

**OJSC “Paritetbank”**

**Financial statements in accordance with  
International Financial Reporting Standards  
and  
Independent Auditor’s Report**

**For the year ended  
31 December 2020**

## Contents

INDEPENDENT AUDITOR’S REPORT	3
1. ORGANIZATION	14
2. ECONOMIC ENVIRONMENT IN WHICH THE BANK OPERATES	15
3. SIGNIFICANT ACCOUNTING POLICIES	16
4. RECALCULATION OF COMPARATIVE DATA	34
5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES	37
6. TRANSITION TO NEW OR REVISED STANDARDS OR INTERPRETATIONS	38
7. CASH AND CASH EQUIVALENTS	40
8. AMOUNTS DUE FROM FINANCIAL INSTITUTIONS	41
9. SECURITIES	42
10. DERIVATIVE FINANCIAL INSTRUMENTS	43
11. LOANS TO CUSTOMERS	44
AMORTIZATION OF DISCOUNT RECOGNIZED IN INTEREST INCOME	47
12. NON-CURRENT ASSETS HELD FOR SALE	51
13. PROPERTY AND EQUIPMENT	51
14. INTANGIBLE ASSETS	53
15. INVESTMENT PROPERTY	53
16. TAXATION	55
17. OTHER ASSETS AND LIABILITIES	57
18. AMOUNTS DUE TO FINANCIAL INSTITUTIONS	59
19. CUSTOMER ACCOUNTS	59
20. DEBT SECURITIES ISSUED	60
21. SHARE CAPITAL	61
22. COMMITMENTS AND CONTINGENCIES	61
23. NET INTEREST INCOME	63
24. NET FEE AND COMMISSION INCOME	64
25. NET INCOME FROM TRANSACTIONS IN FOREIGN CURRENCY	65
26. OTHER INCOME	65
27. NON-INTEREST EXPENSES	65
28. RISK MANAGEMENT	66
29. FAIR VALUE OF FINANCIAL INSTRUMENTS	83
30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES	85
31. RELATED PARTY DISCLOSURES	86
32. SEGMENT ANALYSIS	89
33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES	94
34. CAPITAL ADEQUACY	94
35. SUBSEQUENT EVENTS	95



# Independent Auditors' Report

## To the Shareholders and Management of Open Joint Stock Company “Paritetbank”

### Opinion

We have audited the financial statements of Open Joint Stock Company “Paritetbank” (the “Bank”), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Expected credit losses allowance for loans to customers

See Notes: 11 Loans to Customers and 28 Risk Management.

The key audit matter	Audit procedures regarding the key audit matter
<p>Loans to customers measured at amortized cost represent 59% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used.</p> <p>To estimate ECL management needs to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> <li>- timely identification of a significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with IFRS 9 Financial Instruments (hereinafter, "IFRS 9"));</li> <li>- assessment of probability of default (PD) and loss given default (LGD);</li> <li>- assessment of add-on adjustment to account for different scenarios and forward-looking information;</li> <li>- expected cash flows forecast for loans to customers classified in Stage 3.</li> </ul> <p>The risk of material misstatement of the ECL allowance has increased this year due to the increased uncertainty associated with the exercise of professional judgment and the use of assumptions as a result of the COVID-19 pandemic.</p> <p>Due to the significant volume of loans to customers and the related ECL allowance estimation uncertainty, this area is a key audit matter.</p>	<p>We analyzed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including involvement into the analysis of financial risks management specialists.</p> <p>Our audit procedures over the input data and calculations of ECL include the following:</p> <ul style="list-style-type: none"> <li>- We assessed and tested design and operating effectiveness of controls over calculation of internal credit ratings and valuation of corporate borrowers' collateral.</li> <li>- For a sample of corporate loans and borrowers we analyzed financial and non-financial information, as well as professional judgments applied by the Bank to assess if the sampled items are appropriately classified into stages of loss and rating assigned by the Bank for borrowers, and also on a sample basis tested input data used in the rating models.</li> <li>- For loans to retail customers, we checked the completeness and accuracy of the input data used for ECL calculation, the timeliness of late payments and repayments recognition, and correct classification of loans by Stages. On a sample basis, we compared the original model data with the primary documents.</li> <li>- On a sample basis, we tested the correctness of the underlying data used to calculate LGD and EAD for corporate and retail loans.</li> <li>- We assessed the predictive capability of the Bank's ECL calculation methodology by comparing the estimates made as at 1 January 2020 with the actual results for 2020.</li> <li>- We analyzed the overall adequacy of the add-on adjustment to account for different scenarios and forward-looking information considering current and future economic situation and business environment of certain categories of borrowers.</li> <li>- For a sample of Stage 3 corporate loans, where ECL are assessed individually, we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realisable collateral and their expected disposal terms based on our understanding and publicly available market information. We specifically focused on loans to customers for which a potential change in the ECL allowance may have the most significant impact on the financial statements.</li> </ul>





We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk. In addition, we reviewed whether the disclosures of key judgments and assumptions are sufficiently informative.

#### Emphasis of Matter

We draw attention to Note 4 to the financial statements which describes that the comparative information presented as at and for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

#### Other Matter Relating to Comparative Information

The financial statements of the Bank as at and for the years ended 31 December 2019 and 31 December 2018 (from which the statement of financial position as at 1 January 2019 has been derived) and for the years then ended, excluding the adjustments described in Note 4 to the financial statements, were audited by other auditors who expressed an unmodified opinion on those financial statements on 16 June 2020 and 11 June 2019.

As part of our audit of the financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in Note 4 that were applied to restate the comparative information presented as at and for the year ended 31 December 2019 and the statement of financial position as at 1 January 2019. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2019 and 31 December 2018, other than with respect to the adjustments described in Note 4 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments are appropriate and have been properly applied.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.





**Open Joint Stock Company "Paritetbank"**

*Auditors' Report*

*Page 5*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

**Irina Vereschagina**

Director of KPMG LLC, Engagement Partner

KPMG LLC

2 July 2021

A handwritten signature in blue ink, appearing to read 'Irina Vereschagina', written in a cursive style.

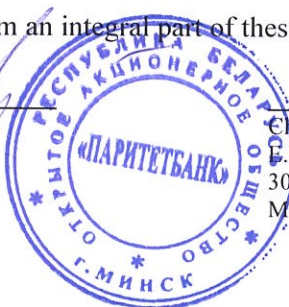
# OJSC "PARITETBANK"

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Notes	31 December 2020	31 December 2019 (restated)	1 January 2019 (restated)
<b>ASSETS:</b>				
Cash and cash equivalents	7	125,047	69,323	72,735
Amounts due from financial institutions	8	1,276	3,751	653
Securities	9	87,459	112,981	129,851
- including those pledged under repurchase agreements		30,073	17,189	57,255
Derivative financial assets	10	386	139	44
Mandatory reserve deposit with the National Bank of the Republic of Belarus		3,944	3,259	4,106
Loans to customers	11	378,750	245,488	220,638
Non-current assets held for sale	12	106	241	111
Investment property	15	14,535	14,535	14,535
Property and equipment	13	17,295	13,026	10,824
Intangible assets	14	5,875	3,339	954
Deferred income tax assets	16	960	1,267	1,812
Current income tax asset		-	434	533
Other assets	17	4,315	3,785	2,697
<b>TOTAL ASSETS</b>		<b>639,948</b>	<b>471,568</b>	<b>459,493</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES:</b>				
Amounts due to financial institutions	18	83,096	48,367	98,279
Derivative financial liabilities	10	60	-	25
Customer accounts	19	367,432	300,565	239,167
Debt securities issued	20	70,727	6,674	12,035
Other liabilities	17	5,782	5,600	2,012
<b>TOTAL LIABILITIES</b>		<b>527,097</b>	<b>361,206</b>	<b>351,518</b>
<b>EQUITY:</b>				
Share capital	21	153,754	153,754	153,754
Treasury shares		(136)	(136)	(136)
Fair value revaluation reserve for investments measured at FVOCI		1,118	2,040	338
Accumulated loss		(41,885)	(45,296)	(45,981)
<b>TOTAL EQUITY</b>		<b>112,851</b>	<b>110,362</b>	<b>107,975</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>639,948</b>	<b>471,568</b>	<b>459,493</b>

The Notes on pages 14-95 form an integral part of these Financial Statements

Chairman of the Management Board  
I.V. Katibnikov  
30 June 2021  
Minsk



Chief Accountant  
E.M. Skriba  
30 June 2021  
Minsk



# OJSC "PARITETBANK"

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Notes	2020	2019 (restated)
Interest income calculated using the effective interest rate method		45,983	34,480
Interest expense		(25,149)	(16,654)
<b>NET INTEREST INCOME</b>	<b>23</b>	<b>20,834</b>	<b>17,826</b>
Effect of initial recognition of interest-bearing financial assets and liabilities	23	(1,436)	-
Creation of allowances for ECL on interest-bearing financial assets	7,8,9,11	(4,500)	(5,273)
Net interest income after allowances for ECL on interest-bearing financial assets		14,898	12,553
Net fee and commission income	24	4,790	3,867
Net income from operations with securities		2,208	3,423
Net income from operations in foreign currency and derivative financial instruments	25	11,410	5,835
Other income	26	5,021	3,810
<b>NON-INTEREST INCOME</b>		<b>23,429</b>	<b>16,935</b>
Personnel costs	27	(15,988)	(13,775)
Depreciation and amortization	13, 14	(3,343)	(2,319)
Other operating expenses	27	(14,428)	(12,359)
(Creation)/ reversal of allowances for ECL on non-interest bearing financial assets and credit related commitments	17, 22	(911)	70
Gain on subsequent increase in fair value of non-current assets held for sale, less selling costs		71	45
<b>NON-INTEREST EXPENSES</b>		<b>(34,599)</b>	<b>(28,338)</b>
Profit before income tax expenses		3,728	1,150
Income tax expense	16	(316)	(462)
<b>PROFIT FOR THE YEAR</b>		<b>3,412</b>	<b>688</b>

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Chairman of the Management Board  
I.V. Katibnikov  
30 June 2021  
Minsk



Chief Accountant  
E.M. Skriba  
30 June 2021  
Minsk

# OJSC "PARITETBANK"

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Notes	2020	2019 (restated)
<b>PROFIT FOR THE YEAR</b>		<b>3,412</b>	<b>688</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Comprehensive (income)/loss transferred to statement of profit or loss on disposal of investments measured at FVOCI		(1,012)	331
Change in fair value of financial assets		116	1,012
Change in deferred income tax recognized in equity		9	-
Change in allowance for ECL on securities measured at FVOCI		(151)	359
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Change in fair value of equity financial assets		116	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,490</b>	<b>2,390</b>

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Chairman of the Management Board  
I.V. Katibnikov  
30 June 2021  
Minsk



Chief Accountant  
E.M. Skriba  
30 June 2021  
Minsk

# OJSC "PARITETBANK"

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Notes	Share capital	Treasury shares	Accumulated loss	Fair value revaluation reserve for investments measured at FVOCI	Total equity
As at 31 December 2018 as reported in the previous period financial statements		153,754	(136)	(43,007)	338	110,949
Effect after restated	4	-	-	(2,974)	-	(2,974)
As at 1 January 2019 (restated)		153,754	(136)	(45,981)	338	107,975
<b>Comprehensive income</b>						
Profit for the year		-	-	688	-	688
Other comprehensive income for the year		-	-	-	1,702	1,702
<b>Total comprehensive income for the year</b>		-	-	688	1,702	2,390
<b>Transactions with owners</b>						
Dividends declared	21	-	-	(3)	-	(3)
As at 31 December 2019 (restated)		153,754	(136)	(45,296)	2,040	110,362
<b>Comprehensive income</b>						
Profit for the year		-	-	3,412	-	3,412
Other comprehensive income for the year		-	-	-	(922)	(922)
<b>Total comprehensive income for the year</b>		-	-	3,412	(922)	2,490
<b>Transactions with owners</b>						
Dividends declared	21	-	-	(1)	-	(1)
At 31 December 2020		153,754	(136)	(41,885)	1,118	112,851

The Notes on pages 14-95 form an integral part of these Financial Statements

Chairman of the Management Board  
I.V. Katibnikov  
30 June 2021  
Minsk



Chief Accountant  
E.M. Skriba  
30 June 2021  
Minsk



# OJSC "PARITETBANK"

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Notes	2020	2019 (restated)
<b>CASH FLOWS</b>			
<b>FROM OPERATING ACTIVITIES:</b>			
Profit before income tax expense		3,728	1,150
Adjustments for:			
Depreciation and amortization	13,14	3,343	2,319
Net interest income		(20,834)	(17,826)
Creation of allowances for ECL on interest-bearing financial assets other than cash and cash equivalents	8,9,11	4,494	5,293
Creation/(reversal) of allowances for ECL on non-interest bearing financial assets and credit related commitments	17,22	911	(70)
Net income from operations with securities		(2,208)	(3,423)
Gain on subsequent increase in fair value of non-current assets held for sale, less selling costs		(71)	(45)
Loss / (profit) on disposal of property and equipment, intangible assets and investment property		98	(11)
Change of fair value of financial derivatives		(187)	(120)
Creation of a provision for unused vacations and accrued bonuses		369	879
Foreign exchange (gain) / loss		(10,189)	1,327
Loss on disposal of long-term assets held for sale and other property		291	905
Effect of initial recognition of interest-bearing financial assets and liabilities	23	1,436	-
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(18,819)</b>	<b>(9,622)</b>
Decrease / (increase) in operating assets:			
Amounts due from financial institutions		2,069	(2,197)
Loans to customers		(104,283)	(32,894)
Other assets		(1,135)	(2,558)
(Decrease) / increase in operating liabilities:			
Amounts due to financial institutions		13,782	(49,552)
Customer accounts		29,530	65,391
Other liabilities		(1,348)	455
<b>Net cash outflow from operating activities before tax and interest received and paid</b>		<b>(80,204)</b>	<b>(30,977)</b>
Recovered income tax		434	190
Interest received		43,346	36,095
Interest paid		(25,002)	(15,934)
<b>Net cash outflow from operating activities</b>		<b>(61,426)</b>	<b>(10,626)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property and equipment and intangible assets	13, 14	(8,735)	(3,908)
Purchase of securities		(272,848)	(90,315)
Proceeds from redemption and sale of securities		328,694	93,820
Proceeds from sale of property and equipment and intangible assets		75	137
Proceeds from sale of shares		-	14,615
<b>Net cash inflow from investing activities</b>		<b>47,186</b>	<b>14,349</b>

# OJSC "PARITETBANK"

## STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Notes	2020	2019 (restated)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of debt securities	33	(18,965)	(82,442)
Issue of debt securities	33	82,375	77,162
Dividends paid	21	(1)	(3)
Payment of finance lease liabilities		(1,273)	(780)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>62,136</b>	<b>(6,063)</b>
Effect of exchange rates changes on cash and cash equivalents		7,834	(1,092)
Effect of changes in expected credit losses on cash and cash equivalents		(6)	20
Net increase/(decrease) in cash and cash equivalents		55,724	(3,412)
Cash and cash equivalents at the beginning of the reporting year	7	69,323	72,735
<b>Cash and cash equivalents at the end of the reporting year</b>	<b>7</b>	<b>125,047</b>	<b>69,323</b>

The Notes on pages 14-95 form an integral part of these Financial Statements

Chairman of the Management Board  
I.V. Katibnikov  
30 June 2021  
Minsk



Chief Accountant  
E.M. Skriba  
30 June 2021  
Minsk

# OJSC "PARITETBANK"

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

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### 1. ORGANIZATION

Commercial Bank "Poisk" (hereinafter - the "Bank") was registered by the National Bank of the Republic of Belarus (hereinafter - "NB RB") under No. 5 on 15 May 1991. In 1992 the Bank was reorganized as SCB "Poisk" (Meeting of shareholders dated 12 March 1992, Minutes No. 1) and registered in NB RB on 2 July 1992 under No. 5. Since 1999 the Republic of Belarus has been the principal shareholder of the Bank. On 21 November 2000 NB RB registered amendments and additions to the Statute of SCB "Poisk", approved by the meeting of the Bank's shareholders on 21 September 2000 (Minutes No. 2) and related to the change in the name to the OJSC "Bank "Poisk". On 26 March 2004 the General Meeting of Shareholders of OJSC "Bank "Poisk" (Minutes No. 2) decided to rename OJSC "Bank "Poisk" to OJSC "Paritetbank". The changes were registered by the NB RB on 5 May 2004 under No. 5.

The Bank was granted the banking license No. 5 dated 27 October 2014 for the following banking operations:

raising of funds of legal entities and individuals on accounts and deposits;

placement of raised funds of legal entities on accounts and deposits on its own behalf and at their own expense under the repayment, payment, and maturity conditions;

opening and maintaining bank accounts of legal entities;

settlement and cash services to individuals and legal entities, including correspondent banks;

currency exchange transactions;

purchase and sale of precious metals in cases stipulated by the National Bank of the Republic of Belarus;

issuance of bank guarantees;

trust funds under the contract of trust management;

issue (emission) of bank payment cards;

issuance of electronic money;

issue of securities confirming the raising of funds on deposits and placing them on the accounts; accounts receivable financing (factoring);

provision to individuals and legal entities of special premises or safes in them for bank storage of documents and valuables (cash, securities, precious metals and gem stones, etc.);

transportation of cash, precious metals and gem stones and other valuables between banks and non-bank credit and financial organizations, their separate and structural divisions, as well as delivery of such valuables to customers of the Bank and non-bank credit and financial organizations.

The Bank also holds a license for securities and stock exchange operations.



## OJSC "PARITETBANK"

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

The Bank has 26 structural divisions in the Republic of Belarus and a head office located in Minsk and having its registered address at 61a Kiseleva str., Minsk, Republic of Belarus 220002.

As at 31 December 2020 and 2019, the Bank's share capital was distributed among its shareholders as follows:

Shareholders	31 December 2020	31 December 2019
BERISTORE HOLDINGS LIMITED	99.83%	-
State Property Committee of the Republic of Belarus	-	99.83%
Other (legal entities and individuals)	0.17%	0.17%

Information about investments in the Bank's associates is provided below:

Name	Country of operation	Share		Type of activity
		2020	2019	
LLC "Investment Company "Paritet"	Republic of Belarus	50.0%	50.0%	Financial leasing

In 2013 the Bank discontinued recognition of its investment in an associate and the amount of the investment was charged to the Bank's expenses. Financial information on the associate is not disclosed due to the fact that transactions are not significant.

## 2. ECONOMIC ENVIRONMENT IN WHICH THE BANK OPERATES

**Republic of Belarus.** The economy of the Republic of Belarus manifests some of the characteristics inherent in developing markets. Civil and tax legislation continues to evolve.

Throughout 2020, the National Bank of the Republic of Belarus continued to pursue a monetary policy aimed at stabilizing the financial market.

The world economy is facing the impact of the COVID-19 global pandemic. Instability and volatility of financial markets, in particular the markets of Russia and Europe, which are major export markets for Belarus, as well as other risks may have a significant negative impact on the Belarusian financial and corporate sector. Sanctions from the European Union and other countries, as well as the coronavirus pandemic, have also increased the uncertainty of the business environment.

The financial statements reflect management's assessment of the impact of the Republic of Belarus business environment on the operations and the financial position of the Bank. The actual impact of future business conditions may differ from management's assessment.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Bank is required to maintain accounting records and prepare its financial statements in accordance with the laws and regulations of the Republic of Belarus on accounting and banking activities (hereinafter referred to as "BAS"). These financial statements are based on the Bank's statutory accounting records, as adjusted and reclassified in order to comply with IFRS.

These financial statements were prepared under the assumption that the Bank is a going concern and will continue to operate for the foreseeable future. The Management believes ~~that~~ the going concern assumption is appropriate for the Bank due to sufficient capital adequacy ratio (Note 34), and that on the basis of previous experience, short-term liabilities will be refinanced in the normal course of business.

The financial statements have been prepared on the historical cost basis, except for certain non-monetary items arising before 31 December 2014, which are accounted for in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies and items carried at fair value.

These Financial Statements are presented in thousands of Belarusian rubles ("BYN thousand") unless otherwise indicated.

#### **Financial instruments**

##### ***Classification of financial assets***

Under IFRS 9, financial assets are classified as:

financial assets subsequently measured at amortized cost;

financial assets subsequently measured at fair value through other comprehensive income;

financial assets subsequently measured at fair value through profit or loss.

The Bank measures a financial asset at amortized cost if both of the following conditions are met and the asset is not classified at fair value through profit or loss at the Bank's discretion:

financial asset is held for the purpose of receiving contractual cash flows;

contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Bank measures an asset at fair value through other comprehensive income if both of the following criteria are met and the asset is not classified as at fair value through profit or loss at the Bank's discretion:

financial asset is held for the purpose of both receiving contractual cash flows and selling financial assets;

contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This choice is made for each investment separately. Dividends received from such investments are recognized by the Bank in profit or loss.

The Bank measures a financial asset at fair value through profit or loss in all other cases.

***Business model assessment***

In order to select an accounting model for amounts due from credit institutions, customer loans, and debt securities, the Bank determines the business model at the level that best reflects how the grouped financial assets are managed to achieve a particular business objective. The Bank's business model is measured not at the level of individual instruments, but at the higher level of portfolio aggregation, and is based on observable factors, such as:

how the performance of the business model is measured, and the returns of the financial assets held within that business model, as well as how this information is communicated to the Bank's key management personnel;

the risks that affect the performance of the business model (and the return on financial assets held within that business model) and how those risks are managed; how the managers are compensated (whether the compensation is based on the fair value of the assets managed or on the contractual cash flows received);

expected frequency, volume and timing of sales.

Business model measurement is based on scenarios that are reasonably expected to occur, excluding "worst" or "stress" scenarios. If cash flows after initial recognition are realized in a manner other than the Bank's expectations, the Bank does not change the classification of the remaining financial assets held under the business model, but subsequently takes such information into account when assessing newly created or recently purchased financial assets.

***Assessment of whether contractual cash flows are solely payments of principal and interest***

Within the second stage of the classification process, the Bank assesses contractual terms to determine whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI test). For the purposes of the test "principal" is the fair value of financial asset at initial recognition and is subject to changes over the useful life of the financial asset. The most significant contractual interest elements are usually a consideration for time value of money and for credit risk. To conduct the SPPI test, the Bank applies judgment and analyzes relevant factors.

If the contractual terms have insignificant effect on risk exposure or volatility of contractual cash flows, which are not related to the basic loan agreement, do not provide for contractual cash flows that are solely payments of principal and interest on the outstanding principal amount, the financial asset is measured at fair value through profit or loss.

***Classification of financial liabilities***

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

Financial liabilities are measured at fair value through profit or loss when they meet the definition of held for trading or designated as such upon initial recognition. Classification as at fair value through profit or loss occurs when: the Bank has classified, at its discretion, a financial liability, at initial recognition without the right to subsequent reclassification as such classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; the fair value is used as the basis for managing a group of financial liabilities or financial assets; or financial liabilities held for trading, including derivative instruments.

All other financial liabilities are classified as measured at amortized cost using the effective interest method.

***Reclassification of financial assets and financial liabilities***

Classification of financial assets after initial recognition does not change, except for in the period following the period when the Bank changes its business model with regard to financial assets management.

Financial liabilities are not reclassified subsequent to their initial recognition.

***Assessment of financial assets and financial liabilities***

On initial recognition, the Bank measures a financial asset (other than a trade receivable) or a financial liability at fair value, increased or decreased, in the case of a financial asset or financial liability not measured at fair value through profit or loss, by the amount of transaction costs that directly relate to the acquisition or issue of the financial asset or financial liability. If trade receivables do not contain a significant financing component, the Bank measures them at the transaction cost on initial recognition.

***Fair value*** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

in the principal market for the asset or liability; or

in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level inputs that are significant to the fair value measurement as a whole.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

Level 1. Quoted market price (unadjusted) in an active market for identical assets or liabilities;

Level 2. Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3. Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization (based on the lowest level inputs that are significant to the fair value measurement as a whole) at the end of each reporting period.

**Cost** is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the asset at the date of acquisition and includes *transaction costs*.

Cost assessment applies only to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and to derivatives that are linked to such unquoted equity instruments and are settled by such equity instruments.

*Transaction costs* are incremental costs directly related to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

**Amortized cost** of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition less the principal repayments, plus or minus the cumulative amortization, calculated using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

**The effective interest method** is a method of recognition of interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The discounted value calculation includes all fees paid or received by the parties to the contract that are an integral part of the effective interest rate.

***Derecognition of financial instruments***

The Bank derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a transfer arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

risks and rewards of ownership but not retaining control over the assets. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without imposing restrictions on the sale.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Any cumulative gain/loss recognized in other comprehensive income in respect of equity investment securities designated by the Bank as at FVOCI is not recognized in profit or loss on derecognition of such securities.

The Bank derecognizes a financial liability when its contractual obligations are fulfilled, canceled or terminated.

***Modification of financial assets and liabilities***

If the terms of a financial asset are modified, the Bank assesses whether cash flows related to such modified asset significantly differ. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

The modification does not include changes in the cash flows of the asset that are the result of contractual terms contained in the contract originally. If the expected cash flows change as a result of revisions to the estimated contractual cash flows, the gross carrying amount of the financial asset is recalculated and the amount of the adjustment is recognized in profit or loss.

In performing the derecognition modification analysis of financial assets, the Bank relies on the criteria for derecognition of financial liabilities by analogy.

Quantitative assessment of the materiality of the modification is applied in cases of changes in the terms of the contract, not related to the deterioration of the financial condition of the borrower (for financial assets in Stages 1 and 2).

A modification is deemed material if the net present value of the cash flows under the new terms of the financing (including any fees received or paid on the modification), discounted using the original effective interest rate, differs significantly (by analogy with the substantial modification test for financial liabilities) from the present value (discounted) of the remaining cash flows of the original debt instrument in accordance with the terms and conditions previously in effect.

Commissions include amounts paid or received by the parties directly or on behalf of each other and do not include amounts paid by the parties to their agents or other transaction costs.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

If the difference between the present value of cash flows is not significant based on the results of the quantitative analysis, the Bank evaluates qualitative characteristics to determine how significant are the differences in conditions for a given instrument.

Signs of qualitative modification that may be significant (regardless of the presence of signs of quantitative modification) include:

- change of the counterparty;
- change of currency;
- change of floating rate to fixed and vice versa;
- change of terms that lead to non-compliance with the SPPI criterion.

In some cases, the effect of the modification may be offset by a reduction in expected credit losses due to a reduction in the expected amount of uncollected cash flows. In the absence of evidence that the modification is not attributable to a change in the credit risk of the borrower, the gain/loss on the modification of assets for which a credit impairment event is identified (Stage 3) is presented as an impairment gain or loss.

The Bank may grant various indulgences to borrowers in financial difficulty that would not be granted if the borrower was not in financial difficulty. Such reliefs include changes (modifications) to the terms of the contract by postponing payments to later dates, reducing interest payments and/or principal payments, and partial or full refinancing by replacing the existing debt with debt with more acceptable ("softened") terms of service for the borrower. Typically, at the time relief is granted, such loans are credit-impaired (Stage 3) and their gross carrying amount is reduced by the amount of provisions reflecting expectations of underperformance of contractual cash flows. For such assets, the quantitative test for derecognition is performed after determining the amount to be partially derecognized (written off) regardless of whether a portion of the principal or interest is forgiven. If the modification of a credit-impaired loan is accompanied by a change in the qualitative characteristics of the cash flows described above (for example, a change in currency), the former ("old") financial instrument is derecognized and the new one is recognized.

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Bank performs quantitative and qualitative assessment of whether modification is significant analyzing qualitative factors, quantitative factors and the overall effect of qualitative and quantitative factors. The Bank concludes that a modification is significant based on the following qualitative factors:

- change of the financial liability currency;
- addition of a conversion feature;
- change of the financial liability subordination.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

*Agreements containing the right of the Bank to initiate a change in the interest rate.*

Under the terms of certain agreements, in certain cases, the Bank has the right to revise the interest rate on the loan, in particular, in case of an increase in the refinancing rate of the National Bank of the Republic of Belarus of the Bank's cost of funding. If the borrower does not agree with the rate increase, he/she has the right to repay the loan prematurely.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

***Write-off of financial assets***

The Bank reduces the gross carrying amount of a financial asset if there is no reasonable expectation that the financial asset will be recovered in full or in part. Write-off is an event leading to derecognition. If the Bank determines that the borrower has no assets or sources of income that can generate sufficient cash flows to repay the amounts subject to write-off. This assessment is carried out at the individual asset level.

Financial assets that are written off could still be subject to enforcement activities of the Bank in order to comply with the Bank's procedures for recovery of amounts due.

**Impairment of financial assets.**

The Bank applies impairment requirements to financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income.

In accordance with the requirements of IFRS 9, the Bank applies the expected credit loss model for the purposes of provisioning financial instruments, the key principle of which is timely reflection of deterioration or improvement of credit quality of financial instruments taking into account current and forward-looking information. The amount of expected credit losses recognized as an allowance for expected credit losses depends on the degree of change in the credit quality of the financial instrument from its initial recognition date (the date on which the Bank assumes the obligation is used as the initial recognition date for credit related commitments).

According to the general approach, at the date of recognition, financial instruments are classified to Stage 1 of provisioning, then, depending on the degree of deterioration of credit quality from the date of initial recognition to the subsequent reporting dates, the Bank classifies financial instruments into one of the following stages:

Stage 1 - Financial instruments that have no factors indicating a significant increase in credit risk and no evidence of impairment for which expected credit losses are calculated due to events of default on the financial instrument, possible within 12 months after the reporting date;

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

Stage 2 - Financial instruments with factors indicating a significant increase in credit risk but no signs of impairment, for which expected credit losses are calculated for the entire life cycle of the financial instrument;

Stage 3 - Financial instruments with indicators of impairment for which expected credit losses are calculated for the entire life cycle of the financial instrument.

Credit-impaired financial assets acquired or created are not transferable from Stage 3.

*Significant increase in credit risk*

The Bank considers a significant increase in credit risk at the reporting date if, among other things, the following signs are present: overdue debt on financial assets for more than 30 days for individuals and legal entities (more than 3 days - for financial institutions), as well as a significant deterioration in the credit rating of the counterparty for legal entities and individual entrepreneurs and financial institutions.

At each reporting date, the Bank estimates the expected credit losses on the financial instrument to be equal to the expected credit losses for the full term if the credit risk on that financial instrument has increased significantly since initial recognition. If at the reporting date there is no significant increase in credit risk on the financial instrument since initial recognition, the Bank measures the estimated allowance for expected credit losses on that financial instrument in the amount equal to 12-month expected credit losses.

In cases where there was a significant increase in credit risk at the previous reporting date compared to the date of initial recognition and the financial asset was classified to Stage 2, and at the reporting date there are no factors indicating a significant increase in credit risk compared to the date of initial recognition, the asset is classified to Stage 1 and expected credit losses are determined on a 12 month horizon, and the allowance is to be reversed.

*Factors indicating evidence of impairment (default criteria)*

The main factors that indicate the presence of indicators of impairment (default) and attributing a financial asset to Stage 3 are:

*for legal entities:*

- overdue indebtedness for more than 90 days,
- client's written waiver (official statement) from the debtor's performance of obligations under the contract,
- initiation of economic insolvency (bankruptcy) proceedings against the client by an economic court,
- restructuring or refinancing of debts related to the financial difficulties of the client,
- the existence of a default by the parent organization or a related debtor,
- the decision of the Problem Assets Committee to transfer the overdue debt for further support to the Problem Debt Department,
- failure of the counterparty, guarantor to repay the entire amount presented by the Bank (banks) for early collection of the debt on the previously committed active credit transaction within the period specified by the request of the Bank (banks),
- motivated judgment of the Bank's management if an active market disappears due to economic or political events in the country, or if legislation is expected to be introduced that may significantly affect the debtor's financial position.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

*for individuals:*

- overdue debt for more than 90 days,
- restructuring or refinancing of debts related to the financial difficulties of the client,
- the existence of a default by an interrelated debtor,
- the decision of the Problem Assets Committee to transfer the overdue debt for further support to the Problem Debt Department,
- failure of the counterparty, guarantor to repay the entire amount presented by the Bank (banks) for early collection of the debt on the previously committed active credit transaction within the period specified by the request of the Bank (banks),
- motivated judgment of the Bank's management if an active market disappears due to economic or political events in the country, or if legislation is expected to be introduced that may significantly affect the debtor's financial position.

*for financial institutions:*

- overdue debt for more than 30 days,
- suspension, termination, cancellation, revocation of special permits (licenses) to carry out banking activities, which may affect the performance of obligations by the Bank,
- availability of confirmed information on appointment of a temporary administration to manage the Bank, decision on liquidation of the Bank by decision of its members or the Bank's body authorized by its charter,
- absolute decrease in the Bank's capital by more than twenty percent compared to the maximum amount reached in the previous twelve months,
- suspension by authorized bodies of operations on the Bank's correspondent accounts and (or) seizure of the Bank's funds on the accounts opened by the Bank.

*Creation of a temporary default probability structure* Assessment of default probability of corporate clients is carried out on the basis of internal credit ratings calculated in accordance with the Methodology for assigning internal ratings to legal entities and individual entrepreneurs in OJSC "Paritetbank" (as amended by the decision of the Board of OJSC "Paritetbank" dated 31 December 2019 No. 103). Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

The sign of default on credit claims on legal entities is determined at the counterparty level. If a default occurs on a separate credit claim against a counterparty, it is considered that the default occurs on all of the Bank's credit claims against the counterparty (default occurs at the counterparty level). For financial assets of legal entities relating to Stage 3 of credit risk or being POCI (Purchased or Originated Credit Impaired financial assets), the lifetime allowance for impairment is determined on an individual basis.

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects information on the quality of debt service and the level of default for items exposed to credit risk. The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

PD is calculated based on the multiplication of migration matrices by quality categories defined on the basis of internal credit ratings.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

In order to determine the probability of default loans to individuals, depending on the type of product are divided into two groups: consumer loans and loans under partnership programs.

The PD PIT default probability of retail clients is assessed by homogeneous loans by periods of past due: not past due, 1 to 30 days past due, 31 to 60 days past due, 61 to 90 days past due, over 90 days past due. PD is calculated based on the multiplication of migration matrices by periods of delay.

The probability of default of financial institutions is assessed on the basis of external credit ratings established by external rating agencies. If there is no long-term credit rating assigned to the Bank by international rating agencies (from among Fitch, S&P, Moody's), the Bank calculates a quasi-rating and uses this rating to calculate the expected credit losses on assets in these banks. The calculation of the quasi-rating is based on the analysis of the Bank's financial statements, the dynamics of financial indicators and the ratio analysis.

*Measurement of expected credit losses*

The amount of the allowance for expected credit losses (ECL) depends on the amount of exposure at default (EAD), the term of the financial asset or contingent liability, the probability of default (PD) and the loss given default (LGD). In general, the amount of expected credit losses is calculated according to the formula:

$$ECL = PD \times LGD \times EAD,$$

where PD is probability of default. This value is an estimate of the probability of default over a certain time period during the term of a financial asset (contingent liability).

LGD is loss given default. This value is an estimate of losses that occur in the event of default at a certain point in time.

EAD (exposure at default) is the value of the credit claim exposed to the risk of default.

The methodology of estimating PDs is discussed above under the heading “Generating the term structure of PD”.

The Bank evaluates LGDs based on information on the repayment rates of counterparties that have defaulted on their obligations, as well as the repayment rates upon sale of collateral for each secured loan.

When calculating the adequacy of collateral for loans provided to legal entities, the possible realizable value of the collateral provided as security is determined. For this purpose, the market value of the property is determined, taking into account the forecasts of its change up to the anticipated moment of sale of the property. Flows from possible sale of collateral are calculated on the basis of discounted cash flows using the effective interest rate as a discount factor and are included in the calculation of the level of recovery upon sale of collateral for each loan.

The general principles of provisioning for financial institutions and governmental authorities are similar to the general approach for corporate clients, but for the calculation of LGD in this case the Bank uses external sources of information based on actual losses incurred when financial institutions or governments default.

Moody's annual reports are used as information on the level of reimbursement, taking into account the distribution by rating.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

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The assessment of ECL on accounts receivable is implemented similar to the calculation used for loans to individuals and legal entities. For receivables where information about the debtor, the period of delay is not available without undue effort, a simplified approach is applied for the purposes of calculating the ECL: PD and LGD is assumed to be 100%.

EAD represents the expected exposure in the event of a default. The Bank will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For loan commitments, the EAD comprises potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantee contracts, the EAD value is the amount payable at the time the financial guarantee is executed.

*Incorporating of forward-looking information*

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank uses data from external sources (external rating agencies, government agencies and international financial institutions) to obtain forward-looking information.

GDP forecasts were designated as the key factor. External information taken into account may include economic data and forecasts published by government agencies, international organizations.

The specialists of the Credit Risk Department of the Bank determine the weighting coefficients attributable to multiple scenarios. The table below shows the values of the main predictive economic variables/assumptions used in each economic scenario to estimate the ECL.

Key factors	ECL scenario	Assigned probability, %	2021	2022	2023	
GDP growth, %	Optimistic	10		1.8	2.9	3.8
	Basic	65		0.1	1.0	1.1
	Pessimistic	25	(2.7)	0.9	0	

The macroeconomic adjustment for default probabilities did not have a significant impact at the reporting dates.

*Estimation of expected credit losses on modified assets*

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- the remaining lifetime PD at the reporting date based on the modified terms; and
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

---

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates the terms and conditions of loans from customers experiencing financial difficulties ("renegotiation of loan agreements"). According to the Bank's policy on renegotiation of loan agreements, renegotiation is made with respect to each individual customer if a default event occurs or there is a high risk of default, and there is evidence that the debtor made all efforts to make payments under the original terms of the agreement, and there is also evidence that the debtor has made all necessary efforts to make payment under the original terms of the agreement, and is expected to be able to fulfill its obligations to the Bank on the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

***Restructured financial assets***

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized, and ECL are measured as follows:

- if the expected restructuring does not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- if the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

***Credit-impaired financial assets***

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence of credit impairment of a financial asset is, among other things, the observable data presented under "Factors Indicating Evidence of Impairment (Default Criteria)" above.

***Assets that are credit-impaired on initial recognition (POCI assets)***

Impairment allowance is not created for POCI assets upon their initial recognition. Instead, the amount of lifetime expected credit losses is included into the effective interest rate calculation (the “EIR”).

To calculate EIR for POCI-assets, expected cash flows are used, taking into account the initial valuation of lifetime ECLs - i.e. the estimated value of the contractual cash flows for the asset is reduced by the value of the ECL for the entire term of its validity. The effective interest rate calculated in this way is referred to as the effective interest rate adjusted for credit risk.

Upon initial recognition of POCI-loans the fair value of such loans is determined based on the cash flows that are expected to be received by the Bank as a result of selling collateral and/or receiving cash flows.

To determine fair value, expected cash flows are discounted at the market rate at initial recognition.

Interest on POCI assets is charged using the credit risk-based EIR determined upon the initial recognition of the asset.

At subsequent reporting dates, the Bank assesses only accumulated changes in lifetime expected credit losses to calculate the allowance for impairment of POCI assets. At the same time, the amount of expected credit losses for such assets is equal to the amount of changes in the amount of the lifetime expected credit losses since initial recognition of the respective financial asset.

The amount of positive changes in lifetime expected credit losses is recognized as impairment gain even if the amount of such changes exceeds the amount, if any, that was previously recognized in profit or loss as impairment loss.

***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantees: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECLs on the loan commitment component separately from those on the drawn component (loan issued): the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

***Cash and cash equivalents.*** Cash and cash equivalents are assets which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

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Cash and cash equivalents include amounts due from the NBRB (excluding obligatory reserves) and banks maturing within 90 days from the date of origination and not encumbered with any contractual commitments to use.

***Mandatory reserve deposit with the National Bank of the Republic of Belarus.*** Mandatory cash reserves with the National Bank of the Republic of Belarus represent mandatory reserve deposits with the National Bank of the Republic of Belarus, which are not available to finance the Bank's day-to-day operations. Thus, they are not considered cash and cash equivalents used in the preparation of the statement of cash flows.

***Collateral foreclosed for non-payment.*** Repossessed collateral represents non-financial assets received by the Bank in settlement of overdue loans. These assets are initially recognized at fair value when acquired and are subsequently revalued and accounted for depending on their nature and the Bank's intention in respect of selling of these assets in accordance with the accounting policies for these categories of assets.

***Credit related commitments.*** The Bank issues financial guarantees and loan commitments. A financial guarantee is an agreement, according to which the issuing party must make payments to its counterparty to recompense the loss incurred by the latter as a result of the contractual borrower's failure to make a payment within the time frames set by the initial or revised terms of the debt instrument.

Financial guarantees and commitments to extend credit are initially recognized at their fair value, which is normally evidenced by the amount of fees received.

Subsequent to initial recognition, the financial guarantee contract is measured at the higher of: the amount of the allowance for losses; and the amount initially recognized less, where appropriate, the total amount of income recognized.

***Sale and repurchase agreements.*** Sale and repurchase agreements (“repo agreements”), which in fact provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognized. Securities are not reclassified in another line item on the statement of financial position unless the acquirer has the right by contract or practice to sell or repledge the securities. The corresponding liability is presented within "Due to other banks" or "Other borrowed funds".

Securities purchased under agreements to resell ("reverse repo") which effectively provide a lender's return to the Bank are recognized as “Due from other banks” or “Loans and advances to customers”, as appropriate. The difference between the sale and repurchase price is recognized as interest income and accrued over the life of the repurchase agreement using the effective interest rate method.

***Property and equipment.*** Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The book value of property and equipment is assessed for impairment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year.

An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

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

Gains or losses on disposals determined by comparing proceeds with carrying amount are recognized (within other operating income or expenses) in profit or loss for the year.

**Depreciation and amortization.** Construction in progress is not subject to depreciation. Depreciation of items of property and equipment is calculated using the straight-line method, i.e. by evenly reducing their cost to the net book value over the following estimated useful lives:

<b>Depreciation of property and equipment,</b>	
	<b>years</b>
Buildings and structures	50 – 125
Computer equipment	3 – 14
Vehicles	5 – 9
Office furniture and other property and equipment	2 – 50

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

***Right-of-use assets and lease liabilities***

Lease is recognized as a right-of-use asset and a respective liability on the date when the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and the finance costs. The finance costs are recognized in profit or loss over the lease term so as to ensure a constant periodic interest rate on the lease liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Right-of-use assets are disclosed in the line "Property and equipment" in the statement of financial position and lease liabilities are disclosed in "Other liabilities" in the statement of financial position. Finance costs are included in "Interest expense" in the statement of profit or loss, depreciation of right-of-use assets is included in "Depreciation and amortization" in the statement of profit or loss. The total cash outflow on lease liabilities is presented in "Cash flows from financing activities" in the statement of cash flows.

Assets and liabilities arising from leases are initially measured at present value. The lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any incentive payments received under cancelled and irrevocable operating leases;
- variable lease payments that depend on index or rate.

Lease payments are discounted using the lessee's incremental borrowing rate, which is the rate that the lessee would have to pay to raise funds necessary to produce the asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at historical cost comprising the following:

- the amount of the lease liability initial estimate;
- any lease payments as at the lease inception or before this date, less any lease incentives received;

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

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- any initial direct costs incurred by the lessee;
- estimated costs of restoration and dismantling.

Information on the movement of right-of-use assets is disclosed in Note 13.

Information on changes in the lease financial liability is disclosed in Note 33.

Payments related to short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis in profit or loss. Short-term leases are leases with a term of twelve months or less.

On transition to IFRS 16, the Bank has not made any adjustments to leases where it acts as a lessor and categorizes leases into finance and operating leases.

***Intangible assets.*** Intangible assets include software and licenses.

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with a finite useful life are amortized over their useful life, which is from 2 to 10 years, and are analyzed for impairment if any indicators of possible impairment exist. Amortization periods and methods for intangible assets with indefinite useful lives are reviewed at least at each reporting date.

***Investment property.*** Investment property is property held to earn rental income and which is not used by the Bank or held for the sale in the normal course of business. Investment property is initially recognized at cost, including transaction costs.

Subsequently, investment properties are stated at fair value. Items of investment property are not depreciated.

***Non-current assets held for sale.*** Non-current assets, which may include non-current and current assets, are recognized in the statement of financial position as "Non-current assets held for sale" if their carrying amount will be recovered principally through sale rather than through use. Assets are reclassified when all of the following conditions are met: (a) assets are available for immediate sale in their present condition; (b) the Bank's management approved and initiated an active programme to find a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

***Derivative financial instruments.*** Derivative financial instruments, including foreign exchange contracts, currency and interest rate swaps, are measured at fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss as net gains/(losses) from securities transactions or net gains/(losses) from foreign currencies transactions, depending on the nature of the financial instrument.

***Taxation.*** The current income tax charge is calculated in accordance with the regulations of the Republic of Belarus, and is based on the results reported in the Bank's separate statement of comprehensive income prepared in accordance with BAS, as adjusted for tax purposes.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

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

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Other operating taxes effective in the Republic of Belarus and applicable to the Bank's operations are included in other operating expenses in the statement of profit or loss.

***Provisions for liabilities and charges.*** Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. Provisions are recognized in the financial statements when the Bank has liabilities (legal or arising from the established business practice) incurred prior to the reporting date. It is possible, however, that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

***Trade and other payables.*** Trade payables are recognized when the counterparty has fulfilled its obligations and are carried at amortized cost.

***Share capital.*** Ordinary and preference shares are recognized as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a decrease in revenue (net of tax). Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

***Dividends.*** Dividends are recognized in equity in the period when they have been declared. All dividends declared after the end of the reporting period, but before the financial statements are authorized for issue, are disclosed in the “Subsequent events” note. Allocation of profit and its other expenditures are made on the basis of the accounting statements prepared in accordance with the requirements of the legislation of the Republic of Belarus. In accordance with the requirements of the legislation of the Republic of Belarus, the profit is distributed on the basis of the current year net profit according to the financial statements prepared in accordance with the requirements of the legislation of the Republic of Belarus.

***Recognition of income and expenses.*** The Bank recognizes income and expenses in the period to which they relate. Thus, income and expenses are recognized in the financial statements in the periods to which they relate according to the economic substance of the transaction.

The method of determining the reporting period to which income and expenses relate applies uniformly to income and expenses from the same transaction, as well as to income and expenses from related transactions. This principle ensures the matching of periods of income and expense recognition in cases where this is dictated by the economic substance of the transaction.

The Bank calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than POCI assets.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

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The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected Allowance for ECL.

The ‘gross carrying amount of a financial asset’ measured at amortized cost is the amortized cost of a financial asset before adjusting for any expected loss allowance.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recognized as interest income or expense.

For a financial asset that becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net amortized cost of that financial asset. If the default on the financial asset is eliminated and it is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For POCI assets, the Bank calculates interest income by applying the effective interest rate, adjusted for credit risk, to the amortized cost of the financial asset.

***Fee and commission income.*** The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Fees earned for the provision of services over a period of time are accrued over that period. Commission income received for conducting or participating in the negotiation of a transaction on behalf of a third party is recognized after the transaction is completed. Fee and commission income or a portion of fee and commission income associated with certain profitability ratios are recognized after the relevant criteria are met.

***Foreign currency translation.*** The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates.

The financial statements are presented in Belarusian rubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss in ‘Net income/(loss) on foreign currency transactions – Revaluation of foreign currency items’ caption. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the dates of transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rate as at the date when the fair value was determined.

The exchange rates at the year-end used by the Bank in the preparation of the financial statements are as follows:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**  
(in thousands of Belarusian Rubles)

	31 December 2020	31 December 2019
USD/BYN	2.5789	2.1036
EUR/BYN	3.1680	2.3524
RUB/BYN	0.034871	0.034043

**Offsetting.** Assets and liabilities, representing claims and liabilities from transactions with the same counterparty, are offset only if there is an intention to settle on a net basis and the possibility of offsetting is legally or contractually justified.

The various types of income and expenses are presented separately in the financial statements according to their nature. Offsetting income and expenses for similar transactions is allowed if this is dictated by the economic substance of such transactions. Negative and positive financial results from the following types of transactions are subject to offsetting in the financial statements:

trading transactions and market revaluation of financial instruments;  
trading transactions with foreign currencies;  
trading transactions with precious metals;  
revaluation of assets and liabilities denominated in foreign currency.

Income or expenses from certain transactions amounting to 20% or more of net income for the reporting period are not subject to offsetting.

**Staff costs and related contributions.** Wages, salaries, social security and pension fund contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued as the Bank's employees render the related services. Bank has no legal or constructive obligation to make pension or similar benefit payments beyond Pension Insurance scheme.

#### 4. RECALCULATION OF COMPARATIVE DATA

The Bank has restated comparative information in these financial statements due to the following facts:

- 1) In 2020 the Bank made changes to the model for calculating expected credit losses due to changes in the approach to estimating repayment on loans in default; use of information that was available regarding estimated future cash flows on loans in default at the reporting date on an individual basis; changes in the ECL methodology, including LGD accounting; PD calculation (monthly matrices of migration of loans by period of delinquency in terms of portfolios of individuals and quarterly migration matrices by quality categories, based on the new system of credit ratings in terms of portfolios of legal entities with a successive multiplication of matrices are used for calculation), as well as changes in the system of determining the credit ratings on loans to legal entities. The change in the model for financial assets of legal entities and individuals had an impact on the ECL for other assets and credit related commitments with respect to amounts owed by legal entities and individuals. Minor changes were also made to the methodology for calculating ECL for financial institutions. Comparative adjustments were made by means of restating each affected item of the prior periods' financial statements.
- 2) For the purposes of recognition a property that is partially leased out, an "Investment Property" item was separated in accordance with the requirements of IAS 40 and an accounting policy was selected to subsequently measure investment property at fair value. Comparative adjustments were made by means of restating each affected item of the prior periods' financial statements.

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

- 3) In the statement of cash flows for the year ended 31 December 2019, the Bank separated the flows from finance lease obligations from the flows from changes in other liabilities and recognized them in financing activities; the Bank adjusted the movement in securities to recognize an adjustment in investing activities, and changed the presentation of interest income in non-cash adjustments and changes in operating assets and liabilities.

The table below summarizes the impact of these changes on the Bank's financial statements.

### Statement of financial position

	Carrying amount as at 31 December 2019 before restated	Change as a result of recalculation	Carrying amount as at 31 December 2019 restated
<b>Assets</b>			
Cash and cash equivalents	69,285	38	69,323
Amounts due from financial institutions	3,770	(19)	3,751
Loans to customers	249,246	(3,758)	245,488
Investment property	-	14,535	14,535
Property and equipment	29,796	(16,770)	13,026
Deferred income tax assets	269	998	1,267
Other assets	2,066	1,719	3,785
<b>Liabilities</b>			
Allowance for non-credit contingent liabilities	322	(263)	59
<b>Equity</b>			
Fair value revaluation reserve for investments measured at FVOCI	1,759	281	2,040
Accumulated loss	(42,021)	(3,275)	(45,296)
	Carrying amount as at 31 December 2018 before restated	Change as a result of recalculation	Carrying amount as at 1 January 2019 restated
<b>Assets</b>			
Loans to customers	222,983	(2,345)	220,638
Investment property	-	14,535	14,535
Property and equipment	27,869	(17,045)	10,824
Deferred income tax assets	820	992	1,812
Other assets	1,808	889	2,697

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

<b>Equity</b>			
Accumulated loss	(43,007)	(2,974)	(45,981)

### Statement of profit or loss and other comprehensive income

<b>For the year ended 31 December 2019</b>	<b>Presented in the financial statements for the previous period</b>	<b>Change after recalculation</b>	<b>Restated</b>
Creation of ECL allowances on interest-bearing financial assets	(3,519)	(1,754)	(5,273)
Depreciation and amortization	(2,594)	275	(2,319)
(Creation) / reversal of allowances for expected credit losses on non-interest financial assets	(1,057)	1,127	70
Gain on subsequent increase in fair value of non-current assets held for sale, less selling costs	-	45	45
Income tax expenses	(468)	6	(462)
<b>Profit</b>	<b>989</b>	<b>(301)</b>	<b>688</b>
Change in ECL allowance on securities measured at FVOCI	78	281	359
<b>Other comprehensive income</b>	<b>2,410</b>	<b>(20)</b>	<b>2,390</b>

### Statement of cash flows

<b>For the year ended 31 December 2019</b>	<b>Presented in the financial statements for the previous period</b>	<b>Change after recalculation</b>	<b>Restated</b>
Net cash inflow/(outflow) from operating activities	(8,872)	(1,754)	(10,626)
Net cash inflow/(outflow) from investing activities	11,985	2,364	14,349
Net cash inflow/(outflow) from financing activities	(5,448)	(615)	(6,063)
Effect of exchange rates changes on cash and cash equivalents	(1,076)	(16)	(1,092)
Effect of changes in expected credit losses on cash and cash equivalents	(39)	59	20



**5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

The Bank makes estimates and assumptions that affect amounts recognized in statements and the carrying amount of assets and liabilities over the next financial year. Estimates and judgments are continually reassessed and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Judgments***

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3. The Bank considers the receipt of contractual flows on the securities portfolio and their sale as integral to achieving the goal of the business model. The Bank holds liquid securities of government agencies and resident banks to generate contractual cash flows and sells them to replenish liquidity, as well as financial assets for reinvestment in financial assets with higher yield. In past periods, this strategy has resulted in frequent and significant sales. Such sales are expected to continue in the future.

- information on establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL is presented in Note 3.

- to determine Levels of fair value hierarchy the Bank uses judgment with regard to the definition of an active market. The description of measurement methods and key input data for financial instruments carried at fair value is presented in Note 29.

***Assumptions and estimations uncertainty***

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2020 includes:

***Allowance for expected credit losses.*** Estimating impairment losses for all categories of financial assets requires judgment, particularly in determining the ECL / impairment losses and estimating a significant increase in credit risk, it is necessary to estimate the amount and timing of future cash flows and the value of collateral. The Bank makes judgments about the borrower's financial condition. These estimates are based on a number of assumptions and may differ from actual results, which will result in a change in the allowance in the future.

Estimating the allowance for expected credit losses for financial assets measured at amortized cost and fair value through other comprehensive income requires the use of complex models and significant assumptions regarding future economic conditions and the credit behavior of the counterparty.

The Bank applies judgment in assessing whether counterparty credit risk has increased significantly, in forecasting future economic conditions, and in selecting an appropriate model for estimating expected credit losses (Note 3, 28).

***Fair value of securities.*** Securities are represented by debt and equity securities (Note 9).

To determine the fair value and disclose information on securities, the Bank uses quoted market prices. In the absence of an active market for certain financial instruments, the Bank measures their fair value using appropriate valuation techniques. Valuation techniques include the use of data on market

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

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transactions between independent, knowledgeable and willing parties, the use of the current fair value of another instrument similar in nature, discounted cash flow analysis and other applicable methods (Note 29). Changes in fair value of securities measured at fair value through other comprehensive income are recognized under "Change in fair value of financial assets" in equity.

***Fair value of investment property.*** Key assumptions affecting the fair value of investment property are used in estimating the fair value of investment property (Note 15).

## **6. TRANSITION TO NEW OR REVISED STANDARDS OR INTERPRETATIONS**

The following amendments to the standards and interpretations have become applicable for the Bank since 1 January 2020:

***Amendments to the Conceptual Framework for Financial Reporting.*** Issued in March 2018 and effective for annual periods beginning on or after 1 January 2020. The revised Conceptual Framework for Financial Reporting includes a new chapter on valuation, guidance for reporting financial results, improved definitions and guidance (particularly the definition of liabilities), and clarification of important issues such as the role of governance, prudence, and measurement uncertainty in the preparation of financial statements. These amendments do not have a material impact on the Bank's financial statements.

***Amendment to lease incentives related to COVID-19 to IFRS 16.*** Issued in May 2020 and effective for annual periods beginning on or after 1 June 2020 (earlier application permitted). The amendment provides relief to lessees in the form of an optional exemption from evaluating whether a lease concession associated with COVID-19 is a lease modification. Lessees may choose to account for such lease concessions in the same manner as they would if such concessions were not lease modifications. The practical solution applies only to lease concessions arising as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met: the change in lease payments results in a revised lease reimbursement amount, with the reimbursement amount remaining substantially the same or becoming less than the lease at the time immediately preceding the change; any reduction in lease payments affects only payments due no later than 30 June 2021; and there is no material change in other lease terms. The Bank did not apply the above amendment.

***Amendments to IAS 1 and IAS 8.*** Determining Materiality. Issued in October 2018 and effective for annual periods beginning on or after 1 January 2020. These amendments clarify the definition of materiality and the application of this concept by including recommendations on the definition that were previously presented in other IFRSs. In addition, clarifications to the definition were improved. The amendments also provide a consistent use of the definition of materiality in all IFRSs. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. These amendments do not have a material impact on the Bank's financial statements.

***Amendments to IFRS 3 Business Combinations.*** Issued in October 2018 and effective for acquisitions for annual periods beginning on or after 1 January 2020. These amendments change the definition of business. Business consists of inputs and significant processes that combine to form the ability to create a return. The new guidance includes a system for determining whether there is input and a significant process, including for early-stage companies that have not yet received a return. If there is no return, an organized workforce must be present in order for the enterprise to be considered a business. The definition of "return" is narrowed to focus on goods and services provided to customers, the creation of investment income and other income, while excluding results in the form of cost savings and other economic benefits. In addition, it is no longer necessary to assess whether market participants are

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

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capable of replacing missing elements or integrating acquired activities and assets. The organization can apply the concentration test. Assets acquired will not be considered a business if substantially all of the fair value of the acquired gross assets is concentrated in a single asset (or group of similar assets). These amendments have no impact on the Bank's financial statements.

**Amendments to IFRS 9, IAS 39 and IFRS 7.** Interest Rate Benchmark Reform. Issued in September 2019 and effective for annual periods beginning on or after 1 January 2020. The amendments were prompted by the replacement of benchmark interest rates such as LIBOR and other interbank offer rates (IBOR) with alternative rates. The amendments provide a temporary exemption from applying certain hedge accounting requirements to hedge relationships that are directly affected by IBOR rate reform. These amendments do not have a material impact on the Bank's financial statements.

**Standards issued but not yet effective**

A number of standards and amendments to standards are effective for annual periods beginning after 1 January 2021 with earlier application permitted. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements.

**IFRS 17 Insurance Contracts.** Issued in May 2017 and is mandatory for annual periods beginning on or after 1 January 2023 and replaces IFRS 4 Insurance Contracts. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15. IFRS 17 addresses the recognition and measurement, presentation and disclosure of insurance contracts and applies to all types of insurance contracts regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation conditions. IFRS 17 offers a single accounting model for insurance contracts, which is more efficient and consistent for insurers. The following provisions supplement the general accounting model:

specific application guidance for agreements with features of discretionary participation (the method of variation commissions);

simplified approach (premium allocation method), which applies mainly to short-term agreements. The Bank does not expect any material impact on the financial statements resulting from the application of IFRS 17.

**Amendment to IFRS 9 Financial Instruments** – Fees in the '10 per-cent' test for derecognition of financial liabilities. '10 per-cent' test for derecognition of financial liabilities clarifies the definition of commissions that an entity takes into account when evaluating whether the terms of a new or modified financial liability differ materially from those of the original financial liability. The fees considered in this amendment include only payments between the debtor and creditor, including amounts received or paid by the creditor, or by the debtor on behalf of third parties. The application of the amendment is required for financial liabilities that will be modified or exchanged for other liabilities in the annual reporting periods beginning on the date the entity first applies the amendment. The amendment is mandatory for annual periods beginning on or after 1 January 2022. The Bank plans to apply the amendment to financial liabilities that will be modified or exchanged in the annual reporting periods beginning on the date of mandatory application of the amendment, and does not expect the amendment to have a material impact on its financial statements.

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** - Interest Rate Benchmark Reform - Second Phase. Amendments to these standards, issued in August 2020, address accounting issues related to the replacement of the interbank offer rate ("IBOR") with the risk-free interest rate ("RFR"). The Second Phase of Interest Rate Benchmark Reform includes several practical expedients and additional disclosure requirements. Practical expedients will be applied when accounting for the

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

change in the rate on financial instruments from the interbank offering rate to the risk-free interest rate. Changes to the definition of contractual cash flows as a result of interest rate reform are appropriate to be considered as changes in the floating interest rate. For a financial instrument, the criterion change from the interbank offer rate to the risk-free interest rate must be conducted on an economically equivalent basis. The amendment is mandatory for annual periods beginning on or after 1 January 2022. The Bank expects to apply the amendment in the annual periods beginning on the date of mandatory application of the amendment and does not expect the amendment to have a material impact on its financial statements.

**IAS 12 Income Taxes.** The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 Income Taxes so that it will not apply to transactions that give rise to equal and offsetting temporary differences. The proposed amendments to the standard would require companies to recognize deferred tax on specific transactions that, on initial recognition, result in equal amounts of taxable and deductible temporary differences. The proposed amendments would apply to transactions such as leases and decommissioning obligations. The amendments are mandatory for annual periods beginning on or after 1 January 2023, with early application permitted. The Bank expects to apply the amendment in the annual periods beginning on the date of mandatory application of the amendment and does not expect the amendment to have a material impact on its financial statements.

**Onerous contracts - costs to fulfill a contract (Amendments to IAS 37).** These amendments clarify what costs an entity includes when determining the costs of fulfilling a contract to assess whether the contract is onerous. The amendments are applicable to annual reporting periods beginning on or after 1 January 2022 with respect to contracts that are in place as of the date of first application of the amendments. The cumulative effect of applying the amendments is recognized as at the date of initial application as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate. Comparative data are not restated. The Bank expects to apply the amendment in the annual periods beginning on the date of mandatory application of the amendment and does not expect the amendment to have a material impact on its financial statements.

## 7. CASH AND CASH EQUIVALENTS

	<b>31 December 2020</b>	<b>31 December 2019 (restated)</b>
Cash on hand	53,022	30,137
Cash at the correspondent accounts in the National Bank of the Republic of Belarus	47,716	32,660
Current accounts with other credit institutions	18,911	6,527
Loans issued by the bank for up to 90 days	5,405	-
Less allowance for impairment	(7)	(1)
<b>Total cash and cash equivalents</b>	<b>125,047</b>	<b>69,323</b>

As at 31 December 2020 the Bank placed BYN 9,643 thousand (2019: BYN 4,907 thousand) on current accounts with recognized international banks, which are the main counterparties of the Bank in international settlements, in particular, banks of OECD countries account for about 95%, CIS and other countries account for about 5%.

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

Movements in the cash and cash equivalents impairment allowance are as follows:

	<b>Total</b>
<b>Allowance for ECL at 31 December 2018</b>	21
Creation of allowances (restated)	(20)
<b>Allowance for ECL as at 31 December 2019 (restated)</b>	<b>1</b>
Creation of allowances	6
<b>Allowance for ECL as at 31 December 2020</b>	<b>7</b>

All balances of cash and cash equivalents are allocated to Stage 1.

### 8. AMOUNTS DUE FROM FINANCIAL INSTITUTIONS

As at 31 December 2020 and 31 December 2019, amounts due from credit institutions included the following items:

	<b>31 December 2020</b>	<b>31 December 2019 (restated)</b>
Guarantee deposits	1,276	396
Loans granted to banks for a period exceeding 90 days	-	3,400
Less allowance for impairment	-	(45)
<b>Total amounts due from financial institutions</b>	<b>1,276</b>	<b>3,751</b>

Guarantee deposits are represented by funds deposited as collateral. The Bank's ability to withdraw these deposits is limited.

The following is an analysis of changes in gross carrying amounts and related expected credit losses at credit institutions:

	<b>12-month expected credit losses (Stage 1)</b>
<b>Amounts due from financial institutions</b>	
Gross carrying amount as at 31 December 2018	664
Newly created financial assets	168,193
Derecognition	(164,932)
Other changes	(129)
<b>Gross carrying amount as at 31 December 2019</b>	<b>3,796</b>
Newly created financial assets	20,768
Derecognition	(23,522)
Other changes	234
<b>Gross carrying amount as at 31 December 2020</b>	<b>1,276</b>



# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	12-month expected credit losses (Stage 1)
<b>Due from banks</b>	
<b>Allowance for ECL as at 31 December 2018</b>	<b>11</b>
Creation of an allowance for newly created funds due from financial institutions	1,152
Decrease in an allowance for funds due from financial institutions that have been repaid	(2,732)
Creation of allowances (restated)	1,614
<b>Allowance for ECL as at 31 December 2019 (restated)</b>	<b>45</b>
Decrease in an allowance for funds due from financial institutions that have been repaid	(279)
Creation of allowances	234
<b>Allowance for ECL as at 31 December 2020</b>	<b>-</b>

### 9. SECURITIES

Securities as at 31 December 2020 and 31 December 2019 included securities measured at fair value through other comprehensive income.

	31 December 2020	31 December 2019
Corporate bonds of banks, <i>including those transferred under repo transactions</i>	11,190	11,734
Eurobonds 2030	-	10,423
Government bonds <i>including those transferred under repo transactions</i>	76,269	11,267
	30,073	89,980
<b>Securities measured at fair value through other comprehensive income</b>	<b>87,459</b>	<b>112,981</b>

Corporate bonds of banks as at 31 December 2020 and 31 December 2019 represent securities of Belarusbank JSC.

Movements in the gross carrying amount and related expected credit losses of securities measured at fair value through other comprehensive income are as follows:

	12-month expected credit losses (Stage 1)
<b>Securities measured at fair value through other comprehensive income</b>	
<b>Gross carrying amount as at 31 December 2018</b>	<b>97,774</b>
Newly acquired financial assets	90,315
Derecognition	(73,366)
Other changes	(1,742)
<b>Gross carrying amount as at 31 December 2019</b>	<b>112,981</b>
Newly acquired financial assets	272,848
Derecognition	(329,740)
Other changes	31,340
<b>Gross carrying amount as at 31 December 2020</b>	<b>87,459</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	12-month expected credit losses (Stage 1)
<b>Securities measured at fair value through other comprehensive income</b>	
<b>Allowance for ECL as at 31 December 2018</b>	<b>474</b>
Newly acquired	667
Repayments	(356)
Creation of allowances (restated)	49
<b>Allowance for ECL as at 31 December 2019 (restated)</b>	<b>834</b>
Newly acquired	2,129
Repayments	(2,407)
Creation of allowances	126
<b>Allowance for ECL as at 31 December 2020</b>	<b>682</b>

### 10. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into transactions using derivative financial instruments (forward transactions and swap transactions). The table below shows the fair values of derivative financial instruments, recognized as assets or liabilities in the financial statements.

	<b>2020</b>		<b>2019</b>	
	<b>Asset</b>	<b>Liability</b>	<b>Asset</b>	<b>Liability</b>
Currency contracts				
Forwards and Swaps - foreign contracts	64	60	139	-
Forwards and Swaps - internal contracts	322	-	-	-
<b>Total derivative assets/liabilities</b>	<b>386</b>	<b>60</b>	<b>139</b>	<b>-</b>

In the table above, internal contracts refer to contracts concluded with residents of the Republic of Belarus, while foreign contracts refer to contracts concluded with non-residents of the Republic of Belarus.

As at 31 December 2020 and 2019, the Bank had positions in swaps, which are contractual agreements between two parties to exchange amounts equal to changes in interest rates, exchange rates based on notional amounts.

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

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#### 11. LOANS TO CUSTOMERS

As at 31 December 2020 and 31 December 2019, loans to customers included the following items:

	<b>31 December 2020</b>	<b>31 December 2019 (restated)</b>	<b>1 January 2019 (restated)</b>
Corporate lending	239,034	148,635	151,204
Consumer lending	158,833	111,192	78,742
<b>Total loans to customers</b>	<b>397,867</b>	<b>259,827</b>	<b>229,946</b>
Allowance for expected credit losses	(19,117)	(14,339)	(9,308)
<b>Total loans to customers after allowance for expected credit losses</b>	<b>378,750</b>	<b>245,488</b>	<b>220,638</b>

The following is an analysis of changes in gross carrying amounts and related expected credit losses on loans to corporate customers:

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
<b>Loans to corporate customers</b>				
<b>Gross carrying amount as at 31 December 2018 (restated)</b>	<b>103,800</b>	<b>33,629</b>	<b>13,775</b>	<b>151,204</b>
New financial assets originated and purchased	96,035	-	-	96,035
Principal debt that has been repaid	(76,363)	(16,209)	(3,274)	(95,846)
Transfer to 12- months expected credit losses (Stage 1)	3,305	(3,305)	-	-
Transfer to lifetime expected credit losses (Stage 2)	(46,916)	47,031	(115)	-
Transfer to lifetime expected credit losses (Stage 3)	-	(10,777)	10,777	-
Write-offs	-	-	(81)	(81)
Exchange rate fluctuations	13,581	(14,273)	(1,859)	(2,551)
Other changes	45	(181)	10	(126)
<b>Gross carrying amount as at 31 December 2019 (restated)</b>	<b>93,487</b>	<b>35,915</b>	<b>19,233</b>	<b>148,635</b>
New financial assets originated and purchased	182,383	-	-	182,383
Principal debt that has been repaid	(88,721)	(33,992)	(2,584)	(125,297)
Transfer to 12- months expected credit losses (Stage 1)	55,754	(55,754)	-	-
Transfer to lifetime expected credit losses (Stage 2)	(108,286)	108,286	-	-
Transfer to lifetime expected credit losses (Stage 3)	-	(3,042)	3,042	-
Write-offs	-	-	(308)	(308)
Amortization of discount recognized in interest income	-	-	103	103
Exchange rate fluctuations	29,285	2,479	480	32,244
Other changes	527	52	695	1,274
<b>Gross carrying amount as at 31 December 2020</b>	<b>164,429</b>	<b>53,944</b>	<b>20,661</b>	<b>239,034</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
<b>Loans to corporate customers</b>				
<b>Allowance for ECL as at 31 December</b>				
<b>2018 (restated)</b>	<b>221</b>	<b>214</b>	<b>6,412</b>	<b>6,847</b>
Transfer to 12- months expected credit losses (Stage 1)	-	-	-	-
Transfer to lifetime expected credit losses (Stage 2)	(871)	938	(67)	-
Transfer to lifetime expected credit losses (Stage 3)	-	(15)	15	-
Creation of an allowance for new loans originated or purchased	1,910	-	-	1,910
Decrease in provision for loans that have been repaid	(611)	(11)	(633)	(1,254)
Net change in loss allowance	(335)	(999)	4,109	2,775
Write-offs	-	-	(81)	(81)
Amortization of discount recognized in interest income	-	-	28	28
<b>Allowance for ECL as at 31 December</b>				
<b>2019 (restated)</b>	<b>314</b>	<b>127</b>	<b>9,783</b>	<b>10,224</b>
Transfer to 12- months expected credit losses (Stage 1)	210	(210)	-	-
Transfer to lifetime expected credit losses (Stage 2)	(514)	514	-	-
Transfer to lifetime expected credit losses (Stage 3)	-	(28)	28	-
Creation of an allowance for new loans originated or purchased	3,402	-	-	3,402
Decrease in provision for loans that have been repaid	(1,293)	(423)	(732)	(2,448)
Net change in loss allowance	(1,808)	2,150	1,160	1,502
Write-offs	-	-	(308)	(308)
Amortization of discount recognized in interest income	-	-	103	103
Change in exchange rate	136	179	(131)	184
<b>Allowance for ECL as at 31 December</b>				
<b>2020</b>	<b>447</b>	<b>2,309</b>	<b>9,903</b>	<b>12,659</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

The following is an analysis of changes in gross carrying amount and related expected credit losses on loans to retail customers:

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
<b>Loans to retail customers</b>				
<b>Gross carrying amount as at 31 December 2018</b>	<b>76,005</b>	<b>436</b>	<b>2,301</b>	<b>78,742</b>
New financial assets originated and purchased	61,589	-	-	61,589
Principal debt that has been repaid	(28,581)	(116)	(442)	(29,139)
Transfer to 12- months expected credit losses (Stage 1)	154	(118)	(36)	-
Transfer to lifetime expected credit losses (Stage 2)	(3,226)	3,231	-	-
Transfer to lifetime expected credit losses (Stage 3)	-	(2,147)	2,147	-
Write-offs	-	-	(9)	(9)
Amortization of discount recognized in interest income	-	-	162	162
Other changes	(33)	(23)	(97)	(153)
<b>Gross carrying amount as at 31 December 2019</b>	<b>105,908</b>	<b>1,262</b>	<b>4,022</b>	<b>111,192</b>
New financial assets originated and purchased	110,376	-	-	110,376
Principal debt that has been repaid	(61,216)	(475)	(920)	(62,611)
Transfer to 12-months expected credit losses (Stage 1)	276	(225)	(51)	-
Transfer to lifetime expected credit losses (Stage 2)	(4,905)	4,912	(7)	-
Transfer to lifetime expected credit losses (Stage 3)	-	(3,500)	3,500	-
Amortization of discount recognized in interest income	-	-	106	106
Other changes	(91)	24	(163)	230
<b>Gross carrying amount as at 31 December 2020</b>	<b>150,348</b>	<b>1,998</b>	<b>6,487</b>	<b>158,833</b>



# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
<b>Loans to retail customers</b>				
<b>Allowance for ECL as at 31 December 2018 (restated)</b>	<b>1,068</b>	<b>167</b>	<b>1,226</b>	<b>2,461</b>
Creation of an allowance for new loans originated or purchased	681	-	-	681
Decrease in provision for loans that have been repaid	(380)	(39)	(236)	(655)
Transfer to 12- months expected credit losses (Stage 1)	69	(48)	(21)	-
Transfer to lifetime expected credit losses (Stage 2)	(67)	70	(3)	-
Transfer to lifetime expected credit losses (Stage 3)	-	(113)	113	-
Net change in loss allowance	117	447	911	1,475
Amortization of discount recognized in interest income	-	-	162	162
Write-offs	-	-	(9)	(9)
<b>Allowance for ECL as at 31 December 2019 (restated)</b>	<b>1,488</b>	<b>484</b>	<b>2,143</b>	<b>4,115</b>
Creation of an allowance for new loans originated or purchased	1,456	-	-	1,456
Decrease in provision for loans that have been repaid	(705)	(155)	(498)	(1,358)
Transfer to 12- months expected credit losses (Stage 1)	126	(95)	(31)	-
Transfer to lifetime expected credit losses (Stage 2)	(115)	119	(4)	-
Transfer to lifetime expected credit losses (Stage 3)	-	(288)	288	-
Net change in loss allowance	(48)	626	1,559	2,137
Amortization of discount recognized in interest income	-	-	106	106
Change in exchange rate	2	-	-	2
<b>Allowance for ECL as at 31 December 2020</b>	<b>2,204</b>	<b>691</b>	<b>3,563</b>	<b>6,458</b>

### Collateral and other credit enhancements

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

The main types of collateral obtained are as follows:

for commercial lending - pledge of real estate, equipment, transport and other property and equipment, inventories and receivables;

for consumer lending - a guarantee, a pledge of residential real estate and vehicles;

Under finance leases, there is usually no additional security over the leased equipment.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

For impaired loans, the Bank typically revises the estimated value of collateral as the current value of collateral can be used in an impairment assessment.

As at 31 December 2020 and 31 December 2019, management estimates that the allowances for losses on loans to corporate customers with collateral for which no impairment indicators have been identified would be higher by BYN 6,486 thousand and BYN 3,337 thousand, respectively, if no collateral was recognized.

The tables below provide an analysis of the current fair value of collateral held and credit enhancements for credit-impaired assets (Stage 3 assets). For each loan, the value of the collateral is limited to a maximum nominal amount of the loan disbursed.

as at 31 December 2020	Maximum exposure to credit risk	Real estate	Equipment	Vehicles	Goods in turnover	Insurance	TOTAL collateral	Net exposure to credit risk	Allowance for ECL
Corporate lending	<b>20,661</b>	9,857	105	261	412	4,102	<b>14,737</b>	<b>5,924</b>	<b>9,903</b>
Consumer lending	<b>6,487</b>	137					<b>137</b>	<b>6,350</b>	<b>3,563</b>
	<b>37,148</b>	9,994	105	261	412	4,102	<b>14,874</b>	<b>12,274</b>	<b>13,466</b>

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

as at 31 December 2019	Maximum exposure to credit risk	Real estate	Equipment	Vehicles	Goods in turnover	Insurance	TOTAL collateral	Net exposure to credit risk	Allowance for ECL
Corporate lending	19,233	8,764	876	822	735	3,842	15,039	4,194	9,783
Consumer lending	4,022	137					137	3,885	2,143
	23,255	8,901	876	822	735	3,842	15,176	8,079	11,926

#### Concentration of loans to customers

As at 31 December 2020, the concentration of loans issued by the Bank to its ten largest borrowers amounted to BYN 140,552 thousand, or 35% of the total loan portfolio (2019: BYN 91,783 thousand or 35% of the total loan portfolio).

Loans primarily are issued within the Republic of Belarus in the following industry sectors:

	31 December 2020	31 December 2019 (restated)	1 January 2019 (restated)
Individuals	158,833	111,192	78,742
Trade and public catering	71,084	53,806	30,232
Leasing companies	61,693	28,531	13,621
Manufacturing	57,462	33,546	42,957
Construction	11,725	8,206	7,004
Real estate	10,845	10,233	11,472
Vehicles	4,578	1,593	942
Individual entrepreneurs	3,033	1,652	133
Agriculture	2,437	1,904	3,437
Petrochemicals	-	-	12,444
Other	16,177	9,164	28,962
<b>Total loans to customers</b>	<b>397,867</b>	<b>259,827</b>	<b>229,946</b>
Allowance for expected credit losses	(19,117)	(14,339)	(9,308)
<b>Total loans to customers less allowance for expected credit losses</b>	<b>378,750</b>	<b>245,488</b>	<b>220,638</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

### 12. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are presented as follows:

	31 December 2020	31 December 2019
Property transferred to the Bank as repayment of debt	13	148
Other	93	93
<b>Total non-current assets held for sale</b>	<b>106</b>	<b>241</b>

### 13. PROPERTY AND EQUIPMENT

Property and equipment are presented as follows:

	Buildings and structures	Computer equipment	Vehicles	Office furniture and other property and equipment	Construction in progress	Right-of- use leased items	Total
<b>Cost</b>							
As at 1 January 2020 (restated)	9,198	3,519	394	2,844	270	3,127	19,352
Additions	-	3,752	235	847	495	1,586	6,915
Disposals	(12)	(62)	-	(185)	-	(200)	(459)
<b>As at 31 December 2020</b>	<b>9,186</b>	<b>7,209</b>	<b>629</b>	<b>3,506</b>	<b>765</b>	<b>4,513</b>	<b>25,808</b>
<b>Accumulated depreciation</b>							
As at 1 January 2020 (restated)	1,919	1,627	226	1,679	-	875	6,326
Accrued depreciation	191	836	59	250	-	1,137	2,473
Disposals	(10)	(3)	-	(146)	-	(127)	(286)
<b>As at 31 December 2020</b>	<b>2,100</b>	<b>2,460</b>	<b>285</b>	<b>1,783</b>	<b>-</b>	<b>1,885</b>	<b>8,513</b>
<b>Residual value</b>							
As at 1 January 2020 (restated)	7,279	1,892	168	1,165	270	2,252	13,026
<b>As at 31 December 2020</b>	<b>7,086</b>	<b>4,749</b>	<b>344</b>	<b>1,723</b>	<b>765</b>	<b>2,628</b>	<b>17,295</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Building s and structur es	Computer equipment	Vehicles	Office furniture and other property and equipment	Constructi on in progress	Right-of- use leased items	Total
<b>Cost</b>							
<b>As at 1 January 2019 (restated)</b>	9,222	2,743	394	3,027	270	-	15,656
Initial recognition	-	-	-	-	-	3,127	3,127
Additions	16	776	-	336	-	-	1,128
Disposals	(40)	-	-	(519)	-	-	(559)
<b>As at 31 December 2019</b>	<b>9,198</b>	<b>3,519</b>	<b>394</b>	<b>2,844</b>	<b>270</b>	<b>3,127</b>	<b>19,352</b>
<b>Accumulated depreciation</b>							
<b>As at 1 January 2019 (restated)</b>	1,716	1,113	196	1,807	-	-	4,832
Accrued depreciation	223	514	30	285	-	875	1,927
Disposals	(20)	-	-	(413)	-	-	(433)
<b>As at 31 December 2019</b>	<b>1,919</b>	<b>1,627</b>	<b>226</b>	<b>1,679</b>	<b>-</b>	<b>875</b>	<b>6,326</b>
<b>Residual value</b>							
<b>As at 1 January 2019 (restated)</b>	<b>7,506</b>	<b>1,630</b>	<b>198</b>	<b>1,220</b>	<b>270</b>	<b>-</b>	<b>10,824</b>
<b>As at 31 December 2019</b>	<b>7,279</b>	<b>1,892</b>	<b>168</b>	<b>1,165</b>	<b>270</b>	<b>2,252</b>	<b>13,026</b>

As at 31 December 2020 and 31 December 2019, the historical cost of fully depreciated property and equipment amounted to BYN 1,740 thousand and BYN 1,303 thousand, respectively.

The Bank acts as a lessee mainly in administrative premises. The leases, as a rule, have an option to renew the lease. These objects are included in property and equipment as right-of-use leased items.

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

#### 14. INTANGIBLE ASSETS

The movements in intangible asset items are presented as follows:

	<b>2020</b>	<b>2019</b>
<b>Cost</b>		
<b>At 1 January</b>	4,632	1,922
Additions	3,406	2,780
Disposals	-	(70)
<b>As at 31 December</b>	<b>8,038</b>	<b>4,632</b>
<b>Accumulated depreciation</b>		
<b>At 1 January</b>	1,293	968
Depreciation and amortization	870	392
Disposals	-	(67)
<b>As at 31 December</b>	<b>2,163</b>	<b>1,293</b>
<b>Residual value</b>		
<b>At 1 January</b>	3,339	954
<b>As at 31 December</b>	<b>5,875</b>	<b>3,339</b>

Intangible assets of the Bank are represented by software and licenses.

#### 15. INVESTMENT PROPERTY

The movements in the value of the investment property are shown below:

	<b>2020</b>	<b>2019</b> <b>(restated)</b>
<b>Cost</b>		
<b>At 1 January</b>	14,535	14,535
Revaluation recognized in the statement of profit or loss	-	-
<b>As at 31 December</b>	<b>14,535</b>	<b>14,535</b>

Investment property consists of commercial property with a total area of 8,561 sq.m. (leasable area varied over the 2009-2020 period in the range of 5,200-5,315 sq. m.), which is intended primarily for lease to third parties.

The total area of leased premises as at 31 December 2020 is 4,661 sq. m., as at 31 December 2019 - 5,275 sq. m.

As at 31 December 2020, the Bank entered into 53 operating lease agreements, under which the Bank acts as the Lessor, including the term of which is established, as a rule, for 1 year with the right of further extension an unlimited number of times, except for one agreement with the term of the agreement until 2024. No contingent rents are charged.

Changes in fair value are unrealized and are recognized as other income in profit or loss.

The total amount of forthcoming lease payments in 2021 is BYN 1,188 thousand, in the period from one to five years - BYN 116 thousand. In calculating this indicator, the assumption was applied that all contracts that do not have a contract end date will continue in effect through 2021.



## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	2020	2019
Lease income received from investment property	1,412	1,282

Operating expenses associated with the maintenance and upkeep of investment property are borne by the lessee. The Bank has neither restrictions on the sale of its investment property nor contractual obligations to purchase, construct or develop investment properties, or to repair, maintain and enhance them.

The fair value of investment properties as at 31 December 2020 and 31 December 2019 was determined by outside independent real estate appraisers with appropriate recognized professional qualifications and recent experience in appraising this category of property in this location. The appraisal was based on the income method.

The investment property fair value measurement was classified to Level 3 of the fair value hierarchy based on the input data for the valuation methods used.

#### *Valuation techniques and significant unobservable inputs*

Commercial real estate owned by the Bank is leased primarily as office space. Due to the economic turmoil caused by the coronavirus pandemic and the economic and political situation in Belarus, the highly uncertain economic outlook for this period could have a significant negative impact on lessees' operations, business viability and ability to meet lease obligations. Due to increased uncertainty, assumptions may be substantially revised in 2021. A sensitivity analysis for these assumptions is provided later in this Note.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Discounted cash flows:</i> This model considers the present value of the net cash flows generated by the property, taking into account expected growth in leases, occupancy rates, and other costs not recoverable by lessees. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	<ul style="list-style-type: none"> <li>- Expected market rental growth: 4.0%–4.8%</li> <li>- Occupancy rate: 90%–95%</li> <li>- Risk-adjusted discount rates: 14-15%.</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>- Expected market rental growth was higher (lower);</li> <li>- The occupancy rate was higher (lower);</li> <li>- The risk-adjusted discount rate was lower (higher).</li> </ul>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

### *Sensitivity analysis*

Significant professional judgment is required in evaluating inputs to determine the fair value of investment property. Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the fair value of commercial real estate by the amounts shown below:

	31 December 2020	31 December 2019
	Change	Change
<b>BYN '000</b>		
Increase in discount rate by 1%	(1,193)	(1,193)
Occupancy rate in the terminal period (5% decrease)	(630)	(630)
Decrease in the market rental rate by 10%	(837)	(837)
Increase in the market rental rate by 10%	837	837

## 16. TAXATION

The income tax rate for banks, other than income on government securities, was 25% in 2020. The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on the statutory rate with the actual expense is as follows:

	31 December 2020	31 December 2019 (restated)
<b>Profit before income tax</b>	3,728	1,150
Statutory tax rate	25%	25%
<b>Theoretical income tax expense at the statutory rate</b>	<b>932</b>	<b>288</b>
<i>Adjustments for income or expenses that do not affect the taxable base:</i>		
- net non-taxable income on securities	(747)	(49)
- non-deductible expenses	131	223
<b>Income tax expense</b>	<b>316</b>	<b>462</b>
Refund on current income tax	-	(83)
Effect on deferred income tax recognized in the statement of profit or loss	316	545
<b>Income tax expense</b>	<b>316</b>	<b>462</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

Deferred tax assets and liabilities as at 31 December 2020 and 31 December 2019 as well as their movements for 2020 and 2019, are presented below:

	31 December 2020	Recognized (reversed)		31 December 2019 (restated)	Recognized (reversed)		31 December 2018 (restated)
Impact of temporary differences that decrease/(increase) the taxable base:		In profit or loss	In other comprehensive income		In profit or loss	In other comprehensive income	
Cash and cash equivalents	1	51	-	(50)	(50)	-	-
Derivative financial assets	(16)	234	-	(250)	(239)	-	(11)
Loans to customers	(3,746)	(1,818)	-	(1,928)	(400)	-	(1,528)
Securities	(28)	(75)	38	9	(88)	-	97
Property and equipment and intangible assets	1,743	468	-	1,275	(632)	-	1,907
Non-current assets held for sale	308	(49)	-	357	354	-	3
Investment property	559	-	-	559	(69)	-	628
Other assets	1,326	640	(29)	715	(151)	-	866
Derivative financial liabilities	15	15	-	-	(6)	-	6
Amounts due from credit institutions	(32)	12	-	(44)	119	-	(163)
Amounts due to credit institutions	-	-	-	-	-	-	-
Customer accounts	(3)	(77)	-	74	74	-	-
Other liabilities	833	283	-	550	543	-	7
<b>Net tax asset/(liability)</b>	<b>960</b>	<b>(316)</b>	<b>9</b>	<b>1,267</b>	<b>(545)</b>	<b>-</b>	<b>1,812</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	2020	2019 (restated)
<b>Deferred tax asset</b>		
At 1 January	1,267	1,812
Recognized in statement of profit or loss	(316)	(545)
Recognized in other comprehensive income	9	-
<b>As at 31 December</b>	<b>960</b>	<b>1,267</b>

### 17. OTHER ASSETS AND LIABILITIES

Other assets and liabilities comprise the following:

	31 December 2020	31 December 2019 (restated)
Accrued income	1,907	2,222
Accounts receivable	1,332	654
Equity holdings in banks	410	294
Equity holdings in commercial organizations	9	8
Impairment allowance	(1,840)	(1,791)
<b>Total other financial assets</b>	<b>1,818</b>	<b>1,387</b>
Taxes recoverable other than income tax	1,256	1,082
Other prepayments	827	1,067
Materials	148	77
Other	266	172
<b>Total other non-financial assets</b>	<b>2,497</b>	<b>2,398</b>
<b>Total other assets</b>	<b>4,315</b>	<b>3,785</b>
Lease liabilities	3,228	2,252
Other payables	746	332
<b>Total financial liabilities</b>	<b>3,974</b>	<b>2,584</b>
Other non-financial liabilities:		
Settlements with personnel	1,042	1,030
Taxes payable other than income tax	163	335
Other	603	1,651
<b>Total other non-financial liabilities</b>	<b>1,808</b>	<b>3,016</b>
<b>Total other liabilities</b>	<b>5,782</b>	<b>5,600</b>

## OJSC "PARITETBANK"

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

Movements in allowance for expected credit losses for 2020 and 2019 is presented below:

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
<b>Other financial assets</b>				
-Allowance for ECL as at 31 December 2018	-	109	2,224	2,333
Creation of allowances (restated)	-	(82)	152	70
Write-offs	-	-	(612)	(612)
<b>Allowance for ECL as at 31 December 2019 (restated)</b>		<b>27</b>	<b>1,764</b>	<b>1,791</b>
Creation of allowances	-	(7)	863	856
Write-offs	-	-	(806)	(806)
<b>Allowance for ECL as at 31 December 2020</b>	<b>-</b>	<b>20</b>	<b>1,820</b>	<b>1,840</b>

Other assets include shares in banks and commercial organizations. The Bank has chosen to recognize changes in the fair value of these equity investments in other comprehensive income, as the Bank does not plan to sell these investments.

The following table summarizes the fair value of the equity investments and the amount of dividends received during the year:

	Fair value as at 31 December 2020	Dividends received in 2020
Equity interest in <del>OJSC</del> "Bank Dabrabyt" <u>JSC</u> (share of 0.25%)	410	12
Equity interest in OJSC "Banking Technology Center" (share of 0.69%)	9	1
<b>Total</b>	<b>419</b>	<b>13</b>
	Fair value as at 31 December 2019	Dividends received in 2019
Equity interest in <del>OJSC</del> "Bank Dabrabyt" <u>JSC</u> (share of 0.25%)	294	7
Equity interest in OJSC "Banking Technology Center" (share of 0.69%)	8	1
<b>Total</b>	<b>302</b>	<b>8</b>

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

#### 18. AMOUNTS DUE TO FINANCIAL INSTITUTIONS

As at 31 December 2020 and 31 December 2019, amounts due to credit institutions included the following items:

	31 December 2020	31 December 2019
Loans and deposits	82,407	48,129
Current accounts	689	238
<b>Total amounts due to financial institutions</b>	<b>83,096</b>	<b>48,367</b>

As at 31 December 2020, amounts due to financial institutions included loans received from two banks, liabilities to each of which exceeded 10% of the Bank's equity (as at 31 December 2019 amounts due to financial institutions also included loans received from two banks). As at 31 December 2020, these banks' share of total borrowing was 55.2 percent; as at 31 December 2019, it was 47.3 percent.

#### 19. CUSTOMER ACCOUNTS

As at 31 December 2020 and 31 December 2019, customer accounts included the following items:

	31 December 2020	31 December 2019
Term deposits	309,735	265,096
Current accounts	57,697	35,469
<b>Total customer accounts</b>	<b>367,432</b>	<b>300,565</b>
Held as collateral for letters of credit	5	-
Held as collateral for guarantees	8,122	385

As at 31 December 2020 funds of the Bank's largest corporate clients amounted to BYN 115,590 thousand, or 31% (31 December 2019: BYN 92,073 thousand (31%).

Term deposits include deposits of individuals in the amount of BYN 172,448 thousand (as at 31 December 2019: BYN 168,752 thousand). In case a term deposit is repaid upon demand of a depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

Amounts due to customers include the following categories of customer accounts by form of ownership:

	31 December 2020	31 December 2019
Individuals	182,108	178,771
State ownership	12,920	68,338
Private ownership	172,404	53,456
<b>Total amounts due to customers</b>	<b>367,432</b>	<b>300,565</b>



# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

Amounts due to customers include the following categories of customers by type of activity:

	31 December 2020	31 December 2019
Individuals	182,108	178,771
Business activity	136,821	34,288
Trade	19,083	3,974
Insurance	10,537	70,358
Other activities of material production	7,970	2,286
Healthcare	2,660	2,634
Housing	2,099	1,207
Transport and communications	1,708	1,546
Real estate	1,048	1,051
Construction	832	2,338
Culture and art	827	294
Information and computer services	792	794
Non-governmental organizations	605	658
Agriculture	133	204
Other	209	162
<b>Total amounts due to customers</b>	<b>367,432</b>	<b>300,565</b>

## 20. DEBT SECURITIES ISSUED

Debt securities issued by the Bank as at 31 December 2020 and 31 December 2019 are represented by the following types of bond issues:

	Currency of denomination	Nominal interest rate	Maturity date	31 December 2020
Bonds held by legal entities	BYN	8.45	31 December 2024	70,727
<b>Total debt securities issued</b>				<b>70,727</b>

	Currency of denomination	Nominal interest rate	Maturity date	31 December 2019
Bonds held by legal entities	BYN	9.50	12 August 2020	6,674
<b>Total debt securities issued</b>				<b>6,674</b>

The Bank timely and fully fulfilled its obligations under the issued securities during 2020 and 2019.

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

#### 21. SHARE CAPITAL

Movements in issued, authorized and fully paid share capital are as follows:

	Total number of shares		Nominal value, BYN ‘000		Inflation-adjusted	Total, BYN ‘000
	Preference	Ordinary	Preference	Ordinary		
31 December 2019	18,838,294	220,310,818,106	6	66,093	87,655	153,754
31 December 2020	18,838,294	220,310,818,106	6	66,093	87,655	153,754

As at 31 December 2020 and 31 December 2019, the authorized and fully paid share capital, according to the Bank's Charter, consisted of 220,310,818,106 common (ordinary) shares and 18,838,294 preference shares, par value BYN 0.0003 each (at historical cost). The nominal value of OJSC “Paritetbank” shares remained unchanged and amounts to BYN 0.0003.

The total amount of preference shares as at 31 December 2020 and 31 December 2019 is BYN 6 thousand.

The authorized capital of the Bank was formed by contributions of shareholders in Belarusian rubles. Shareholders are entitled to dividends in Belarusian rubles.

In 2020, the Bank paid dividends totaling BYN 1 thousand (2019: BYN 3 thousand).

According to Belarusian legislation, only undistributed and unreserved earnings may be distributed as dividends among shareholders of the Bank in accordance with the financial statements of the Bank prepared in accordance with Belarusian legislation.

In 2020 undistributed and unreserved profit according to the financial statements of the Bank prepared in accordance with the legislation of the Republic of Belarus amounted to BYN 1,151 thousand (2019: BYN 582 thousand).

#### 22. COMMITMENTS AND CONTINGENCIES

**Litigation.** From time to time and in the normal course of business, claims against the Bank may be received.

As at 31 December 2020, there were claims against the Bank by individuals. As at 31 December 2020, an estimated liability in the amount of BYN 130 thousand on one of the claims was recognized. The estimated liability in the statement of financial position is recognized under "Other liabilities", while the recognition of expenses on the estimated liability is recognized under "Non-interest expenses".

As at 31 December 2020 and 2019, for claims amounting to BYN 1,549 thousand, the liability was classified by the Bank as contingent as the outflow of resources was not probable according to the Bank's estimates. In April 2021, the court issued a decision denying the plaintiffs' claims.

**Taxation contingencies.** Belarusian tax and other legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Bank. As a result, the Bank's management's interpretation of tax legislation and formal documentation supporting the tax positions may be successfully challenged by the relevant authorities. A tax year remains open for review by tax authorities during five subsequent calendar years. In some cases, this period can be unlimited. The management of the Bank believes

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

that the tax accounting approaches used by the Bank will be accepted by the tax authorities as fully compliant with the legislation of the Republic of Belarus.

**Capital commitments.** As at 31 December 2020 and 31 December 2019, the Bank had no material contractual capital commitments in respect of property and equipment, software and other intangible assets.

**Credit related commitments.** The main purpose of these instruments is to provide financial resources to clients as needed. Guarantees and guarantee letters of credit, which represent irrevocable commitments that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written obligations of the Bank to make payments on behalf of clients within a specified amount when certain conditions are met, are secured by appropriate supplies of goods or cash and, accordingly, have a lower risk level than direct lending.

Commitments to extend credit represent unused portions of amounts authorized by the management to provide funds in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the expected amount of loss is less than the total unused commitments since all of the Bank's commitments to extend credit may be withdrawn without a material adverse change in the financial condition of the borrower.

As at 31 December 2020 and 31 December 2019, the Bank's contractual and contingent liabilities included the following items:

	31 December 2020	31 December 2019
<b>Commitments and contingencies</b>		
Loan commitments	40,187	42,701
Guarantees	28,109	4,746
Letters of credit	5	141
Less allowance	(108)	(59)
<b>Total contractual and contingent liabilities (before deducting collateral)</b>	<b>68,193</b>	<b>47,529</b>
Less deposits held as security	(8,127)	(385)
<b>Total contractual and contingent liabilities</b>	<b>60,066</b>	<b>47,144</b>

The following is the movement in the impairment allowance on contingent liabilities:

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
<b>Credit related commitments</b>				
<b>Allowance for ECL as at 31 December 2019 (restated)</b>	<b>59</b>	-	-	<b>59</b>
Transfer to lifetime expected credit losses (Stage 2)	(12)	12	-	-
Net change in loss allowance	61	(6)	-	55
Exchange differences	(6)	-	-	(6)
<b>Allowance for ECL as at 31 December 2020</b>	<b>102</b>	<b>6</b>	-	<b>108</b>

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
<b>Credit related commitments</b>				
<b>Allowance for ECL at 31 December 2018</b>	<b>158</b>	<b>33</b>	<b>8</b>	<b>199</b>
Transfer to 12-months expected credit losses (Stage 1)	1	(1)	-	-
Transfer to lifetime expected credit losses (Stage 3)	(1)	(1)	2	-
Net change in loss allowance	(99)	(31)	(10)	(140)
<b>Allowance for ECL as at 31 December 2019 (restated)</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>59</b>

## 23. NET INTEREST INCOME

Net interest income comprises:

	2020	2019
<b>Financial assets measured at amortized cost</b>		
Loans to customers	39,849	27,798
Amounts due from credit institutions	420	220
Securities	-	518
<b>Financial assets at FVOCI</b>		
Securities	5,714	5,944
Interest income calculated using the effective interest rate method	45,983	34,480
<b>Total interest income</b>	<b>45,983</b>	<b>34,480</b>
Customer accounts	(15,511)	(11,410)
Due from the National Bank of the Republic of Belarus	(714)	-
Amounts due to credit institutions	(4,515)	(3,792)
Debt securities issued	(4,268)	(1,320)
Lease liabilities	(141)	(132)
<b>Interest expense</b>	<b>(25,149)</b>	<b>(16,654)</b>
<b>Net interest income</b>	<b>20,834</b>	<b>17,826</b>

In January 2020, the National Bank of the Republic of Belarus recommended that banks set the amount of any kind of remuneration (tariff, commission, bonus, fee, service charges, etc.) paid to the bank by trade (service) organizations under the agreements concluded, not more than 4 percent of the cost of goods (works, services) purchased by the consumer with the use of credit on installment terms.

In order to preserve the customer base, fulfill contractual obligations with partners, not to reduce the loan portfolio for the period of development and implementation of new products, adapting to changing conditions, the Bank retained the existing at the time of the changes made by the National

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of Belarusian Rubles)**

Bank consumer credit products on the installment payment terms. As a result, for the loan agreements, the effective rate of which was below the estimated standard risk (calculated by the National Bank on the basis of average interest rates set by systemically important banks of the first significance group for the month preceding the month of calculation) effective in the month of issue, the effect of initial recognition at fair value was BYN 1,436 thousand for 2020.

## 24. NET FEE AND COMMISSION INCOME

Net fee and commission income comprises:

	2020	2019
Opening and servicing accounts	2,733	1,808
Transactions with bank cards	2,619	2,495
Cash and settlement services	2,261	1,464
Foreign exchange transactions	5	32
<b>Fee and commission income</b>	<b>7,618</b>	<b>5,799</b>
Transactions with bank cards	1,010	1,032
Cash backing transactions	829	215
Settlements	229	249
Securities operations	107	124
Foreign exchange transactions	74	35
Other transactions	579	277
<b>Fee and commission expenses</b>	<b>2,828</b>	<b>1,932</b>
<b>Net fee and commission income</b>	<b>4,790</b>	<b>3,867</b>

### *Revenue recognition policy*

Commission incomes on contracts with customers are estimated based on the compensation specified in the agreement. The Bank recognizes revenue when it transfers control over the service to the customer.

The following table contains information on the nature and timing of the obligations to be fulfilled under contracts with customers, including significant payment terms and the relevant accounting policies for revenue recognition.

Services	The nature and timing of the performance of duties to the execution, including the essential terms of payment	Revenue recognition in accordance with IFRS 15
Retail and Corporate Banking	<p>The Bank provides banking services to retail and corporate customers, including account maintenance, foreign currency transactions, execution and issuance of credit cards and account maintenance. The commission for servicing accounts is charged by debiting the corresponding amounts from the client's account on a monthly basis. The Bank sets tariffs separately for retail and corporate banking customers on an annual basis.</p> <p>The commission for currency exchange operations, foreign currency transactions is charged by debiting the corresponding amounts from the client's account during the transaction. The commission for current maintenance is charged monthly based on fixed rates, which are annually reviewed by the Bank.</p>	<p>The commission for servicing accounts is recognized over time as the services are rendered.</p> <p>Remuneration for the operation is recognized at the time of the transaction.</p>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

### 25. NET INCOME FROM TRANSACTIONS IN FOREIGN CURRENCY

Net income from transactions in foreign currency comprise:

	2020	2019
Net income from transactions in foreign currency:		
- trading operations	10,626	6,953
- revaluation (exchange rate differences)	784	(1,118)
incl.:		
<i>revaluation of the foreign currency items of the balance sheet</i>	<i>10,189</i>	<i>(1,327)</i>
<i>the incomplete part of SPOT transactions</i>	<i>(9,405)</i>	<i>209</i>
<b>Total net income from transactions in foreign currency</b>	<b>11,410</b>	<b>5,835</b>

### 26. OTHER INCOME

Other income comprise the following:

	31 December 2020	31 December 2019 (restated)
Proceeds related to debt previously written-off	1,855	1,266
Income from operating leases	1,412	1,282
Income from sale of other assets	229	760
Fines and penalties received	872	488
Income from consulting services	280	-
Dividends	13	14
Other	360	-
<b>Total other income</b>	<b>5,021</b>	<b>3,810</b>

### 27. NON-INTEREST EXPENSES

Non-interest expenses include the following items:

	31 December 2020	31 December 2019
Salaries and bonuses	12,026	10,386
Social insurance expenses	3,962	3,389
<b>Personnel costs</b>	<b>15,988</b>	<b>13,775</b>

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	31 December 2020	31 December 2019
Services of automated interbank settlement system	2,203	1,281
Software maintenance costs	1,825	1,158
Marketing and advertising	1,291	835
Legal, insurance, audit and consulting services	1,213	1,594
Contributions to the individuals' deposit protection fund	1,131	890
Operating taxes	781	821
Maintenance expenses	773	354
Maintenance and repair of property and equipment	672	504
Security services	614	606
Telecommunication services	557	479
Utilities	497	457
Expenses from disposal of other assets	291	905
Charitable donations	283	281
Office supplies	203	207
Staff training costs, travel and related expenses	201	186
Transportation expenses	182	136
Recognition of estimated liability on litigation	130	-
Expenses on disposal of property and equipment and intangible assets	108	26
Maintenance and lease of premises	90	156
Other	1,383	1,483
<b>Other operating expenses</b>	<b>14,428</b>	<b>12,359</b>

## 28. RISK MANAGEMENT

### Introduction

The Bank's activities have inherent risks. The Bank manages risks in the course of an ongoing process of identification, assessment and monitoring as well as through establishing risk limits and other internal control measures. The risk management process is critical to maintaining a stable profitability of the Bank, and each individual employee of the Bank is responsible for the risks associated with his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, which in turn is divided into the risk associated with trading transactions and the risk associated with non-trading activities. The Bank is also exposed to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. Such risks are controlled by the Bank during the strategic planning process.

### Risk management structure

The Supervisory Board is generally responsible for identifying and controlling risks, but there are also separate independent bodies responsible for managing and monitoring risks.

**The Supervisory Board**

The Supervisory Board is responsible for the overall approach to risk management, for the adoption of a strategy and principles for risk management.

**Risk Committee**

The functions of the Risk Committee, headed by an Independent Director, include monitoring the implementation of the risk management strategy and implementation of decisions of the Bank's Supervisory Board regarding the Bank's risk profile and risk tolerance, assessment of the effectiveness of the Bank's risk management system, comprehensive resolution of issues related to the analysis of key banking risks and the development of policies for their management.

**Audit Committee**

The functions of the Audit Committee, headed by an Independent Director, include general management and provision of organization of the internal control system and the internal audit service of the bank, as well as selection and organization of interaction with audit organizations.

**Management Board**

The Management Board is responsible for the development of risk management strategy and policy and the implementation of risk principles, frameworks, policies and limits. It is responsible for the significant issues of risk management and controls the implementation of relevant decisions taken with respect to risks.

**Finance Committee**

The task of the Finance Committee is to conduct a unified financial policy of the Bank in the management of financial resources, aimed at the systematic growth of its income, increasing the efficiency of the use of financial resources.

**Credit Committee**

The Committee is responsible for comprehensive credit risk management, coordinates the activities of the Bank's divisions in the field of credit risk management in order to achieve an optimal ratio of credit risk and profitability.

**Banking Risk Management Department**

The Department performs quantitative and qualitative assessment of bank risks, analytical and methodological support of the risk analysis and management process, informs the Bank's management bodies on the level of accepted risks

**Treasury of the Bank**

The Bank's Treasury is responsible for managing the Bank's assets and liabilities, as well as for the overall financial structure. The Treasury is also primarily responsible for the Bank's liquidity and funding risks.



**Internal audit**

Risk management processes within the Bank are audited annually by the Audit Department, which verifies both the sufficiency of the procedures and the implementation of these procedures by the Bank. Audit Department discusses the results of the inspections with the management and presents its findings and recommendations to the Audit Committee and the Bank's Supervisory Board.

**Risk assessment and reporting systems**

The Bank's risks are assessed using various tools: scenario methods, which make it possible to determine the level of risk in different scenarios, client risk assessment, stress testing and others.

Risk monitoring and control are mainly based on the limits set by the Bank. Such limits reflect the business strategy and market environment of the Bank as well as the level of risk the Bank is ready to take. In addition, the Bank monitors and evaluates its overall risk-bearing capacity when calculating capital adequacy and other economic ratios.

Information obtained on all types of activities is studied and processed for the purpose of analysis, control and early detection of risks. This information shall be submitted with explanations to the Supervisory Board, the Management Board, and the Risk Committee, the Finance Committee and the Credit Committee (to the extent of their competence). The reports contain information on the aggregate amount of credit risk, liquidity ratios, levels of operational and currency risks, and changes in risk levels. The adequacy of the allowance for credit losses is assessed on a monthly basis. On a quarterly basis, the Supervisory Board receives a report on the implementation of the Bank's Strategic Development Plan, which contains information on the implementation of volume indicators and financial results.

**Risk reduction**

As part of its risk management, the Bank uses a system of measures and restrictions established by local regulations to manage positions resulting from changes in interest rates, exchange rates, equity price risk, credit risk, and projected transaction positions. The Bank actively uses collateral to reduce its credit risk.

**Excessive concentration of credit risks**

Risk concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Risk concentrations reflect the relative sensitivity of the Bank's performance to changes in conditions that affect a particular industry or geographic region. In order to avoid excessive concentrations of risks the Bank's policies and procedures include specific guidelines aimed at maintaining a diversified portfolio. The established concentrations of credit risk are monitored and managed accordingly.

**Credit risk**

Credit risk is the risk that the Bank will incur losses in case its clients or counterparties do not meet their contractual obligations.

Credit risk control in respect of borrowers (except for counterparty banks) includes the following procedures:

monitoring of issued credit instruments by the relevant structural divisions of the Bank;

classification of assets and contingent liabilities and creation of special provisions to cover possible losses with respect to assets and contingent liabilities;

control of debtors' compliance with the terms of credit and similar agreements

Control over the acceptable level of credit risk with respect to amounts deposited with counterparty banks include the following:

Analysis of negative financial and non-financial information in the process of applying the previously established limits (performed by the banking risk control department);

regular and follow-up control over compliance with the limits (additional limits) set for counterparty banks.

The results of the analysis serve as the basis for the development of proposals for the departments working with clients on the parameters recommended for clients attracted by credit services. Additional parameters limiting the concentration of the Bank's portfolio can be developed on the basis of the portfolio analysis.

All activities carried out by the credit departments of the Bank during the monitoring of current loans are aimed at identifying problems at an early stage.

The credit quality control system allows the Bank to assess the amount of potential losses from the risks to which it is exposed and to take the necessary measures.

For most loans, the Bank obtains collateral and guarantees from legal entities and individuals, however, a certain portion of loans is granted to individuals in respect of whom obtaining collateral or guarantees is inapplicable. Such risks are monitored on a regular basis.

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying amount represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The maximum exposure to credit risk is equal to the carrying amount of financial assets.

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

#### Credit-related commitments risks

The Bank provides its clients with the possibility of obtaining guarantees that may require the Bank to make payments on behalf of clients. Customers shall reimburse such payments to the Bank in accordance with the terms and conditions of the guarantee. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

#### Credit quality of loans to corporate customers

The Bank uses an internal rating system for assessing the financial condition of corporate customers to determine credit ratings. Changes were made to this system in the reporting year and applied retrospectively (Note 4). The new credit rating scale consists of 10 groups (from 1 to 9, as well as D), where group 1 corresponds to the lowest credit risk, group 9 to the highest credit risk, and D rating is default. For purposes of ECL modeling, the ratings are grouped into the following quality categories:

Quality category	Group rated
Low risk	1,2,3,4
Standard risk	5
Watch list	6
High risk	7
Pre-default	8,9
Default	D

The table below summarizes the credit quality of loans to legal entities, measured at amortized cost, in the statement of financial position by credit quality categories calculated on the basis of the internal credit rating system.

	Not overdue						Overdue	Total
	Quality category							31 December 2020
	Low risk	Stand ard risk	Watch list	High risk	Pre- default	Default		
<b>Loans to corporate customers</b>	466	40,770	107,037	44,253	24,550	-	21,958	<b>239,034</b>

# OJSC "PARITETBANK"

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Not overdue Rating					Overdue	Total 31 December 2019
	Low risk	Stand ard risk	Watch list	High risk	Pre- default	Defaul t	
<b>Loans to corporate customers</b>	2,025	15,380	33,896	41,517	15,605	-	40,212
							<b>148,635</b>

The table below shows the credit quality of loans to legal entities at amortized cost, of the statement of financial position, by impairment stage, broken down by credit quality categories calculated on the basis of the internal credit rating system.

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total 31 December 2020 (restated)
<b>Loans to corporate customers</b>				
Low risk	466	-	-	466
Standard	40,770	-	-	40,770
Watch list	97,529	7,052	-	107,037
High risk	23,133	21,355	-	44,488
Pre-default	-	25,537	-	25,537
Default	-	-	20,661	20,661
<b>Total gross carrying amount of loans to corporate customers</b>	<b>164,428</b>	<b>53,944</b>	<b>20,661</b>	<b>239,034</b>
Allowance for expected credit losses	(447)	(2,309)	(9,903)	(12,659)
<b>Total loans to corporate customers</b>	<b>163,981</b>	<b>51,635</b>	<b>10,759</b>	<b>226,375</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total 31 December 2019 (restated)
<b>Loans to corporate customers</b>				
Low risk	2,000	25	-	2,025
Standard risk	15,380	-	-	15,380
Watch list	33,831	943	-	34,774
High risk	42,276	19,265	-	61,541
Pre-default	-	15,682	-	15,682
Default	-	-	19,233	19,233
<b>Total gross carrying amount of loans to corporate customers</b>	<b>93,487</b>	<b>35,915</b>	<b>19,233</b>	<b>148,635</b>
Allowance for credit losses	(314)	(127)	(9,783)	(10,224)
<b>Total loans to corporate customers</b>	<b>93,173</b>	<b>35,788</b>	<b>9,450</b>	<b>138,411</b>

### Credit quality of loans to retail customers

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total 31 December 2020 (restated)
<b>Loans to retail customers</b>				
Not overdue	145,045	-	-	145,045
1-30 days	5,303	-	-	5,303
31-60 days	-	1,331	-	1,331
61-90 days	-	667	-	667
Over 90 days	-	-	6,487	6,487
<b>Total gross carrying amount of loans to retail customers</b>	<b>150,348</b>	<b>1,998</b>	<b>6,487</b>	<b>158,833</b>
<b>Allowance for credit losses</b>	<b>(2,204)</b>	<b>(691)</b>	<b>(3,563)</b>	<b>(6,458)</b>
<b>Total loans to retail customers</b>	<b>148,144</b>	<b>1,307</b>	<b>2,924</b>	<b>152,375</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total 31 December 2019 (restated)
<b>Loans to retail customers</b>				
Not overdue	102,529	-	-	102,529
1-30 days	3,379	-	-	3,379
31-60 days	-	834	-	834
61-90 days	-	428	-	428
Over 90 days	-	-	4,022	4,022
<b>Total gross carrying amount of loans to retail customers</b>	<b>105,908</b>	<b>1,262</b>	<b>4,022</b>	<b>111,192</b>
Allowance for credit losses	(1,488)	(484)	(2,143)	(4,115)
<b>Total loans to retail customers</b>	<b>104,420</b>	<b>778</b>	<b>1,879</b>	<b>107,077</b>

### Credit quality of amounts due from financial institutions and securities

The table below shows the credit quality analysis of amounts due from financial institutions and securities on the basis of ratings assigned by Moody's International Rating Agency.

	Aa2	Aa3	A1	Baa2	Ba3	B3	Caa3	Total 31 December 2020
Amounts due from financial institutions	26	258	103	3	1	785	100	1,276
Mandatory reserve deposit with the National Bank of the Republic of Belarus	-	-	-	-	-	3,944	-	3,944
Securities	-	-	-	-	-	87,459	-	87,459

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Aa3	A1	A3	Baa2	B2	B3	Caa3	Total 31 December 2019
Amounts due from financial institutions	210	84	1	1	3,355	-	100	3,751
Mandatory reserve deposit with the National Bank of the Republic of Belarus	-	-	-	-	-	3,259	-	3,259
Securities	-	-	-	-	11,734	101,247	-	112,981

### Offsetting of financial assets and liabilities

The disclosure in the table below includes financial liabilities that are subject to a legally enforceable general netting agreement or similar agreements that relate to the same financial instruments whether they are offset in the consolidated statement of financial position or not. Similar financial instruments include repurchase transactions, reverse repurchase transactions, agreements on securities borrowing and lending. Information on such financial instruments as loans and deposits is not disclosed in the table below, except for the cases when they are set in the statement of financial position.

Financial liabilities	Full amounts of recognized financial liabilities	Full amounts of recognized financial instruments which were offset in the statement of financial position	Net amount of financial instruments in the statement of financial position	Cost of financial instruments which were not offset in the statement of financial position	Net amount
				Financial instruments	Cash collateral received
<b>31 December 2020</b>					
REPO agreements with banks	(27,879)	-	(27,879)	27,879	-
<b>Total financial liabilities</b>	<b>(27,879)</b>	<b>-</b>	<b>(27,879)</b>	<b>27,879</b>	<b>-</b>
<b>31 December 2019</b>					
REPO agreements with banks	(17,923)	-	(17,923)	17,189	(734)
<b>Total financial liabilities</b>	<b>(17,923)</b>	<b>-</b>	<b>(17,923)</b>	<b>17,189</b>	<b>(734)</b>

Financial liabilities from repurchase transactions with banks are included in amounts due to financial institutions.

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

#### Geographical concentration

The geographical concentration of the Bank’s financial assets and liabilities is set out below:

	31 December 2020				31 December 2019 (restated)			
	Belarus	OECD countries	CIS countries and others	Total	Belarus	OECD countries	CIS countries and others	Total
Cash and cash equivalents	110,000	9,159	5,888	125,047	64,417	4,696	210	69,323
Amounts due from financial institutions	885	387	4	1,276	3,455	295	1	3,751
Mandatory reserves with the National Bank	3,944	-	-	3,944	3,259	-	-	3,259
Derivative financial assets	322	-	64	386	139	-	-	139
Loans to customers	373,392	-	5,358	378,750	238,816	-	6,672	245,488
Securities	87,459	-	-	87,459	112,981	-	-	112,981
Other financial assets	1,818	-	-	1,818	1,387	-	-	1,387
<b>Total financial assets</b>	<b>577,820</b>	<b>9,546</b>	<b>11,314</b>	<b>598,680</b>	<b>424,454</b>	<b>4,991</b>	<b>6,883</b>	<b>436,328</b>
Amounts due to financial institutions	53,443	-	29,653	83,096	38,830	-	9,537	48,367
Derivative financial liabilities	-	-	60	60	-	-	-	-
Customer accounts	324,177	3,509	39,746	367,432	299,530	352	683	300,565
Debt securities issued	70,727	-	-	70,727	6,674	-	-	6,674
Other financial liabilities	3,974	-	-	3,974	2,584	-	-	2,584
<b>Total financial liabilities</b>	<b>452,321</b>	<b>3,509</b>	<b>69,459</b>	<b>525,289</b>	<b>347,618</b>	<b>352</b>	<b>10,220</b>	<b>358,190</b>
<b>Net financial assets and liabilities</b>	<b>125,499</b>	<b>6,037</b>	<b>(58,145)</b>	<b>73,391</b>	<b>76,836</b>	<b>4,639</b>	<b>(3,337)</b>	<b>78,138</b>

#### Liquidity risk

Liquidity risk is the risk that the Bank will be unable to fulfill its payment obligations when they fall due in normal or unforeseen circumstances. In order to limit this risk, the management ensured that various sources of financing were available in addition to the current minimum amount of bank deposits. The management also manages assets by taking into account liquidity and monitors future cash flows and liquidity on a daily basis.

The process comprises evaluation of expected cash flows and availability of high-quality collateral, which may be used for obtaining additional funds if required.

The Bank also assesses liquidity in terms of compliance with the liquidity ratios set by the National Bank of the Republic of Belarus. Prudential indicators are used to assess liquidity risk. Values of liquidity indicators as at 1 January 2021 and 1 January 2020 are presented below:



## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

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Reporting date	Norm	
	<b>Liquidity cover</b>	<b>Net stable funding</b>
Norm	no less than 100.00%	no less than 100.00%
1 January 2021	145.6%	127.1%
1 January 2020	136.4%	142.5%

The Bank maintains a portfolio of diverse, high-demand assets that can be quickly liquidated for cash in the event of an unforeseen interruption of cash flow, and has also entered into lines of credit that it can use to meet cash flow needs.

In addition, in accordance with the requirements of the legislation of the Republic of Belarus, the Bank places a cash deposit (obligatory reserve) with the National Bank of the Republic of Belarus, the amount of which depends on the level of customer deposits.

The table below summarizes the Bank's financial liabilities as at 31 December 2020 and 31 December 2019, by their remaining contractual maturity based on contractual undiscounted repayment obligations.

Liabilities which are to be paid on the first notice are considered as if collection notice was given at the earliest possible date. However, the Bank expects that the majority of customers will not request repayment on the earliest date on which the Bank would be required to pay and, accordingly, the table does not reflect the expected cash flows indicated by the Bank's deposit retention history. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

31 December 2020:	Amount recognized in the statement of financial position	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Amounts due to financial institutions	83,096	81,900	62	754	1,205	83,922
Derivative financial liabilities	60	60	-	-	-	60
Customer accounts	367,432	219,464	112,039	38,041	42	369,586
Debt securities issued	70,727	9,360	5,820	79,070	-	94,249
Other financial liabilities	3,974	3,974	-	-	-	3,974
Financial guarantees and loan commitments	60,066	60,066	-	-	-	60,066
<b>Total undiscounted financial liabilities</b>	<b>585,355</b>	<b>374,824</b>	<b>117,922</b>	<b>117,865</b>	<b>1,247</b>	<b>611,858</b>
31 December 2019:	Amount recognized in the statement of financial position	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Amounts due to financial institutions	48,367	35,620	12,630	840	391	49,481
Derivative financial liabilities	-	-	-	-	-	-
Customer accounts	300,565	96,439	125,038	92,548	-	314,025
Debt securities issued	6,674	6,699	-	-	-	6,699
Other financial liabilities	2,584	2,584	-	-	-	2,584
Financial guarantees and loan commitments	47,144	47,144	-	-	-	47,144
<b>Total undiscounted financial liabilities</b>	<b>405,334</b>	<b>188,486</b>	<b>137,668</b>	<b>93,388</b>	<b>391</b>	<b>419,933</b>

The Bank expects that not all financial guarantees and loan commitments will need to be fulfilled before they expire.

The maturity analysis does not reflect the historical stability of funds in current accounts, which have traditionally been repaid over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

The following are the contractual maturities of derivative financial instruments that are settled by delivery of the underlying asset.

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

#### 31 December 2020:

	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Liabilities under forward and swap transactions	(83,485)	-	-	-	(83,485)
Receivables under forward and swap transactions	83,857	-	-	-	83,857

#### 31 December 2019:

	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Obligations under forward and swap transactions	(67,537)	-	-	-	(67,537)
Receivables under forward and swap transactions	67,685	-	-	-	67,685

#### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is managed and controlled using various sensitivity analysis techniques. With the exception of currency positions, the Bank has no significant concentrations of market risk.

#### Equity risk

Equity risk is the risk of changes in the value of equity financial instruments. The Bank is exposed to equity risk as a result of changes in stock exchange quotations of the shares available in the Bank's trading portfolio.

As at 31 December 2020 and 2019, the Bank had no trading portfolio of equity financial instruments.

#### Market risk - non-trading portfolio

##### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or fair values of financial instruments.

The Bank's interest rate risk management policy is primarily aimed at maintaining sufficient interest margin and a stable level of net interest income. The Bank's interest rate policy is analyzed and developed by the Finance and Credit Committees and approved by the Management Board of the Bank. To assess the interest rate risk exposure of the bank portfolio, the bank uses GAP-analysis and interest rate spread assessment. The following tables present a sensitivity analysis of interest rate risk based on changes that were reasonably possible for floating rate financial instruments and fixed rate financial instruments carried at fair value through other comprehensive income. The extent of these changes is determined by management. The sensitivity analysis presents the effect of increasing/decreasing interest rates effective as at 31 December 2020 by 5 percentage points, assuming that changes occur at the beginning of the fiscal year, after which rates remain unchanged throughout the reporting period, with all other factors considered unchanged.

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

Increase in basis points	Sensitivity of net interest income	Effect on equity
2020	2020	2020
500	6,599	4,949
Decrease in basis points	Sensitivity of net interest income	Effect on equity
2020	2020	2020
(500)	(6,599)	(4,949)
Increase in basis points	Sensitivity of net interest income	Effect on equity
2019	2019	2019
500	1,531	1,148
Decrease in basis points	Sensitivity of net interest income	Effect on equity
2019	2019	2019
(500)	(1,531)	(1,148)

The following table presents a sensitivity analysis of fair value risk, which has been made based on reasonably possible changes in fixed-rate securities. The extent of these changes is determined by management. The sensitivity analysis presents the effect of a 1% increase and a 1% decrease in interest rates effective at the reporting date on the Bank's equity, assuming that changes occur at the beginning of the financial year, after which rates remain unchanged throughout the reporting period, with all other factors held constant.

	31 December 2020		31 December 2019	
	Interest rate 1%	Interest rate -1%	Interest rate 1%	Interest rate -1%
Securities	(2,956)	3,130	(3,991)	3,081
Net impact on equity	(2,217)	2,348	(2,993)	2,311

The Bank's management monitors its interest rate margin and believes that the Bank is not exposed to significant interest rate risk or consequential cash flow risk.

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions in foreign currency based on the requirements of the National Bank of the Republic of Belarus. Positions are monitored by the Banking Risk Management Department on a daily basis.

Information about the Bank's exposure to foreign currency risk as at 31 December 2020 and 31 December 2019 is presented below:

	BYN	USD 1 = 2.5789	EUR 1 = 3.1680	RUB 100 = 3.4871	Other currencies	31 December 2020  Total
<b>FINANCIAL ASSETS:</b>						
Cash and cash equivalents	65,007	29,417	13,185	17,039	399	125,047
Derivative financial assets	386	-	-	-	-	386
Amounts due from financial institutions	101	1,172	-	3.00	-	1,276
Mandatory reserves with the National Bank	3,944	-	-	-	-	3,944
Securities	11,190	51,659	24,610	-	-	87,459
Loans to customers	214,706	24,709	115,897	23,438	-	378,750
Other financial assets	1,373	430	5	10	-	1,818
<b>TOTAL FINANCIAL ASSETS</b>	<b>296,707</b>	<b>107,387</b>	<b>153,697</b>	<b>40,490</b>	<b>399</b>	<b>598,680</b>
<b>FINANCIAL LIABILITIES:</b>						
Amounts due to financial institutions	16,205	25,794	41,097	-	-	83,096
Derivative financial liabilities	60	-	-	-	-	60
Customer accounts	142,940	137,655	35,005	51,827	5	367,432
Debt securities issued	70,727	-	-	-	-	70,727
Other financial liabilities	923	550	2,500	1	-	3,974
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>230,855</b>	<b>163,999</b>	<b>78,602</b>	<b>51,828</b>	<b>5</b>	<b>525,289</b>
<b>TOTAL CURRENCY POSITION</b>	<b>65,852</b>	<b>(56,612)</b>	<b>75,095</b>	<b>(11,338)</b>	<b>394</b>	<b>73,391</b>
Receivables under forward and swap transactions	5,485	67,362	-	11,010	-	83,857
Obligations under forward and swap transactions	-	(5,158)	(77,458)	(520)	(349)	(83,485)
<b>Net position under forward and swap transactions</b>	<b>5,485</b>	<b>62,204</b>	<b>(77,458)</b>	<b>10,490</b>	<b>(349)</b>	<b>372</b>
<b>TOTAL CURRENCY POSITION</b>	<b>71,337</b>	<b>5,592</b>	<b>(2,363)</b>	<b>(848)</b>	<b>45</b>	<b>73,763</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	BYN	USD 1 = 2.1085	EUR 1 = 2.3637	RUB 100 = 3.3982	Other currencies	31 December 2019 (restated)  Total
<b>FINANCIAL ASSETS:</b>						
Cash and cash equivalents	43,737	11,032	6,601	7,787	166	69,323
Derivative financial assets	139	-	-	-	-	139
Amounts due from financial institutions	3,454	296	1	-	-	3,751
Mandatory reserves with the National Bank	3,259	-	-	-	-	3,259
Securities	11,734	84,671	16,376	-	-	112,781
Loans to customers	146,462	6,707	83,911	8,407	-	245,487
Other financial assets	1,387	-	-	-	-	1,387
<b>TOTAL FINANCIAL ASSETS</b>	<b>210,172</b>	<b>102,706</b>	<b>106,889</b>	<b>16,194</b>	<b>166</b>	<b>436,127</b>
<b>FINANCIAL LIABILITIES:</b>						
Amounts due to financial institutions	12,513	8,929	20,100	6,825	-	48,367
Customer accounts	116,720	142,073	20,093	21,679	-	300,565
Debt securities issued	6,674	-	-	-	-	6,674
Other financial liabilities	2,584	-	-	-	-	2,584
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>138,491</b>	<b>151,002</b>	<b>40,193</b>	<b>28,504</b>	<b>-</b>	<b>358,190</b>
<b>TOTAL CURRENCY POSITION</b>	<b>71,681</b>	<b>(48,296)</b>	<b>66,696</b>	<b>(12,310)</b>	<b>166</b>	<b>77,937</b>
Receivables under forward and swap transactions	942	57,770	-	8,973	-	67,685
Obligations under forward and swap transactions	-	-	(67,537)	-	-	(67,537)
<b>NET POSITION UNDER SPOT TRANSACTIONS</b>	<b>942</b>	<b>57,770</b>	<b>(67,537)</b>	<b>8,973</b>	<b>-</b>	<b>148</b>
<b>TOTAL CURRENCY POSITION</b>	<b>72,623</b>	<b>9,474</b>	<b>(841)</b>	<b>(3,337)</b>	<b>166</b>	<b>78,085</b>

The following table shows the currencies in which the Bank has significant positions as at 31 December 2020 and 31 December 2019 for non-trading monetary assets and liabilities and projected cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Belarusian ruble on the statement of comprehensive income (due to the existence of non-trading monetary assets and liabilities whose fair value is sensitive to changes in the currency rate), with all other variables held constant. Negative amounts in the table reflect a potential net decrease in the statement of comprehensive income and equity, while positive amounts reflect a potential net increase.

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	as at 31 December 2020		as at 31 December 2019 (restated)	
	BYN/USD	BYN/USD	BYN/USD	BYN/USD
	10%	-10%	10%	-10%
Effect on profit before income tax	559	(559)	947	(947)
Effect on equity	419	(419)	711	(711)
	as at 31 December 2020		as at 31 December 2019 (restated)	
	BYN/EUR	BYN/EUR	BYN/EUR	BYN/EUR
	10%	-10%	10%	-10%
Effect on profit before income tax	(236)	236	(84)	84
Effect on equity	(177)	177	(63)	63
	as at 31 December 2020		as at 31 December 2019 (restated)	
	BYN/RUB	BYN/RUB	BYN/RUB	BYN/RUB
	10%	-10%	10%	-10%
Effect on profit before income tax	(85)	85	(334)	334
Effect on equity	(64)	64	(250)	250

#### Commodity risk

Commodity risk reflects the amount of possible losses of the Bank associated with changes in the value of goods. The Bank considers movable property received as repayment for loan transactions and property intended for sale to be subject to commodity risk. As at 31 December 2020 and 31 December 2019, the carrying amounts of these assets were BYN 114 thousand and BYN 315 thousand, respectively, and the value of commodity risk as at 31 December 2020 and 31 December 2019 was BYN 19 thousand and BYN 43 thousand, respectively.

#### Operational risk

Operational risk is a risk occurring due to a systemic failure, personnel's mistakes, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. The control system includes effective segregation of duties, access rights, approval and reconciliation procedures, staff training, and evaluation procedures, including internal auditing.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(in thousands of Belarusian Rubles)*

**29. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Bank uses the following hierarchical structure of evaluation methods to determine and disclose information on the fair value of financial instruments.

Level 1: quoted market price (unadjusted) in an active market for an identical asset or liability;

Level 2: estimation methods based on observable data obtained either directly or indirectly. This category includes instruments that are measured using quotes in active markets for similar instruments; quotes for similar or identical instruments in markets that are considered less active; or other valuation techniques for which all significant inputs are directly or indirectly available based on market information.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below analyses financial instruments carried at fair value, by level in the fair value hierarchy:

<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Derivative financial assets	-	386	-	386
Securities	-	87,459	-	87,459
	-	87,845	-	87,845
<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	60	-	60
	-	60	-	60
<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Derivative financial assets	-	139	-	139
Securities	-	112,981	-	112,981
	-	113,120	-	113,120
<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	-	-	-
	-	-	-	-

**Financial instruments recognized at fair value**

The following is a description of the determination of fair value for financial instruments which are recognized at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.



## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

#### Securities carried at FVOCI

A discounted cash flow model is used to determine the fair value of securities measured at fair value through other comprehensive income.

#### Derivatives

Derivative instruments whose value is determined using valuation models with market observable inputs are primarily interest rate and currency swaps. The most frequently applied valuation models include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are recognized in the financial statements.

	Carrying amount as at 31 December 2020	Fair value as at 31 December 2020	Carrying amount as at 31 December 2019  (restated)	Fair value as at 31 December 2019  (restated)
<b>Financial assets</b>				
Cash and cash equivalents	125,047	125,047	69,323	69,323
Derivative financial assets	386	386	139	139
Amounts due from credit institutions	5,220	5,220	7,010	7,010
Loans to customers	378,750	387,549	245,488	250,390
Securities	87,459	87,459	112,981	112,981
Other financial assets	1,818	1,818	1,387	1,387
<b>Financial liabilities</b>				
Amounts due to credit institutions	83,096	83,096	48,367	48,367
Derivative financial liabilities	60	60	-	-
Customer accounts	367,432	368,657	300,565	301,817
Debt securities issued	70,727	70,727	6,674	6,674
Other financial liabilities	3,974	3,974	2,584	2,584

#### Financial assets and liabilities with fair values approximating their carrying values

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

## OJSC "PARITETBANK"

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

#### Fixed rate financial instruments

The fair value of financial assets and liabilities with fixed interest rates, which are recognized at amortized cost are estimated by comparing market interest rates at the moment of first recognition with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debt instruments with similar credit risk and maturity.

### 30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities by expected maturities as at 31 December 2020.

	Less than 3 months	3 to 12 months	From 1 to 5 years	More than 5 years	No maturity defined	Total
<b>FINANCIAL ASSETS:</b>						
Cash and cash equivalents	125,047	-	-	-	-	125,047
Amounts due from financial institutions	915	361	-	-	-	1,276
Mandatory reserves with the National Bank	-	-	-	-	3,944	3,944
Derivative financial assets	386	-	-	-	-	386
Loans to customers	103,604	118,575	156,571	-	-	378,750
Securities	-	-	43,421	44,038	-	87,459
Other financial assets	1,818	-	-	-	-	1,818
<b>TOTAL FINANCIAL ASSETS</b>	<b>231,770</b>	<b>118,936</b>	<b>199,992</b>	<b>44,038</b>	<b>3,944</b>	<b>598,680</b>
<b>FINANCIAL LIABILITIES:</b>						
Amounts due to financial institutions	81,519	-	482	1,095	-	83,096
Derivative financial liabilities	60	-	-	-	-	60
Customer accounts	218,030	111,374	37,986	42	-	367,432
Debt securities issued	9,117	-	61,610	-	-	70,727
Other financial liabilities	3,974	-	-	-	-	3,974
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>312,700</b>	<b>111,374</b>	<b>100,078</b>	<b>1,137</b>	<b>-</b>	<b>525,289</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>(80,930)</b>	<b>7,562</b>	<b>99,914</b>	<b>42,902</b>	<b>3,944</b>	<b>73,391</b>

The imbalance in the "Less than 3 months" item is caused by the fact that a significant portion of customer accounts are classified in the "On demand and less than a year" category. The Bank conducts a regular analysis of the stable share of liabilities. The Bank's management believes that in spite of a significant share of customer accounts classified as "on demand", the diversification of such funds by number and type of depositors, as well as the experience accumulated by the Bank, indicate that these funds form a long-term and stable source of funding for the Bank's operations. At the same time, securities held by the Bank to meet its daily liquidity needs are classified as "1 to 5 years" and "more than 5 years" by maturity. The Bank's management believes that the Bank will be able to sell liquid securities and raise the necessary amount of funds for potential repayment of deposits to customers. In other categories, the Bank has a positive net liquidity gap.

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

As at 31 December 2020, irrevocable deposits are classified in "3 to 12 months" category in the structure of customer accounts. - 71%, "From 1 to 5 years" - 62%, "More than 5 years" - 0%. As at 31 December 2019, irrevocable deposits are classified in "3 to 12 months" category in the structure of customer accounts. - 77%, "From 1 to 5 years" - 45%, "More than 5 years" - 0%.

The table below shows an analysis of assets and liabilities by expected maturities as at 31 December 2019:

	Less than 3 months	3 to 12 months	From 1 to 5 years	More than 5 years	No maturity defined	Total (restated)
<b>FINANCIAL ASSETS:</b>						
Cash and cash equivalents	69,323	-	-	-	-	69,323
Amounts due from financial institutions	-	3,751	-	-	-	3,751
Mandatory reserves with the National Bank	-	-	-	-	3,259	3,259
Derivative financial assets	139	-	-	-	-	139
Loans to customers	872	53,501	178,037	7,753	5,325	245,488
Securities held for sale	1,298	22,621	42,274	46,788	-	112,981
Securities measured at fair value through profit or loss	-	-	-	-	-	-
Other financial assets	1,387	-	-	-	-	1,387
<b>TOTAL FINANCIAL ASSETS</b>	<b>73,019</b>	<b>79,873</b>	<b>220,311</b>	<b>54,541</b>	<b>8,584</b>	<b>436,328</b>
<b>FINANCIAL LIABILITIES:</b>						
Amounts due to financial institutions	36,238	11,041	697	391	-	48,367
Derivative financial liabilities	-	-	-	-	-	-
Customer accounts	88,414	120,607	91,544	-	-	300,565
Debt securities issued	6,674	-	-	-	-	6,674
Other financial liabilities	2,584	-	-	-	-	2,584
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>133,910</b>	<b>131,648</b>	<b>92,241</b>	<b>391</b>	<b>-</b>	<b>358,190</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>(60,891)</b>	<b>(51,775)</b>	<b>128,070</b>	<b>54,150</b>	<b>8,584</b>	<b>78,138</b>

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the successful management of the Bank. In banks, it is unusual for the specified items ever to be completely matched since transactions are often of an uncertain maturity and different type. The items mismatching potentially enhances profitability but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its risks in case of change in interest and exchange rates.

### 31. RELATED PARTY DISCLOSURES

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

## **OJSC “PARITETBANK”**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)**

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Related parties may enter into transactions that would not be conducted between unrelated parties. Prices and terms of such transactions may differ from the prices and terms of transactions between unrelated parties.

On 24 April 2020 there was a change in the Bank's shareholder structure - BERISTORE HOLDINGS LIMITED became the main shareholder with 99.83% of the shares. In 2019, the State Property Committee of the Republic of Belarus was the main shareholder of the Bank.

As a result of the change of ownership, the composition of the parties related to the Bank has changed. The information in the statements for 2020 is presented separately for each of the categories of related parties:

- the controlling party is represented by the shareholder BERISTORE HOLDINGS LIMITED and the beneficial owner Gutseriev S.M;
- the party with significant influence is not presented. In the structure of the Bank, there are no shareholders with a stake of 20% to 50% in the authorized capital;
- affiliated legal entities is represented by LLC "Investment Company "Paritet";
- jointly controlled legal entities are not presented. The Bank has not entered into joint venture agreements;
- other related parties are represented by all group companies in which the controlling party is BERISTORE HOLDINGS LIMITED and the beneficial owner Gutseriev S.M., as well as private individuals and close family members of the owner;
- key management personnel of the Bank.

Information in the financial statements as at and for the year ended 31 December 2019 is represented by balances and transactions with government-related entities (other related).

As at 31 December 2020, loans to related party customers are represented by loans denominated primarily in foreign currencies with a weighted average contract rate of 6.1%. As at 31 December 2019, the weighted average interest rate on loans to related party customers denominated in foreign currency was 7.2% and in local currency was 10.7%.

As at 31 December 2020, term borrowings from legal entities (other related parties) amounted to BYN 7,728 thousand. The weighted average interest rate on term borrowings from legal entities (other related parties) in the national currency was 12.5%, in foreign currency was 3.3%.

As at 31 December 2019, term borrowings from legal entities (other related parties) amounted to BYN 7,928 thousand. The weighted average interest rate on term borrowings from legal entities (other related parties) in the national currency was 7%, in foreign currency was 3.9%.

Funds from individuals are formed within the standard product line of the Bank.

The volumes of transactions and balances with related parties at the end of the reporting period, as well as the corresponding amounts of expenses and income for the year, are as follows:

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	2020		
	Dependent legal entities	Key management personnel	Other related parties
Loans before allowance for expected credit losses	325	82	11,725
- allowance for expected credit losses	(313)	(1)	(2)
Customer accounts	-	71	21,372
Lease liabilities	-	-	401
Contractual commitments and guarantees issued	-	45	7,943

	2020		
	Dependent legal entities	Key management personnel	Other related parties/other related parties before ownership change
Interest income	-	14	1,325
- other related parties			451
- other related			874
Interest expense	-	-	308
Expenses under lease contracts	-	-	22
Other banking and operating expenses (excluding payroll)	-	-	12
Payroll expenses	-	1,680	2

## OJSC “PARITETBANK”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	2019		
	Shareholders Republic of Belarus	Key management personnel	Other related
Cash and cash equivalents	-	-	35,923
Amounts due from credit institutions	-	-	7,308
Loans to customers as at 31 December 2019	-	47	123,915
Estimated allowance for expected credit losses as at 31 December 2019	-	-	(4,120)
Loans as at 31 December 2019, net of estimated allowance for expected credit losses	-	47	119,795
Securities	-	-	-
Amounts due to customers at 31 December	-	107	14,767
Amounts due to financial institutions	-	-	-
Contractual commitments and guarantees issued	-	1,739	23,873

	2019		
	Shareholders Republic of Belarus	Key management personnel	Other related
Interest income	-	7	10,229
Interest expense	-	1	320
Payroll expenses	-	1,494	-

## 32. SEGMENT ANALYSIS

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. An individual or a group of individuals engaged in allocation of resources and evaluation of performance of the Bank's activities may be the chief operating decision maker. The Bank's Management Board performs the responsibilities of the chief operating decision maker.

The Bank's operations are organized by main business segments:

Retail segment - provision of retail banking services, services to clients - individuals to open and maintain settlement accounts, taking deposits, providing retail investment products, custody services, debit and credit card services, consumer and mortgage lending.

Corporate segment - this segment includes services for settlement and current accounts of organizations, attraction of deposits, overdrafts and other types of lending, operations with foreign currency and derivative financial instruments.

Investment segment - operations with banks, securities market operations, operations within the framework of liquidity, currency and interest rate risks management.

General banking segment - transactions, income and expenses of general banking importance are recognized.

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment.

Information on reportable segment profit or loss, assets and liabilities is presented below:

	Investment segment	Corporate segment	Retail segment	General banking segment	31 December 2020
<b>ASSETS:</b>					
Cash and cash equivalents	125,047				125,047
Amounts due from credit institutions	1,276				1,276
Mandatory reserve deposit with the National Bank of the Republic of Belarus	3,944				3,944
Loans to customers		226,375	152,375		378,750
Securities	87,459				87,459
Derivative financial assets	386				386
Other assets				43,086	43,086
<b>TOTAL ASSETS</b>	<b>218,112</b>	<b>226,375</b>	<b>152,375</b>	<b>43,086</b>	<b>639,948</b>
<b>LIABILITIES:</b>					
Amounts due to credit institutions	83,096				83,096
Customer accounts		185,324	182,108		367,432
Debt securities issued		70,727			70,727
Derivative financial liabilities	60				60
Other liabilities				5,782	5,782
<b>TOTAL LIABILITIES</b>	<b>83,156</b>	<b>256,051</b>	<b>182,108</b>	<b>5,782</b>	<b>527,097</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

ASSETS:	Investment segment	Corporate segment	Retail segment	General banking segment	31 December 2019 (restated)
Cash and cash equivalents	69,323				69,323
Amounts due from credit institutions	3,751				3,751
Mandatory reserve deposit with the National Bank of the Republic of Belarus	3,259				3,259
Loans to customers		138,411	107,077		245,488
Securities	112,981				112,981
Derivative financial assets	139				139
Other assets				36,627	36,627
<b>TOTAL ASSETS</b>	<b>189,453</b>	<b>138,411</b>	<b>107,077</b>	<b>36,627</b>	<b>471,568</b>
<b>LIABILITIES:</b>					
Amounts due to credit institutions	48,367				48,367
Customer accounts		121,794	178,771		300,565
Debt securities issued		6,674			6,674
Derivative financial liabilities	-				-
Other liabilities				5,600	5,600
<b>TOTAL LIABILITIES</b>	<b>48,367</b>	<b>128,468</b>	<b>178,771</b>	<b>5,600</b>	<b>361,206</b>



# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Investment segment	Corporate segment	Retail segment	General banking segment	31 December 2020
Interest income calculated using the effective interest rate method	6,134	15,508	24,341	-	<b>45,983</b>
Interest expense	(5,149)	(10,897)	(8,962)	(141)	<b>(25,149)</b>
NET INTEREST INCOME	985	4,611	15,379	(141)	<b>20,834</b>
Effect of initial recognition of interest-bearing financial assets and liabilities	-	-	(1,436)	-	<b>(1,436)</b>
Creation of ECL allowances on interest-bearing financial assets	189	(2,454)	(2,235)	-	<b>(4,500)</b>
Net interest income after ECL allowances on interest-bearing financial assets	1,174	2,157	11,708	(141)	<b>14,898</b>
Net fee and commission income	(991)	3,192	2,589	-	<b>4,790</b>
Net income from operations with securities	2,208	-	-	-	<b>2,208</b>
Net income from transactions in foreign currency:	2,857	1,658	6,895	-	<b>11,410</b>
Other income	-	-	227	4,794	<b>5,021</b>
NON-INTEREST INCOME	4,074	4,850	9,711	4,794	<b>23,429</b>
Personnel costs	-	-	-	(15,988)	<b>(15,988)</b>
Depreciation and amortization	-	-	-	(3,343)	<b>(3,343)</b>
Other operating expenses (Creation) / reversal of allowances for expected credit losses on non-interest financial assets	(1,506)	(1,637)	(10,687)	(598)	<b>(14,428)</b>
Gain on subsequent increase in fair value of non-current assets held for sale, less selling costs	(189)	(45)	(1,450)	773	<b>(911)</b>
NON-INTEREST EXPENSES	(1,695)	(1,682)	(12,137)	(19,085)	<b>(34,599)</b>
Profit before income tax expenses	3,553	5,325	9,282	(14,432)	<b>3,728</b>
Income tax expense	-	-	-	(316)	<b>(316)</b>
PROFIT FOR THE YEAR	3,553	5,325	9,282	(14,748)	<b>3,412</b>

# OJSC “PARITETBANK”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	Investment segment	Corporate segment	Retail segment	General banking segment	31 December 2019 (restated)
Interest income calculated using the effective interest rate method	6,681	12,475	15,324	-	34,480
Interest expense	(3,729)	(7,890)	(4,902)	(133)	(16,654)
<b>NET INTEREST INCOME</b>	<b>2,952</b>	<b>4,585</b>	<b>10,422</b>	<b>(133)</b>	<b>17,826</b>
Creation of ECL allowances on interest- bearing financial assets	(341)	(3,431)	(1,501)	-	(5,273)
<b>Net interest income after ECL allowances on interest-bearing financial assets</b>	<b>2,611</b>	<b>1,154</b>	<b>8,921</b>	<b>(133)</b>	<b>12,553</b>
Net fee and commission income	88	2,162	1,617	-	3,867
Net income from operations with securities	3,423	-	-	-	3,423
Net income from transactions in foreign currencies	238	1,085	4,512	-	5,835
Other income	14	1,291	226	2,279	3,810
<b>NON-INTEREST INCOME</b>	<b>3,763</b>	<b>4,538</b>	<b>6,355</b>	<b>2,279</b>	<b>16,935</b>
Personnel costs	-	-	-	(13,775)	(13,775)
Depreciation and amortization	-	-	-	(2,319)	(2,319)
Other operating expenses (Creation) / reversal of allowances for expected credit losses on non- interest financial assets	(409)	(127)	(3,108)	(8,715)	(12,359)
Gain on subsequent increase in fair value of non-current assets held for sale, less selling costs	-	123	17	(70)	70
<b>NON-INTEREST EXPENSES</b>	<b>(409)</b>	<b>(4)</b>	<b>(3,091)</b>	<b>(24,834)</b>	<b>(28,338)</b>
<b>Profit before income tax expenses</b>	<b>5,965</b>	<b>5,688</b>	<b>12,185</b>	<b>(22,688)</b>	<b>1,150</b>
Income tax expense	-	-	-	(462)	(462)
<b>PROFIT FOR THE YEAR</b>	<b>5,965</b>	<b>5,688</b>	<b>12,185</b>	<b>(23,150)</b>	<b>688</b>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

#### 33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in financial liabilities related to financing activities for 2020 and 2019 are as follows:

	Lease liabilities	Debt securities issued	Dividends paid	Total liabilities arising from financing activities
<b>Carrying amount as at 31 December 2018</b>	-	12,035	-	12,035
Receipt/initial recognition	3,127	77,162		80,289
Repayment	(780)	(82,442)		(83,222)
Charges	132	1,320	3	1,455
Accrual payments	(132)	(1,401)	(3)	(1,536)
Exchange differences	(95)	-	-	(95)
<b>Carrying amount as at 31 December 2019</b>	<b>2,252</b>	<b>6,674</b>	<b>-</b>	<b>8,926</b>
Additions	1,587	82,375		83,962
Repayment	(1,273)	(18,965)		(20,238)
Charges	141	4,268	1	4,410
Accrual payments	(141)	(3,625)	(1)	(3,767)
Exchange differences	662	-	-	662
<b>Carrying amount as at 31 December 2020</b>	<b>3,228</b>	<b>70,727</b>	<b>-</b>	<b>73,955</b>

#### 34. CAPITAL ADEQUACY

The main regulatory body of the banking system is the National Bank of the Republic of Belarus, which establishes and monitors capital adequacy of the Bank.

In order to comply with capital management requirements, the National Bank of the Republic of Belarus requires the Bank to maintain a ratio of total capital to total risk weighted assets. The ratio is calculated on the basis of financial statements prepared in accordance with the National Financial Reporting Standards. The degree of risk is determined in accordance with the credit risk ratios of the National Bank of the Republic of Belarus, which are typical for certain classes of assets.

As at 31 December 2020, the Bank's regulatory capital amounted to BYN 102,359.5 thousand, tier 1 core capital amounted to BYN 88,973.1 thousand. As at 31 December 2020, the regulatory capital adequacy ratio was 16.012% (the standard being 10%) and the core capital adequacy ratio was 12.615% (the standard being 4.5%).

According to the law, the minimum size of regulatory capital for the Bank shall be not less than BYN 58,100 thousand as at 31 December 2020, not less than BYN 57,410 as at 31 December 2019.

As at 31 December 2020 and 2019, the Bank was in compliance with the capital requirements described above.

The capital adequacy ratios as at 31 December 2020 and 31 December 2019 based on these financial statements were as follows:

## OJSC "PARITETBANK"

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Belarusian Rubles)

	31 December 2020	31 December 2019
Tier 1 capital, BYN '000	111,733	108,322
Tier 2 capital, BYN '000	1,118	2,040
<b>Total regulatory capital, BYN '000</b>	<b>112,851</b>	<b>110,362</b>
<b>Tier 1 capital adequacy ratio, %</b>	<b>24.3</b>	<b>33.7</b>
<b>Regulatory capital adequacy, %</b>	<b>24.5</b>	<b>34.3</b>

### 35. SUBSEQUENT EVENTS

The date the financial statements are approved for issue coincides with the date they are signed.

According to the resolution of the regular annual general meeting of the Bank's shareholders, dividends on ordinary shares were declared in the amount of BYN 0.00 per share and BYN 0.000048 per share on preference shares for the year 2020.

Chairman of the Management Board

Chief Accountant

Signing date: 30 June 2021



I.V. Katibnikov

E.M. Skriba