 3	(4,910)	(12,513)	17,423	-	-
Repaid assets	(10,651)	(3,777)	(9,039)	-	(23,467)
Other adjustments	(2,115)	77,763	(5,551)	-	70,097
<b>Accrual/(reversal) of allowance for expected credit losses</b>	<b>9,278</b>	<b>95,925</b>	<b>389</b>	<b>-</b>	<b>105,592</b>
Modification effect	373	975	(132)	-	1,216
Interest income adjustment	-	-	(3,338)	-	(3,338)
Write-off of assets	-	-	(47,025)	-	(47,025)
Foreign exchange differences	(4)	(4)	(73,779)	-	(73,787)
<b>Balance as at 30 June 2020 (unaudited)</b>	<b>154,671</b>	<b>146,426</b>	<b>3,147,688</b>	<b>-</b>	<b>3,448,785</b>
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Purchased or initially impaired loans	Total
<b>Balance as at 31 December 2019</b>	<b>137,249</b>	<b>69,606</b>	<b>3,110,756</b>	<b>-</b>	<b>3,317,611</b>
New assets	41,125	-	-	-	41,125
Stage 1	25,069	(18,015)	(7,054)	-	-
Stage 2	(18,027)	19,277	(1,250)	-	-
Stage 3	(10,198)	(27,488)	37,686	-	-
Repaid assets	(14,158)	(14,670)	(76,971)	-	(105,799)
Other adjustments	(19,629)	39,514	45,326	-	65,211
<b>Accrual/(reversal) of allowance for expected credit losses</b>	<b>4,182</b>	<b>(1,382)</b>	<b>(2,263)</b>	<b>-</b>	<b>537</b>
Interest income adjustment	-	-	(9,831)	-	(9,831)
Write-off of assets	-	-	(15,071)	-	(15,071)
Modification effect	988	13	139	-	1,140
Foreign exchange differences	15	8	184,983	-	185,006
<b>Balance as at 30 June 2020 (unaudited)</b>	<b>142,434</b>	<b>68,245</b>	<b>3,268,713</b>	<b>-</b>	<b>3,479,392</b>

As at 30 June 2021 and 31 December 2020 the amount of the initial impairment loss for originated credit-impaired loans recognized on their original recognition which is not included in the allowance, constitutes UAH 21,941,421 thousand and UAH 22,850,622 thousand, respectively.

As at 30 June 2021 and 31 December 2020 loans to customers overdue for more than 90 days (NPLs – non-performing loans) amounted to UAH 21,552,754 thousand and UAH 21,886,443 thousand, representing 23% and 25% of the total amount of loans to customers before deducting allowance for expected credit losses and interest income adjustment, respectively.

The Group expects that a significant part of loans, other than the loans granted to customers of the Crimean Republican Branch and Regional Branches in Luhansk and Donetsk Regions located in the territories that are not controlled by the Ukrainian authorities, which are overdue for more than 90 days, will be repaid either by the proceeds from the borrowers' own earnings or proceeds from the sale of collateral. Such expectations of the Group are based on the fact that a considerable part of overdue loans to legal entities are secured by marketable collateral and granted to entities which have potential ability to restore own solvency. The Group's ability to receive payments on overdue loans to individuals is explained by the fact that these loans are mostly secured by real estate or vehicles. Moreover, even if the value of collateral is not enough to repay the loan, the Group retains the right to demand payments from the borrowers until the loan is repaid in full.

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*Financial accounts receivable*

	Life-time ECL Simplified approach (not impaired)	Life-time ECL (impaired)	Total
<b>Balance as at 31 December 2020</b>	<b>41,209</b>	<b>1,936,150</b>	<b>1,977,359</b>
New assets	9,466	–	9,466
Not impaired	2,654	(2,654)	–
Impaired	(13,908)	13,908	–
Repaid assets	(3,050)	(3,645)	(6,695)
Other adjustments	(1,698)	36,390	34,692
<b>(Release)/accrual of allowance for expected credit losses</b>	<b>(6,536)</b>	<b>43,999</b>	<b>37,463</b>
Write-off of assets	–	(228,472)	(228,472)
Foreign exchange differences	(172)	(9,992)	(10,164)
<b>Balance as at 30 June 2021 (unaudited)</b>	<b>34,501</b>	<b>1,741,685</b>	<b>1,776,186</b>

	Life-time ECL Simplified approach (not impaired)	Life-time ECL (impaired)	Total
<b>Balance as at 31 December 2019</b>	<b>26,086</b>	<b>1,896,904</b>	<b>1,922,990</b>
New assets	11,366	–	11,366
Not impaired	3,467	(3,467)	–
Impaired	(3,654)	3,654	–
Repaid assets	(1,784)	(3,340)	(5,124)
Other adjustments	(4,382)	7,230	2,848
<b>Accrual of allowance for expected credit losses</b>	<b>5,013</b>	<b>4,077</b>	<b>9,090</b>
Write-off of assets	–	(946)	(946)
Foreign exchange differences	215	26,607	26,822
<b>Balance as at 30 June 2020 (unaudited)</b>	<b>31,314</b>	<b>1,926,642</b>	<b>1,957,956</b>

*Guarantees and other loan commitments*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Total
<b>Balance as at 31 December 2020</b>	<b>248,465</b>	<b>10,714</b>	<b>374,915</b>	<b>634,094</b>
New assets	74,952	–	–	74,952
Stage 1	10,831	(9,184)	(1,647)	–
Stage 2	(662)	662	–	–
Stage 3	(51,363)	(203)	51,566	–
Repaid assets	(13,682)	(663)	(49,440)	(63,785)
Other adjustments	(26,017)	1,917	(10,482)	(34,582)
<b>Release of allowance for expected credit losses</b>	<b>(5,941)</b>	<b>(7,471)</b>	<b>(10,003)</b>	<b>(23,415)</b>
Foreign exchange differences	(3)	(40)	(8,269)	(8,312)
<b>Balance as at 30 June 2021 (unaudited)</b>	<b>242,521</b>	<b>3,203</b>	<b>356,643</b>	<b>602,367</b>

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not impaired)	Stage 3 Lifetime ECL (impaired)	Total
<b>Balance as at 31 December 2019</b>	<b>185,487</b>	<b>3,650</b>	<b>337,560</b>	<b>526,697</b>
New assets	102,973	-	-	102,973
Stage 1	2,142	(1,228)	(914)	-
Stage 2	(2,763)	2,855	(92)	-
Stage 3	(30,744)	(425)	31,169	-
Repaid assets	(33,299)	(902)	(13,687)	(47,888)
Other adjustments	(6,131)	3,421	(10,083)	(12,793)
<b>Accrual of allowance for expected credit losses</b>	<b>32,178</b>	<b>3,721</b>	<b>6,393</b>	<b>42,292</b>
Foreign exchange differences	(6)	(8)	22,191	22,177
<b>Balance as at 30 June 2020 (unaudited)</b>	<b>217,659</b>	<b>7,363</b>	<b>366,144</b>	<b>591,166</b>

*Impact of modifications on financial assets at amortised cost*

	For the period ended 30 June 2021	For the period ended 30 June 2020
	(unaudited)	
<b>Financial assets modified in the reporting period</b>		
Amortised cost before modification	8,975,622	8,166,713
Net result from modifications of loans to customers (lifetime ECL)	(690,784)	(453,194)
<b>Financial assets modified at the date of initial recognition</b>		
Gross balance value of financial assets for which the calculation of the allowance for impairment was replaced by a 12-month estimate of ECL	3,480,739	238,140

**31. SEGMENT INFORMATION**

Segment information refers to the services rendered within segments and provided to the management responsible for operating decision making in order to allocate resources and assess the segments' activities.

There were no differences in the basis for assessment of the segment profit or loss compared to the previous annual financial statements. The interim condensed consolidated financial statements contain the same accounting policies and methods of calculation as those in the latest annual financial statements by segments.

Items that are unusual in nature, which affect the assets, liabilities or profit in the interim condensed consolidated financial statements by segments are absent.

The total amount of estimates of profit or loss of the reporting segments agrees with the Group's profit.

As at 30 June 2021 and 2020, the Group recognized interest income received from one counterparty in the amount of UAH 4,749,437 thousand and UAH 3,385,273 thousand, which is 41% and 19% of the Group's income, respectively.

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**Income, expense and results of reportable segments for the six months ended 30 June 2021 (unaudited)**

Item	Notes	Name of a reportable segment				Eliminations	Total
		Corporate business	Retail business	Treasury	General management		
<b>Income from external customers</b>		<b>5,675,254</b>	<b>3,667,159</b>	<b>(1,108,079)</b>	<b>3,336,344</b>	–	<b>11,570,678</b>
Interest income	5	3,808,464	1,171,883	2,162,428	3,077,972	–	10,220,747
Fee and commission income	7	2,053,518	2,508,969	86,845	582	–	4,649,914
Net (loss)/gain from transactions with financial instruments at fair value through profit or loss	10	(193,898)	–	(3,357,352)	–	–	(3,551,250)
Net other income		7,170	(13,693)	–	257,790	–	251,267
<b>Revenues from other segments</b>		<b>4,400,271</b>	<b>6,217,329</b>	<b>304,632</b>	<b>891,825</b>	<b>(11,814,057)</b>	–
Interest income		4,400,271	6,217,329	304,632	891,825	(11,814,057)	–
<b>Total segment income</b>		<b>10,075,525</b>	<b>9,884,488</b>	<b>(803,447)</b>	<b>4,228,169</b>	<b>(11,814,057)</b>	<b>11,570,678</b>
Interest expense	5	(4,354,252)	(2,916,032)	(2,914,372)	(5,855,928)	11,814,057	(4,226,527)
(Accrual)/release of allowance for expected credit losses and modification losses on interest bearing assets		(219,036)	(79,843)	35,498	(72,630)	–	(336,011)
Accrual/(release) of allowance for expected credit losses on other financial assets and guarantees		9,096	8,558	41	(38,563)	–	(20,868)
Net gain/(loss) on foreign exchange transactions	8	–	113,284	(70,291)	717,930	–	760,923
Fee and commission expense	7	(1,245,517)	(371,174)	(20,887)	(143)	–	(1,637,721)
Operating expenses	9	(1,280,561)	(3,814,039)	(177,755)	(326,464)	–	(5,598,819)
<b>Segment result (before taxation)</b>		<b>2,985,255</b>	<b>2,825,242</b>	<b>(3,951,213)</b>	<b>(1,347,629)</b>	–	<b>511,655</b>

**Assets and liabilities of reportable segments as at 30 June 2021 (unaudited)**

Item	Name of a reportable segment				Total	
	Corporate business	Retail business	Treasury	General management		
Segment assets		62,182,030	18,248,103	88,165,114	79,985,227	248,580,474
Segment liabilities		78,765,507	125,243,152	7,411,470	15,766,521	227,186,650
Other segment items:						
Depreciation and amortization		(212,562)	(606,429)	(35,075)	(65,813)	(919,879)
Revaluation reported during the period in the interim condensed consolidated statement of changes in equity		–	–	–	(240,161)	(240,161)
Capital investments		–	–	–	485,380	485,380

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**Income, expense and results of reportable segments for the six months ended 30 June 2020 (unaudited)**

Item	Notes	Name of a reportable segment				Eliminations	Total
		Corporate business	Retail business	Treasury	General management		
<b>Income from external customers</b>		<b>5,244,340</b>	<b>2,863,472</b>	<b>8,692,571</b>	<b>1,264,017</b>	–	<b>18,064,400</b>
Interest income	5	3,937,489	953,693	3,200,517	1,142,890	–	9,234,589
Fee and commission income	7	1,518,240	1,891,948	45,953	62	–	3,456,203
Net (loss)/gain from transactions with financial instruments at fair value through profit or loss	10	(211,942)	–	5,446,101	–	–	5,234,159
Net other income		553	17,831	–	121,065	–	139,449
<b>Revenues from other segments</b>		<b>4,481,717</b>	<b>6,260,210</b>	<b>234,121</b>	<b>1,047,665</b>	<b>(12,023,713)</b>	–
Interest income		4,481,717	6,260,210	234,121	1,047,665	(12,023,713)	–
<b>Total segment income</b>		<b>9,726,057</b>	<b>9,123,682</b>	<b>8,926,692</b>	<b>2,311,682</b>	<b>(12,023,713)</b>	<b>18,064,400</b>
Interest expense	5	(5,158,737)	(3,921,945)	(4,612,339)	(4,185,379)	12,023,713	(5,854,687)
(Accrual)/release of allowance for expected credit losses and modification losses on interest bearing assets		(112,429)	9,722	25,040	(41,884)	–	(119,551)
Accrual/release of allowance for expected credit losses on other financial assets and guarantees		(41,458)	(11,859)	(47)	(930)	–	(54,294)
Net gain/(loss) on foreign exchange transactions	8	(15,136)	124,347	(100,780)	(1,950,499)	–	(1,942,068)
Fee and commission expense	7	(1,022,944)	(381,773)	(18,903)	(1,893)	–	(1,425,513)
Operating expenses	9	(1,120,383)	(3,524,197)	(151,927)	(278,229)	–	(5,074,736)
<b>Segment result (before taxation)</b>		<b>2,254,970</b>	<b>1,417,977</b>	<b>4,067,736</b>	<b>(4,147,132)</b>	–	<b>3,593,551</b>

**Assets and liabilities of reportable segments as at 31 December 2020**

Item	Name of a reportable segment				Total	
	Corporate business	Retail business	Treasury	General management		
Segment assets		58,188,400	17,417,027	73,106,425	84,888,045	233,599,897
Segment liabilities		61,208,991	125,642,626	5,872,228	18,921,925	211,645,770
Other segment items:						
Depreciation and amortization		(378,730)	(1,117,837)	(61,887)	(116,793)	(1,675,247)
Revaluation reported during the period in the interim condensed consolidated statement of changes in equity		–	–	–	(286,371)	(286,371)
Capital investments		–	–	–	1,821,980	1,821,980