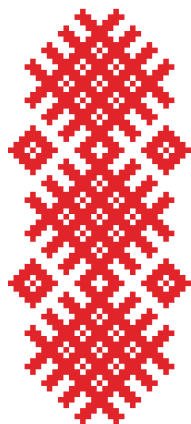


Annual Report 2017



Priorbank
Member of RBI Group

Priorbank
Member of RBI Group





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Foreword

Foreword



In 2017 Priorbank JSC demonstrated sustainable development of all key activity areas, reinforced its standing in the local market. The Bank ensured achievement of its strategic goals and remained a reliable well-capitalized bank with its stable resource base and optimal quality of loan portfolio.

When doing business with corporate customers, Priorbank continued focusing on integrated banking services by offering the broadest product line and high-quality information and advisory support to its customers.

Alongside with rendering traditional banking services, Priorbank has developed and introduced a new product, unique for the Belarusian market, i.e. import factoring, the tool allowing the customers to serve their import trade transactions. The Bank actively cooperated with the international financial institutions: more than USD 95 mln were raised for financing the customers. In particular, Priorbank for the ninth time won “the Most Active Bank in the Republic of Belarus” top honour for international trade financing, conferred within the EBRD Trade Facilitation Program. All this made it possible to increase Priorbank’s loan portfolio by 5% and to enlarge its share in the market of the banking industry’s legal entities.

Cooperation with small and medium-sized businesses developed successfully. The Bank carried on the development of simplified lending to businesses: record time of loan processing (4 hours) was reached. The product line was supplemented by two-factor export factoring and letter of credit discounting. Prior-bonus loan product, the first product in Belarus remotely extended to legal entities, was further developed. The cumulative factoring transactions portfolio grew by 16%. The work done resulted in 35% growth of loan portfolio for small and medium-sized businesses and 45% increase in the resource base.

Retail business developed dynamically. In 2017, loan portfolio for individuals grew by BYN 129.3 mln or 43% as compared to the previous year. The product line was supplemented by new offers related to consumer lending: a possibility to extend loans to charge cards with money-back function was added. The premium segment clients got an opportunity of getting remote access to lending bank products and services without the need to visit the banking services center.

Special consideration was given to the development of noncash settlements. For better loyalty of clients to noncash settlements HCE (Host Card Emulation) based mobile payment service was launched enabling to make payments from smartphones without the use of banking cards. As a consequence, in 2017 the number of active users of Internet banking and mobile banking grew by 3.2% and 20% respectively, and payments via electronic channels exceeded 60% of the total number of payments. Express-balance, a new mobile application for balance viewing and search of the nearest bank facilities, also increased the level of electronic channels use for support of banking products offered to individuals.

The line of banking products to be extended via alternative trade channels was widened. The share of loans and credit cards issued via electronic channels amounted to 9.5%. When entering into deposit agreements, the clients gave preference to remote banking system: the share of electronic deposits exceeded 50%.

During 2017, Priorbank became more mobile and accessible in alternative trade channels: extension of loans and installments directly in the largest Internet shops was arranged; the regional network of mobile bankers was created. The number of terminals for depositing business proceeds of legal entities increased up to 20, so more than 600 clients were serviced without the participation of cash service workers. Ongoing upgrading and provision of round-the-clock

self-service areas increased quality and speed of servicing the Bank clients. In order to use touch-screen possibilities to the maximum, interface of automated teller machines and self-service terminals of the Bank was changed so providing an opportunity to make ERIP (unified settlement and information space) payments and currency exchange transactions.

In 2017, functionality of the Client-Bank electronic payment system and Internet Banking system for legal entities was upgraded. The Bank's remote banking systems successfully switched to use of international bank account numbers (IBAN) and new bank identification codes (BIC). The number of the Internet Banking system users crossed the 20 thousand mark in the segment of legal entities. The share of documents received in electronic format grew as against the previous year and made 99.22%.

Systematic optimization of existing business processes was provided with a view to increasing effectiveness of the Bank's activity. A number of measures to reduce cash balances were implemented within the Cash Transactions and Cash Management project. The Bank's client relationships management system (CRM) was further developed: new communication channels (Viber) were introduced; the new client adaptation mechanism was implemented at all initial service phases. A new service for legal entities, remote consulting via Skype for Business, was launched.

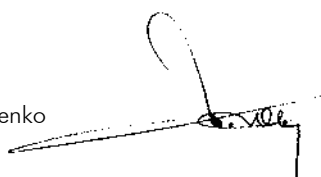
Control of quality of extended loans was one of the key tasks of the Bank in 2017. Heavy-handed risk-approach to client lending, the bad debt early detection system introduced in the Bank, and ongoing dealing with problem loans made it possible to improve loan portfolio quality and reduce the share of bad loans from 14.4% to 5.8%.

Priorbank was found worthy of The Patron of Fine Arts award for its significant contribution to the development of contemporary fine arts. In 2017, Priorbank signed the memorandum of understanding with the United Nations Children's Fund (UNICEF), in which result the nationwide innovative charitable project was launched. In 2017, Priorbank was awarded with the title of The Best Bank of Belarus 2017 according to Euromoney Awards for Excellence magazine.

Priorbank faces considerable challenges in 2018. But decades of experience in the country's financial market, effective management system and efficient personnel, constant drive for innovations will enable us to attain the set goals and ensure efficient development of the Bank in 2018.

In closing, we would like to express our deep gratitude to all our clients and partners, all employees of the Bank for their contribution to the development of the Bank in 2017.

Sergey Kostyuchenko

A handwritten signature in black ink, appearing to read 'S. Kostyuchenko', with a long horizontal stroke extending to the left.

Chairman of the Board
of Priorbank JSC



Ladies and Gentlemen,

The 2017 financial year saw a positive overall macroeconomic trend and favorable market environment. This contributed to the strong year-on-year improvement in RBI’s consolidated profit, which more than doubled compared to last year. The better operating result was mainly positively impacted by lower risk costs. Alongside the successful sale of non-performing loans, this was also due to a notable decrease in net provisioning for impairment losses. The result achieved by RBI in 2017 also confirmed that the strategic decisions taken over the past years have played a key role in helping the group to successfully emerge from a challenging transformation period with increased strength. This is further demonstrated by a steadily strengthening capital base, balanced risk profile and considerably reduced NPL ratio – from 8.7 per cent (2016 pro forma) to 5.7 per cent. This improvement in asset quality was based not least on the determined reduction of non-performing loans in recent years.

The merger of Raiffeisen Zentralbank Österreich AG and RBI AG was put into effect on schedule upon entry in the commercial register on 18 March 2017. Following the merger, RBI will continue to pursue its strategy as a leading universal banking group in CEE and Austria with the primary objective of creating long-term value. Selective growth is planned for the coming years in specific markets which demonstrate stability and good economic prospects. Effective capital and risk management as well as the further reduction in non-performing loans will also remain crucial in future. In 2018, there will be an increased focus on the challenges in the form of ongoing regulatory requirements, political risks, progressing digitalization and related changes to the competitive environment.

I would like to take this opportunity to thank all employees of Priorbank JSC for their hard work and unwavering efforts in 2017, as well as to ask for their continued commitment in tackling any challenges going forward.

On behalf of the Supervisory Board,

Martin Gröll

Chairman of the Supervisory Board



Highlights of Priorbank

Highlights of Priorbank

Establishment and start of activity:

January 1989

The licence of National Bank of the Republic of Belarus:

Licence No. 12 dated May 6, 2013.

The major shareholders as of 01.01.2018:

Shareholder	Share in the Authorized Capital
Raiffeisen CIS	
Region Holding GmbH, Austria	87.74%
State sector, enterprises	5.03%
Private individuals	4.8%
Other legal entities	2.43%

Correspondent banks as of 01.01.2018:

in the Republic of Belarus – 13
abroad – 38

Employees as of 01.01.2018:

2,420

Customers as of 01.01.2018:

Corporate Clients – 1,857
Active SMEs – 30,631
Private Individuals – 725,735

Membership in interbank unions, exchanges, associations:

Association of Belarusian Banks;
Belarusian Currency-Stock Exchange;
Visa International;
MasterCard/Europay International;
BelCard.
Business Union Of Entrepreneurs and Employers n.a.
Professor M. Kuniyavsky

Information and telecommunication systems:

Internet;
REUTERS;
SWIFT;
Bloomberg;
VisaNET via VSAT;
EPS NET via X.25.

External auditor:

“Ernst & Young” Limited Liability Company -
IFRS reporting
Audit Limited Liability Company “AUDITEL” -
NFRS reporting

Awards

- “Bank of the Year 2017 in Belarus” – The Banker
- “Best Bank in Belarus” 2017– Euromoney
- “Most Active Issuing Bank in Belarus in 2017 under the Trade Facilitation Program” – European Bank for Reconstruction and Development
- “Best foreign bank in Belarus 2016” – EMEA Finance
- “Best foreign bank in Belarus 2017” – EMEA Finance
- “Best investment bank in Belarus 2017” – EMEA Finance
- “Straight Through Processing Excellence Award” 2017 – Citibank NA
- “Trade award for excellent partnership” 2017 – Commerzbank
- “The best large bank in Belarus 2017” – myfin.by
- “The best foreign bank in Belarus 2017” – myfin.by
- “The best regional bank in Belarus 2017” (second place diploma) – myfin.by
- “Lending bank of the year 2017” (third place diploma) – myfin.by
- “Patron of Culture of Belarus” 2017 — Culture Ministry of the Republic of Belarus.



Supervisory Board

Supervisory Board

Peter Bazil	Executive Director, Raiffeisen Bank International AG
Ferenc Berszan	Executive Director, Raiffeisen Bank International AG
Kurt Bruckner	Executive Director, Raiffeisen Bank International AG
Robert Wagenleitner	Executive Director, Raiffeisen Bank International AG
Martin Grüll	Member of the Managing Board, Raiffeisen Bank International AG
Nikolay Kadushko	Independent Director
Gerda Lottersberger-Roschitz	Senior Regional Manager CIS Countries, Raiffeisen Bank International AG
Alexander Lyakhov	Director General, State Production Association "Belorusneft" - Republican Unitary Enterprise "Production Association "Belorusneft"
Heinz Hödl	Independent Director

Management Board

Sergey Kostyuchenko	Chairman of the Board
Vladimir Dedioul	
Vadim Matyushkin	
Bernd Rosenberg	
Sergey Shishov	



Macroeconomic Environment

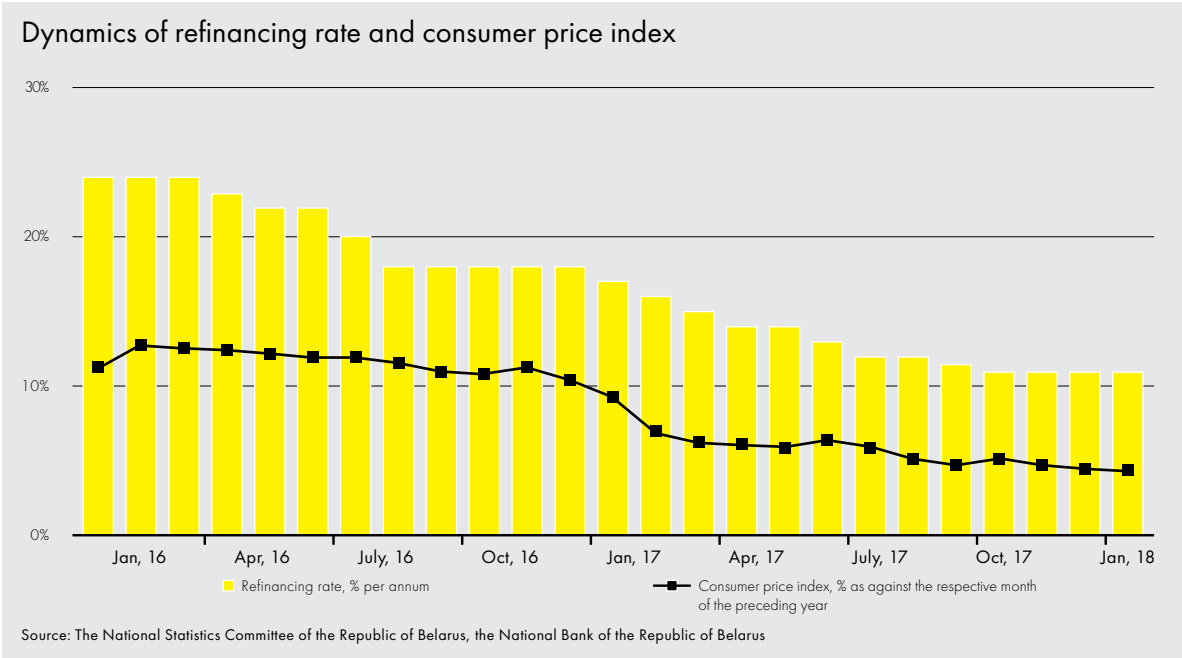
Macroeconomic Environment

Inflation, Monetary Policy and Exchange Rate

The goal of the Republic of Belarus Monetary Policy Guidelines for 2017 was to reduce inflation rate down to 9% (December 2017 as compared to December 2016). The actual value of the consumer price index was 4.6% at year-end. Such significant reduction of inflation rate in the past year was possible due to impact of a combination of factors, including low consumer demand, low rate of growth of real income of the population, moderate monetary supply volume. At the same time, the

components of the consumer price index grew unequally: At year-end 2017, prices for consumer services grew by 9.5% (December 2017 as against December 2016), food prices grew by 4.2%, prices for non-food goods grew by 2.0%.

To prevent from probable slowdown of economic and consumer activity, the practice of making bank lending to enterprises and the population more accessible continued in the context of drop in inflation rate in 2017. With this purpose, interest rates of the National Bank were reduced eight times during the past year, and refinancing rate decreased from 18.0% to 11.0% per annum.

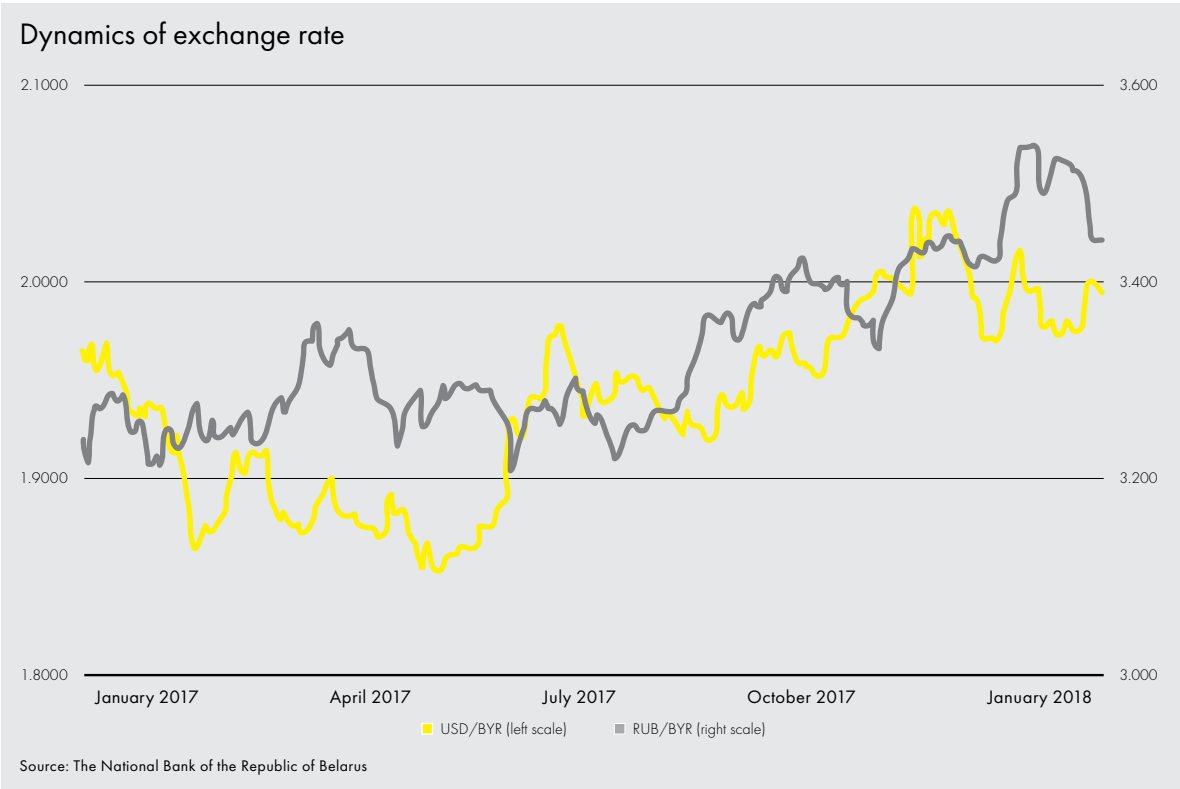


Accordingly, the cost of bank resources decreased: the average interest rate on BYN-denominated loans extended to legal entities with maturity up to 1 year decreased from 19.4% to 11.1% per annum, and the average interest rate on BYN-denominated loans extended to individuals with maturity up to 1 year decreased from 19.3% to 8.7% per annum. Alongside with efforts to improve bank lending conditions the National Bank enhanced its measures aimed at

dedollarisation of economic relations in Belarus, increase of attractiveness of the national currency as a means of saving and settlement. As a result, by the end of 2017 average rates on BYN-denominated deposits of individuals with maturity up to 1 year made 6.5% per annum, while average rates on similar deposits denominated in foreign currency equaled to 0.7% per annum.

The dynamics of change in the Belarusian rouble exchange rate in 2017 was marked by moderate devaluation of the national currency against principle currencies of foreign economic settlements. During the past year the value of the Belarusian rouble against the basket of currencies reduced by 0.73% (to USD/BYN 1.9727), in particular, the value of the national currency reduced by 5.67% (to 100 RUB/BYN 3.4279) against US dollar, by 15.17% (to EUR/BYN 2.3553) against Euro. Controlled

processes of devaluation, lack of violent fluctuations of currency rates enabled the National Bank in the past year to proceed with stepwise implementation of measures aimed at decreasing the level of administrative regulation of the national currency market. Cutout of rate of mandatory sale of currency proceeds by enterprises from 20% to 10% of their total currency earnings was one of such measures of the National Bank.



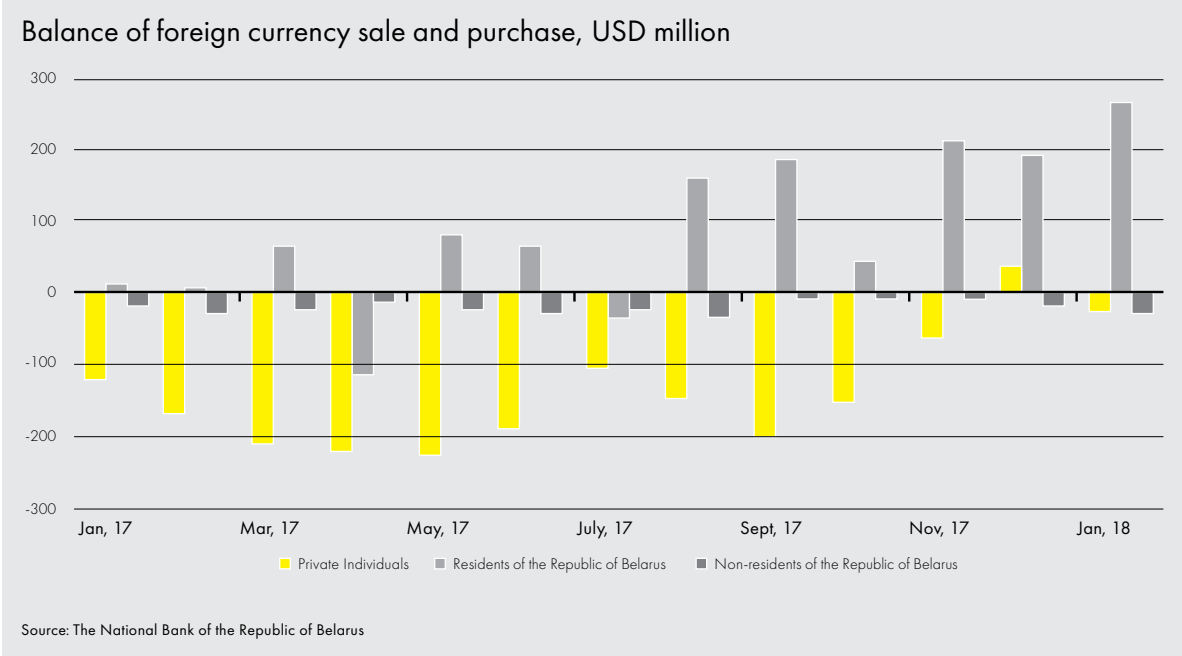
As in the previous year, net supply of foreign currency by the population and non-resident legal entities provided substantial support to stability of the national currency market in 2017. As of the end of the past year, the amount equivalent to USD 2.07 billion was purchased by the National Bank in that currency market segment (in 2016 net purchase made the equivalent of USD 2.35 billion).

In 2017, the largest part of net supply of foreign currency in the national market was formed by individuals: USD 1.76 billion in the equivalent (in 2016 net supply by individuals made the equivalent of USD 1.89 billion). Excess of foreign currency supply over demand in the segment of individuals in the past year was caused, on the one hand, by low rate of real income growth and the need

to maintain the achieved consumption level and, on the other hand, by higher yield of BYN-denominated bank deposits as compared to currency deposits.

In 2017, resident legal entities increased their share of net demand for foreign currency up to the equivalent of USD 0.88 billion (as against USD 0.21 billion in 2016) due to recovery of export turnover of intermediate goods and raw materials for growth in production, and also owing to governmental funding of modernization programs for a number of large enterprises.

Net supply of currency by non-resident legal entities made USD 0.31 billion in 2017 as against net supply of USD 0.45 billion one year earlier.



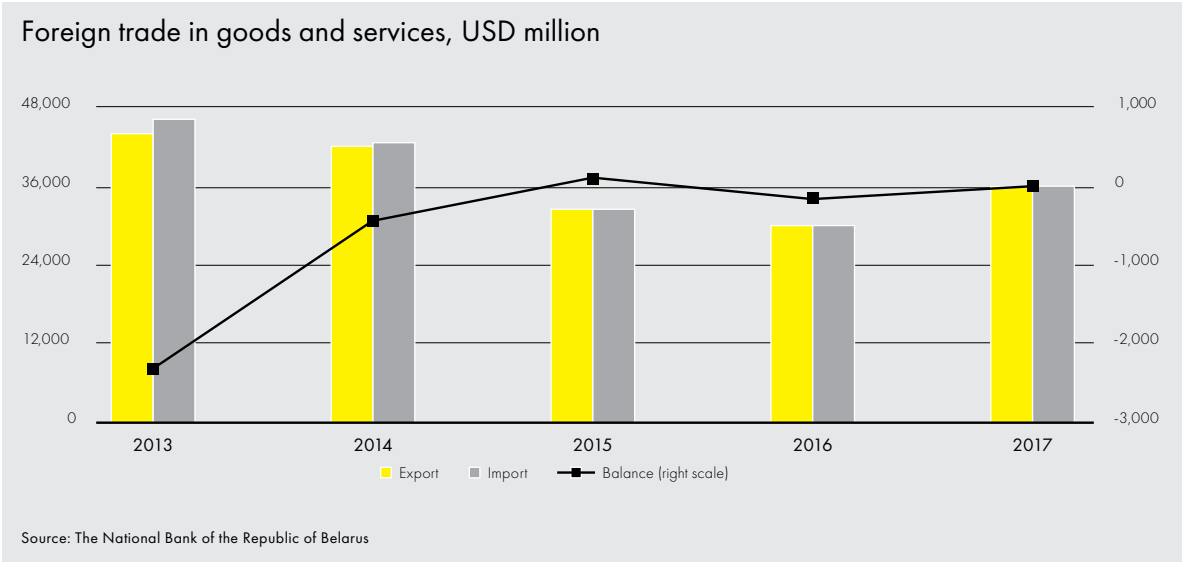
Foreign Trade

In 2017, surplus of foreign trade in goods and services made USD 63.2 mln, while in 2016 there was the deficit equal to USD 70.6 mln. In turn, in 2017 there was an adverse balance of foreign trade in goods and services amounting to USD 2923.2 mln, but the deficit of foreign trade in goods was compensated with USD 2986.8 mln surplus of trade in services.

The distinctive feature concerning the formation of deficit of foreign trade in goods and services in 2017 was in-

crease in imports by 23.3% total, given that the largest growth of imports was caused by increase in supply of intermediate goods to meet the greater needs of the industrial sector for component parts, raw materials and energy supply. So, in 2017 as against 2016 import of energy intermediates grew by 31.2% or USD 2.28 billion and import of other intermediates grew by 23.3% or USD 2.51 billion.

Furthermore, increase in imports of consumer non-food goods by 26.5% or USD 0.91 billion, growth in demand for which in the second half-year of 2017 was supported



by better availability of bank lending to the population and growth in investment goods export by 29.2% or USD 0.82 billion due to continued government funding of modernization programs for a number of large industrial enterprises, also made an impact on total grows of imports.

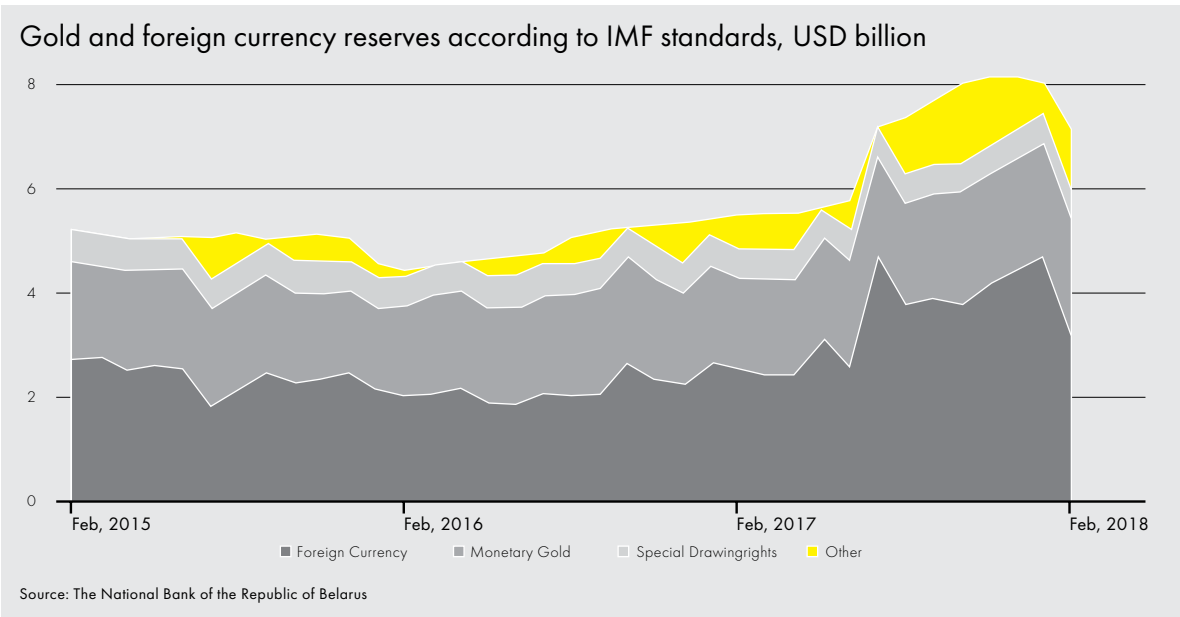
In 2017, the Russian Federation remained the main foreign economic partner with its 52.5% share in the total trade turnover. Russia’s share in the total exports decreased to 43.9% as against 46.5% in 2016, while the share of exports from Russia grew up to 57.2% as compared to 55.4% in 2016. The main reason of such exports and imports dynamics was the recovery of oil imports from Russia and oil product exports to EU member states after entering into agreements of energy supply from Russia to Belarus at the start of 2017. However, in 2017 Belarusian enterprises were able to build up their non-resource-based exports to the Russian Federation by making use of growing demand of the Russian market. In 2017, the most significant growth of export was registered for the following large commodity groups: trucks – by 52.9%, dairy products – by 45.9%, tractors and truck-tractors – by 43.4%, agricultural machinery –

by 39.8%, drugs – by 32.8%, spare parts for trucks and tractors – by 26.4%, furniture – by 25.0%.

Gold and foreign currency reserves

During 2017, gold and foreign currency reserves grew by USD 2388.1 mln (48.5% as of 01 January 2017) and made USD 7315.3 mln. Revenues from foreign economic activity, purchase of currency in the national market, funds from bonds of the National Bank and the Ministry of Finance placed in the national market, proceeds of the intergovernmental loan of the Russian Federation and funds of stabilization loan from the Eurasian Stabilization and Development Fund, placement of government Eurobonds in the international financial market were the most significant sources to replenish gold and foreign currency reserves.

Increase in value of monetary gold in the world market also made a positive impact on the country’s gold and foreign currency reserves.

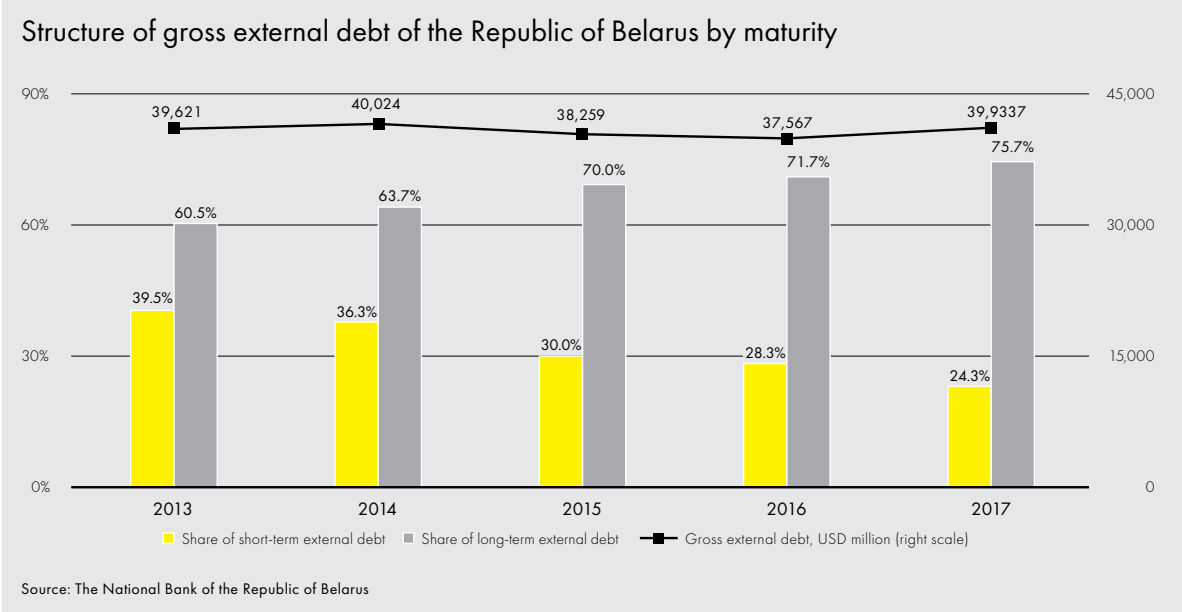


External debt

As of 01 January 2018, Belarus’s gross external debt made USD 39.9 billion or 73.4% of GDP. As compared to figures of 01 January 2017, gross external debt grew by 6.4% or USD 2.4 billion; per capita gross external debt grew up to USD 4.21 thousand as against USD 3.95 thousand as of 01 January 2017.

As of 01 January 2018, shares of long-term and short-term liabilities in the total external debt stock made 75.7% and 24.3%, while as of 01 January 2015 the share of long-term liabilities was equal to 71.7% and that of short-term liabilities made 28.3%.

By the beginning of 2018 long-term external debt stock made USD 30.2 billion and was 12.4% more than at



the beginning of 2017. In turn, short-term external debt decreased by 8.8% or to USD 9.7 billion vs. percentage reported as of 01 January 2017.

In 2017, as many as USD 6.0 billion (11.0% of GDP or 16.4% of exports of goods and services) was allocated for gross external debt servicing, in particular, USD 4.6% billion was spent to repay principal debt and USD 1.4 billion for payment of interest.

In 2017, Belarus’s external debt grew by 22.6% and as of 1 January 2018 made USD 16.7 billion. In 2017, external governmental borrowings amounted to USD 4.04 billion (USD 1.93 billion in 2016). Funds from placement of Eurobonds (USD 1.4 billion), loans from the government and banks of Russia (USD 1.31 billion), loans from the Eurasian Stabilization and Development Fund (USD 0.80 billion), loans of banks of China (USD 0.31 billion), loans of the International Bank for Reconstruction and Development (USD 0.16 billion) were the main sources of borrowed funds.

To repay external government debt as many as USD 1.03 billion was used in 2017 as compared to USD 0.89 billion in 2016. Payments against indebtedness to the government and banks of Russia (USD 0.36 billion), Eurasian Stabilization and Development Fund (USD 0.35 billion), banks of China (USD 0.25 billion) were the main payments made in the past year.

Banking Sector

In 2017, gradual recovery of industrial sector failed to improve the quality of Belarusian banks’ loan portfolios. The

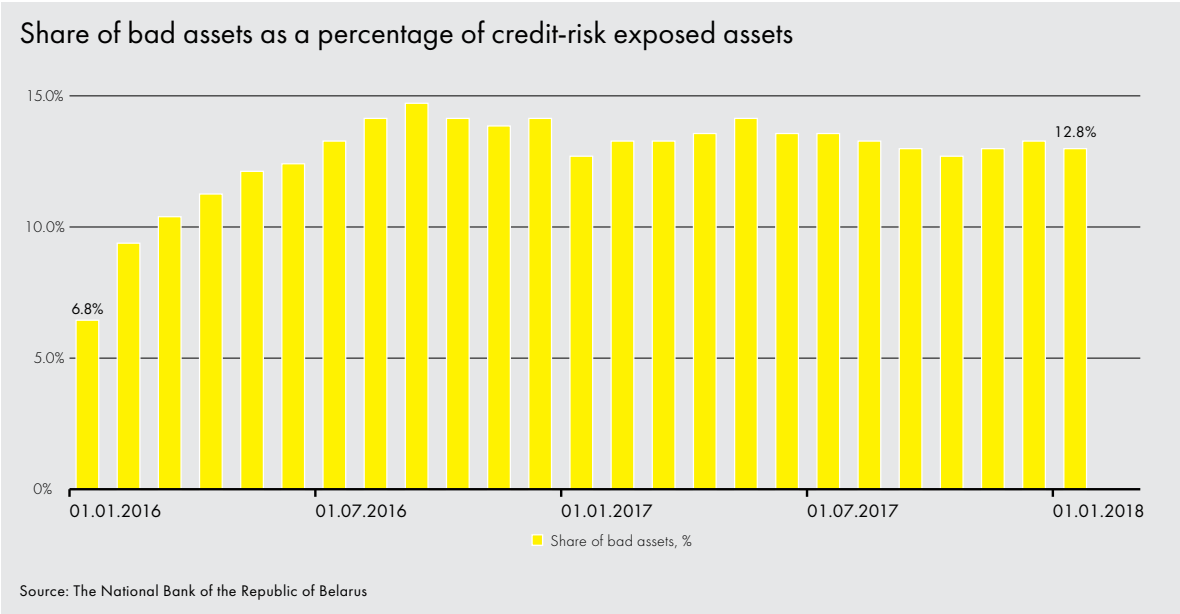
share of banks’ bad assets in credit-risk exposed assets remained in the range from 12.8% to 14.2% in the past year, up from approximately 7.0% at the start of 2016.

Nevertheless, reduction in cost of credit resources under the impact of the National Bank’s monetary policy, increase in demand of the population for bank loans with improvement of their availability, and high level of financial responsibility of the Belarusian individuals as for making payments under loans gave a boost to retail lending development in the past year.

Measures of the National Bank aimed at reduction in the use of foreign currencies in the Belarusian economy (or de-dollarization) served as another driver for changing the structure of banks’ assets and liabilities in 2017. Occurred in the past year changes of currency deposit reserve requirements, moderate devaluation of the Belarusian rouble, and measures to reduce the level of administrative restrictions imposed on currency exchange operations improved the attractiveness of the national currency as a means of settlements and saving.

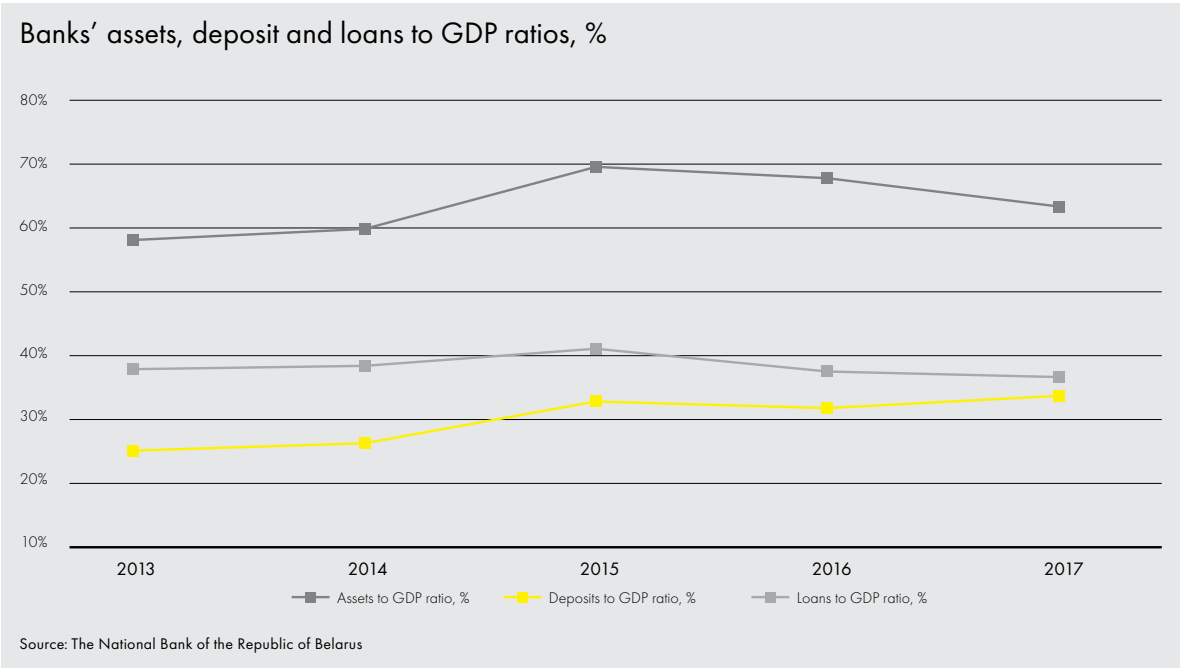
Due to the impact of the mentioned factors, as of 1 January 2018 banks’ assets made BYN 66.68 billion, i.e. grew by 3.4% during 2017. Assets denominated in the national currency grew by 18.7% up to BYN 29.33 billion in the past year. Assets denominated in foreign currencies reduced by 6.7% to 18.94 billion in 2017. Share of assets denominated in foreign currencies, as compared to the past year figures, reduced from 61.7% (as of 01 January 2017) to 56.0% (as of 01 January 2018) respectively.

Banks’ claims to the agents of Belarusian economy grew by 4.8% up to BYN 61.70 billion in 2017. Claims to the



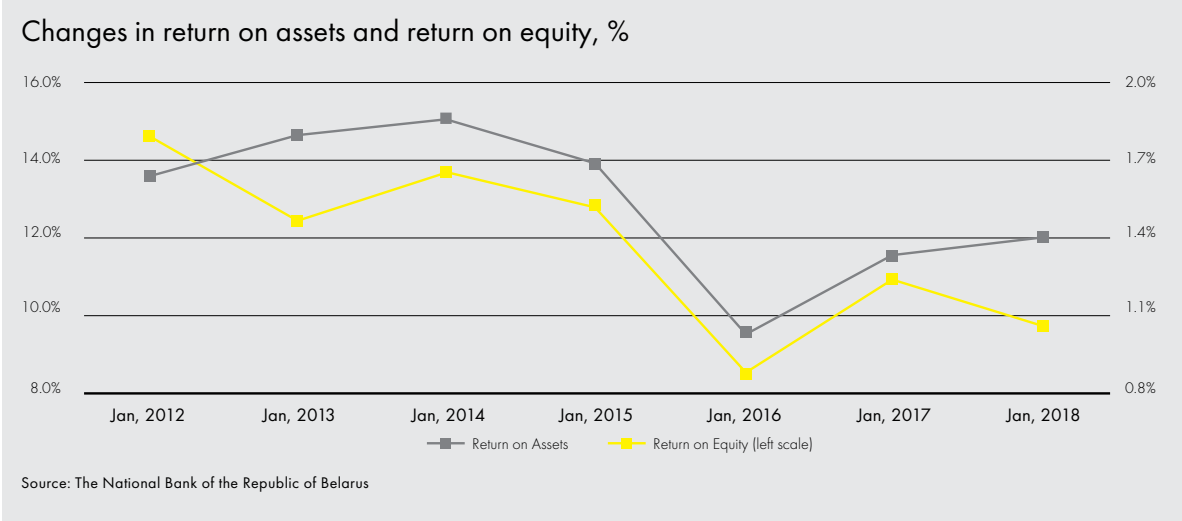
enterprises at year-end 2017 made BYN 34.09 billion, which was 3.3% more than in the previous year. Claims to individuals grew by 25.9% (as against 3.84% in the past year) up to BYN 9.18 billion.

In turn, banks’ liabilities generally increased in 2017 by 3.4%; in particular, assets denominated in the national currency grew by 18.8% up to BYN 29.27 billion, and assets denominated in foreign currencies reduced by 6.7%



up to the equivalent of USD 18.96 billion. In 2017, funds in Belarusian roubles borrowed by the banks from the Belarusian residents increased by 17.5% up to BYN 17.61 billion; currency resources borrowed from the Belarusian agents of economy increased by 4.6% up to the equivalent of USD 14.39 billion.

In 2017, banks’ profits remained practically unchanged as compared to the previous year (increase by 0.2%) and made BYN 0.89 billion. At the same time, return on regulatory capital decreased to 9.6% as against 10.8% in 2016; return on assets increased up to 1.4% as compared to 1.3% a year earlier.

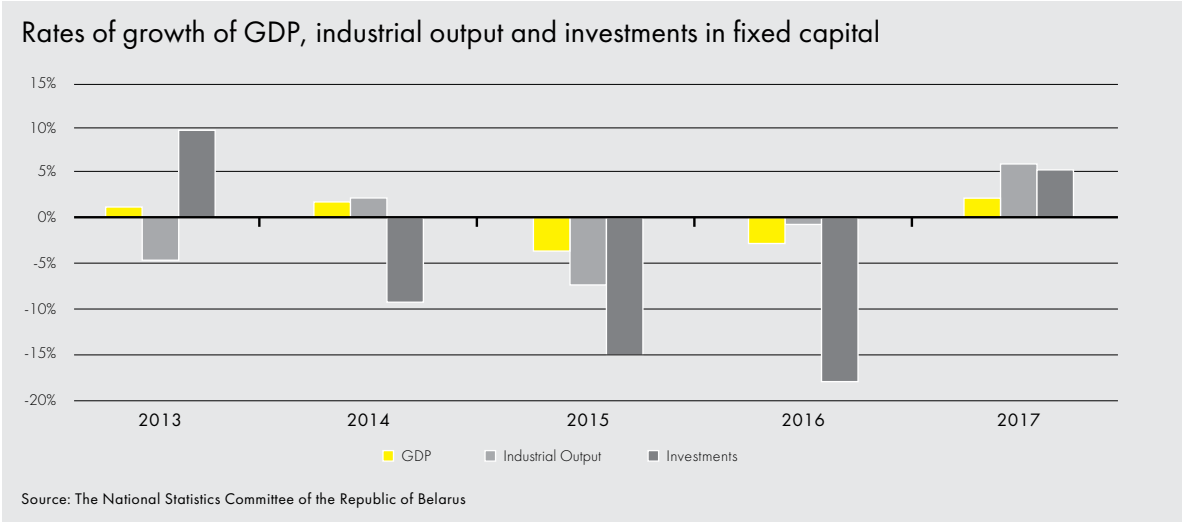


GDP

By the end of 2017, real GDP increased by 2.4% (real GDP decrease by 2.5% was registered in 2016).

Industrial output at the end of 2017 grew by 6.1% as against 2016 and made BYN 93.04 billion (reduction by 0.4% in the previous year). In the past year, industrial production growth occurred practically in all large branches except for transportation vehicles industry where

9.4% decrease was registered, and production of oil products where manufacturing recovery up to the level of 2016 was registered at the end of 2017. In 2017, increase of production volumes above average values in the entire industrial sector was ensured through production of other machinery (by 26.5%), woodwork production (by 14.4%), pharmaceutical companies (by 10.1%), enterprises of chemical industry (by 9.8%), manufacturers of other finished products (by 8.8%), and the manufacturers of electronic and optical equipment (by 6.7%).



In 2017, growth of investments in fixed capital recovered by 5.3% as compared to the previous year or up to BYN 20.39 billion (17.4% reduction was registered in 2016); positive figures were formed due to increase of investments in purchase of machinery and equipments (growth by 19.5%), whereas investments in building and installation works continued to decrease (by 1.5%). The share of investments in fixed capital in GDP grew by 19.4% at the end of 2017 as compared to 19.2% of GDP in 2016. In 2017, decline in households' real monetary incomes

ceased, its measure grew up to 2.4% during January – December 2017 as against 6.9% decrease during the similar period of 2016.

Rise of income, decline in inflation and improving availability of Belarusian bank's lending resources to the population supported domestic demand and contributed to growth of retail turnover by 3.8% at the end of 2017 as compared to the previous year.



Corporate Banking.
Small- and Medium-Sized Business

Corporate Banking. Small- and Medium-Sized Business

In 2017, Priorbank improved its partnership relations with corporate clients, maintained and expanded its client base. The Bank continued practical application of its balanced tariff policy against the background of high quality services based on the use of innovative technologies of banking business; it all resulted in increasing clients' loyalty.

Traditionally, the Bank was lending to working capital, investment and export-oriented projects of corporate clients, carried out trade finance transactions. Due to weighted risk-approaches to financing, the Bank improved its loan portfolio quality.

In 2017, the Bank expanded and improved application of digital banking in its activities. E-document management in settlement and cash services for corporate clients and a call-center for legal entities were introduced.

In 2017, Priorbank remained the center of factoring expertise in the Republic of Belarus and continued to expand its factoring-related product line. Import factoring was launched in 2017.

Development of partnership relations with international financial institutions, in particular with Roseximbank and EBRD, represents a significant portion of the Bank's activities.

Small- and Medium-sized Business

The main result of the Bank's dealing with small and medium-sized businesses in 2017 was growth of volume of clients transactions in all areas of activities: growth of loan portfolio volume by 35%, gain in volume of liabilities by 45%, growth of payments in foreign currency by 28%, growth of volume of currency exchange transactions by 31%, which in turn, in conditions of many-fold reduction of transaction marginality, enabled to increase the gross revenue in this client business segment by 1.7%.

Such growth rates are the result of implementation of the client servicing quality increase strategy, optimization and improvement of banking technologies and processes. The Bank actively develops simplified end-to-end lending (E2E) to businesses with focus on advanced technologies. The client base analytical system enabling to offer loans preapproved by the Bank made it possible to improve

accuracy of proposals. Such approach provides the opportunity of lending without visiting the bank, issuing a loan in record time (4 hours), requesting a minimum set of documents from a client (Know Your Client principle in action). In 2017, as many as 345 new loan agreements were signed within such lending process, which was 2.7 times more than in 2016.

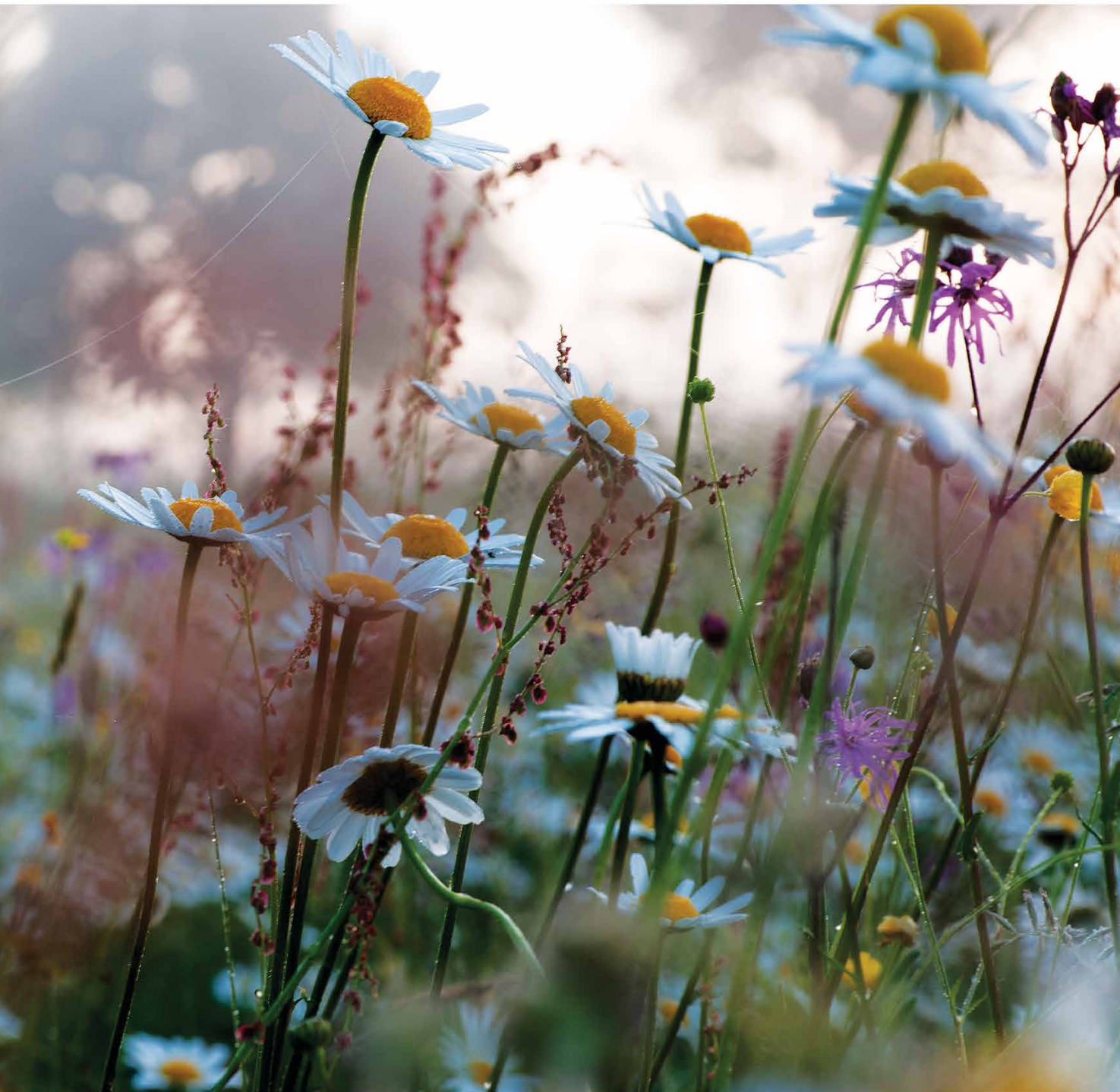
The number of sales channels for clients from small and medium-sized businesses grew considerably: CRM-campaigns are held both by the employees of SME Department and by the workers of the client service, call-center for legal entities, as well as by direct sellers to SME-client personnel. In consequence, the number of CRM campaigns doubled.

To achieve greater sales effectiveness, sub-segmentation of small business clients was carried out. It ensured more exact specification of focus-groups, procedure of dealing with the same, channels and regularity of contacts. Functionality of the call-center for business entities evolved significantly. In 2017, six more banking services centers joined the system of legal entities and individual entrepreneurs centralized consulting via the call center. The number of clients' calls, unprocessed by such banking services centers, reduced multiply due to a new routing pattern which switched the center's unprocessed calls to a new channel.

Priorbank JSC places high emphasis on development of innovative technologies. In particular, Open API technology was introduced, enabling financial and technical companies to furnish Bank clients with any bank-related solutions. In 2017, the first experience of such interaction was successfully translated into practice: solution related to client online cash flow forecasts based on flow of funds on client's current account with the Bank and client's reported financials. Moreover, the Bank started the introduction of innovative technology of voice biometric of legal entities' authorized representatives, enabling to shorten the time of call processing in the call center and to increase the security level of information handling.

Electronic management of credit-related documents was introduced by the Bank. To sign loan agreements, electronic signatures are used for doing business with SME clients. In 2017, share of such loan agreements with small business clients grew up to 84%. Starting from November 2017, such innovation technology has been implemented for medium-sized clients and in December 2017 it made 77% of all signed agreements.

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Business with Private
Individuals

Business with Private Individuals

Further expansion of active client base of individuals due to involvement of new clients for lending and payroll services, as well as due to efficient client retention programs was one of the main areas of dealing with individuals in 2017. In total, the number of clients grew by 0.7% in 2017 as against the previous year and made 725.7 thousand.

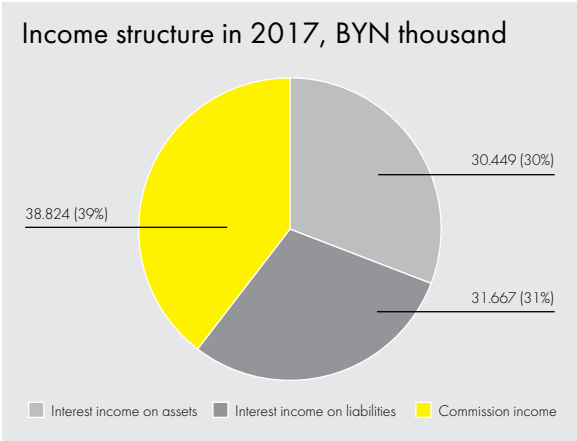
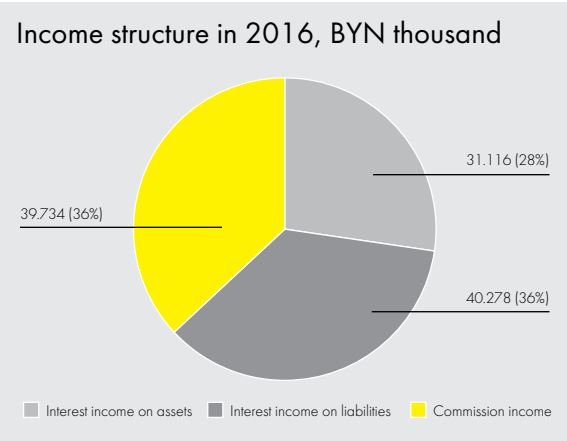
In 2017, much attention was given to introduction of innovative digital services; in particular, loan disbursement to payment cards with money-back function was implemented, mobile payments from smartphones on the basis of HCE (Host Card Emulation) technology were introduced. Along with that, remote banking product sales channels were further developed in 2017.

To ensure gross income figures, in 2017 Priorbank significantly increased lending to individuals against the

background of considerable reduction of loan margin in the financial service market. It resulted in growth of the share of interest income on assets up to 30% in the total structure of income.

In 2017, Priorbank actively involved new clients by offering integrated banking services; it enabled to increase commission for banking services by 15.8%. At the same time, reduction of commission income deducted from legal entities for payroll payment cover made a negative impact on commission income dynamics.

In response to excess liquidity denominated in foreign currency interest income on liabilities decreased significantly in 2017.



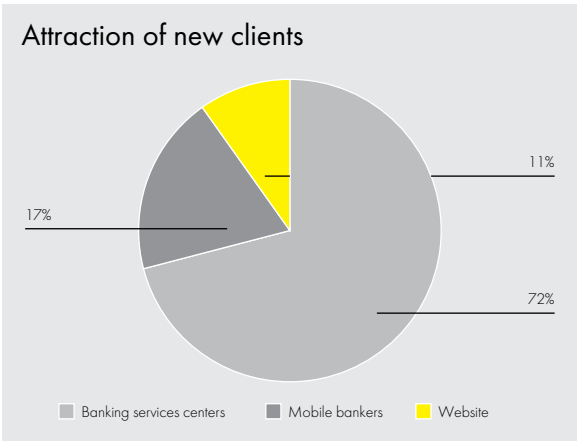
CRM – Dealing with existing clients in 2017

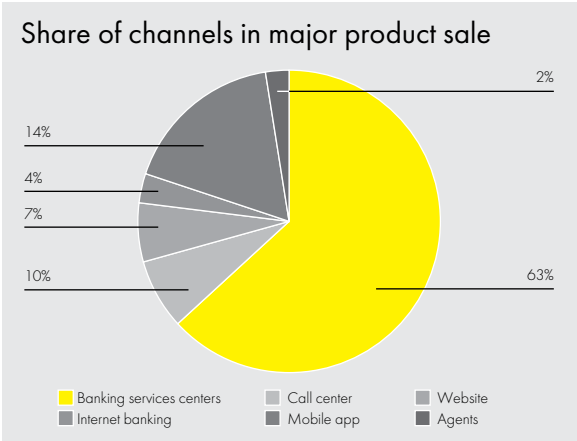
A strong trend of increase in the number of clients took shape in 2017 within the development of the client life-cycle management system on the basis of accelerated adaptation of new clients to banking services, and also due to organization of End2End processes based on CRM platform. In turn, it enabled to ensure the client quantity growth rate at the level 8.2% in 2017 as compared to 2016.

In 2017, the Bank actively developed remote channels to involve new clients; work with potential clients became much more efficient due to acquisition and processing of leads received from 10 Internet sites.

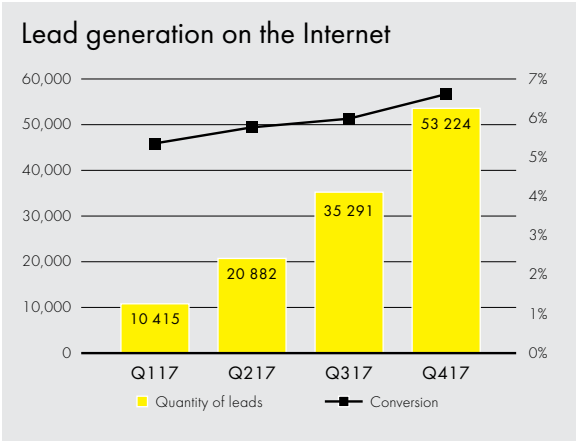
In 2017, Viber, a new channel for communication with clients, was introduced, which enabled to send multimedia messages to clients so improving quality of informa-

tion sharing. Also, in 2017 the list of remote banking channels for loan product processing within CRM campaigns was extended.





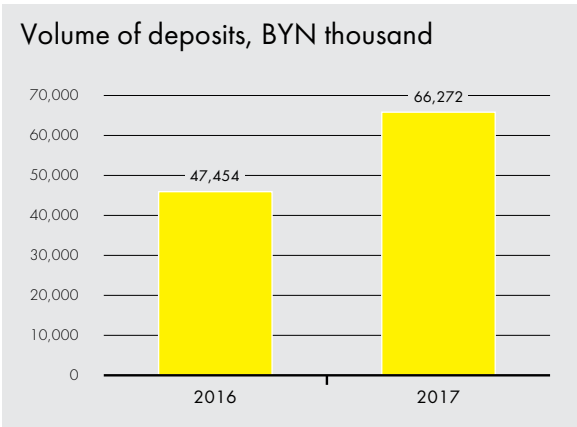
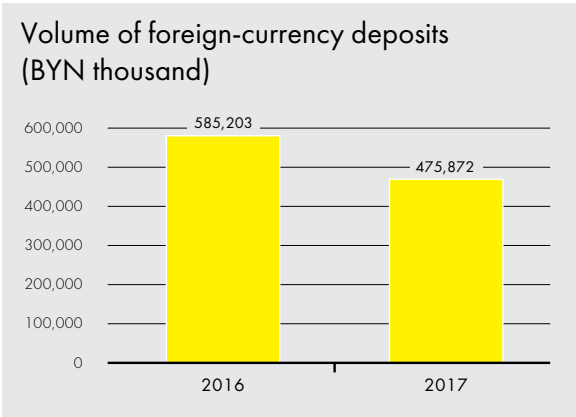
46.5% of clients got proposals to apply for new products of the Bank. In consequence, more than 28% of the total number of consumer loans was sold via CRM campaigns.



During 2017, as many as 79.5% of clients were involved in service-related CRM campaigns.

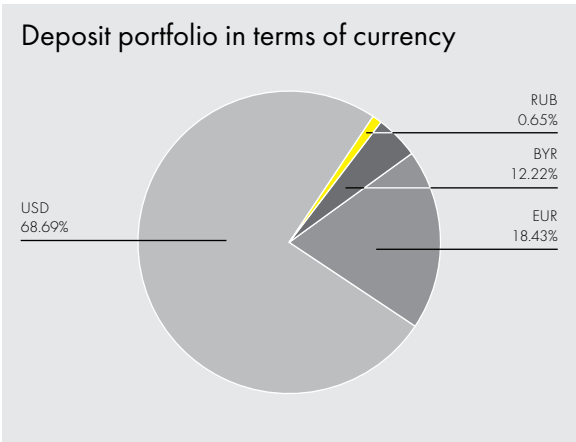
Deposits and accounts of private clients

At the end of 2017, growth of deposits denominated in the national currency exceeded 39%. The positive trend was marked by attractive terms of deposit, optimal level of interest rates, ensuring of integrity of funds, and clients confidence in Priorbank. Priorbank offered a broad line of deposits, including online depositing subject to revocable or irrevocable placement of funds during the period of validity of the agreement. The share of irrevocable deposits in the structure of BYN-denominated portfolio made 43%, the share of deposits denominated in foreign currency was equal to 11%.



In 2017, Priorbank maintained the conservative policy of interest on deposits denominated in foreign currency, in which result the amount of term foreign-currency deposit portfolio decreased by more than 18.5%.

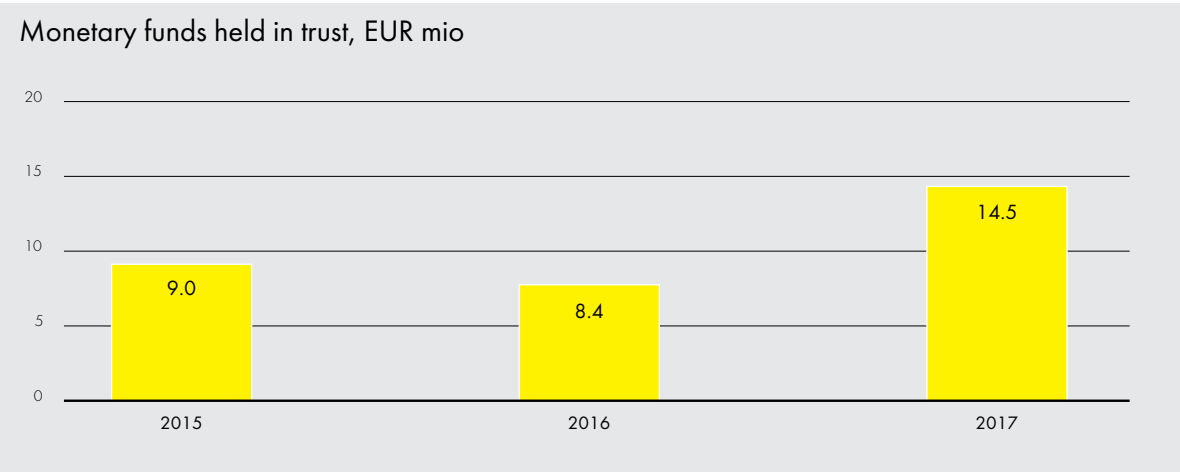
At the end of 2017, Priorbank formed a diversified structure of its deposit portfolio by types of currency.



Investment products

The Bank proceeded with growth of premium clients' assets held in trust. During 2017, the amount of funds

under trust of the Bank increased by 73% up to Eur 14.5 mln.

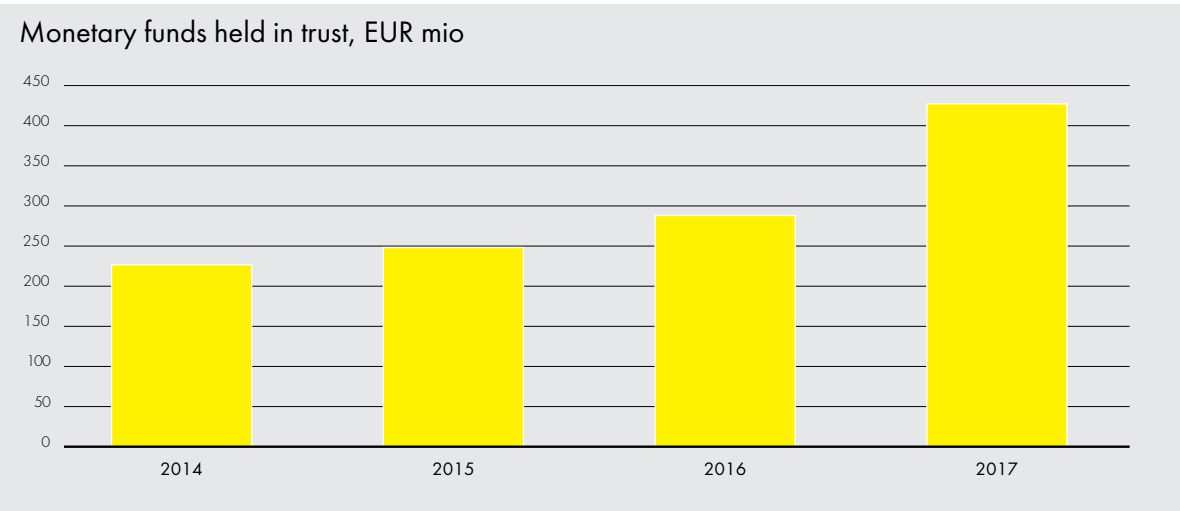


Loans

At the conclusion of 2017, Priobank was ranked second among the banks of the Republic of Belarus in terms of volume of consumer lending to individuals and third in terms of aggregate volume of loans extended to individuals. An extensive list of product offering, effectiveness of communications with existing clients and variety of loan

issuance channels contributed to achievement of such mentioned results.

During 2017, growth of individuals' loan portfolio made 41.8%. Consumer loans, credit cards and loans extended to refinance borrowings earlier extended by other banks were the major products at which expense loan portfolio was growing.



In 2017, Priobank continued to improve its loan products: since September all general-purpose consumer loans have been extended subject to use of debit cards. Apart from that, a general-purpose consumer loan

allocated to a debit card with money-back function was offered. Such measures were aimed at increase in the share of noncash settlements and higher attractiveness of product offering.

Tariff Policy

In 2017, tariff policy of Priorbank was focused on boosting the growth of noncash transaction volume and further promotion of the remote banking system (RBS) for performance of bank transactions. The list of free client connection to remote banking system was extended. Also the clients were provided an opportunity to transfer funds to accounts of other Bank clients free of charge.

Among the new services offered in 2017 there was an advanced SMS information service with the possibility to choose the required set of SMS messages related to credit and debit transactions on cards.

Volume of currency exchange transactions performed via RBS and via payment cards increased by 38% in 2017 as against 2016. Such growth was conditioned by the use of a flexible exchange rate formation mechanism depending on the transaction performance channel.

Services associated with provision of safety deposit boxes to individuals were further developed during the mentioned period due to use of electronic forms of agreements and automatic calculation of payment for such safety deposit boxes.

Bank cards

According to the results of 2017, Priorbank remained one of the Belarusian market leaders in terms of bank payment cards issue and introduction of innovative payment instruments, development of noncash settlement programs and loyalty. Total issue of Visa International, MasterCard Worldwide and BELCARD debit and credit bank cards by Priorbank exceeded 950000 pcs, its market share corresponded to 7%. At the end of the past year Priorbank held the leading position in terms of issue of credit cards: its market share was 20%, more than 40000 credit cards were issued.

The service of mobile contactless HCE payments via Prior Pay mobile application for Android OS smartphones was offered by Priorbank in June 2017 to its clients who held Visa cards. In 2017, advanced services for SMS informing on transactions via bank cards were made available to Priorbank's cards holders, and new loyalty programs with money-back function, KEYcard and Discounts for You, were launched.

During 2017, Priorbank was engaged in the "Start your Game with Priorbank and Win" advertising campaign with a view to connecting its clients to Internet banking and promoting noncash payments via Internet banking using payment cards. The campaign helped Priorbank clients both to master and make their first payments via Internet banking, and also to appreciate the convenience and developed a habit of online payments.

During the year, Priorbank's clients who held bank payment cards took active part in different national campaigns and events arranged by Visa International, MasterCard Worldwide and BELCARD payment systems in the market of the Republic of Belarus. Moreover, Priorbank, supported by payment systems, arranged a number of advertising events involving premium card holders (e.g., To Eurovision together with Visa and Priorbank promotional game), pension cards (e.g., Time to Relax with BELCARD promotional game), and other bank payment cards (e.g., Visa and Priorbank: Become a Part of the Olympiad promotional game). So, all conducted advertising events promoted non-cash settlements and boosted noncash transactions and online payments via bank cards, and also were aimed at increasing the noncash purchase average check amount.

In 2017, Priorbank's product line, combined with marketing activity, made it possible to significantly increase the total number of transactions performed via bank cards up to the total amount of 177 million pcs (98 million pcs in 2016), including 97 million (80 million in 2016) of transactions related to noncash payment for goods and services. The share of noncash settlements related to transactions via cards grew by 54% (by 43% in 2016). Priorbank holds leading positions in terms of aggregate volume of transactions performed via bank cards: at the end of 2017 Priorbank was ranked the second with its turnover equivalent to Eur 2.7 billion, of which Eur 1.45 billion were noncash transactions performed to pay for goods and services, and Eur 1.23 billion were cash withdrawal transactions.

Premium service for individuals

In 2017, Priorbank continued rendering premium services to affluent clients: Premium Banking and Premium Direct. Increase in the number of affluent clients using such services equaled to 12% in 2017.

For better convenience and saving premium clients' time, the new service, Premium Assist, was launched in 2017, which provided for quick solution of a Premium Direct client's tasks when he/she had to visit any Bank branch.

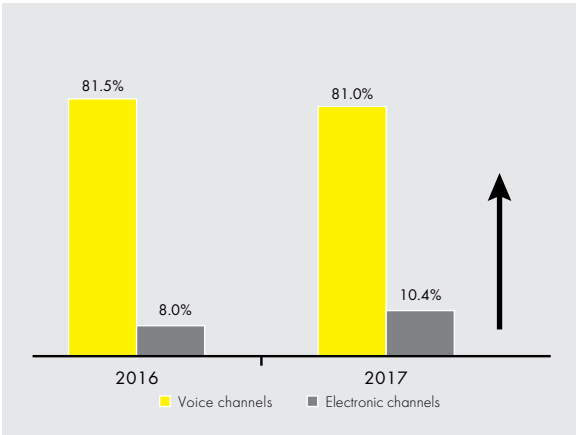
Also, the list of remote services to be rendered to Premium Direct clients was extended: E2E process was organized to provide Bank's loan products and services without the need to visit the Bank.

Client servicing in the call center

In 2017, the call center continued to function as the Bank's remote client support center. The total number of processed appeals via all channels increased by 9% and amounted to 1 million 320 thousand.

The share of voice channels with operator’s support remained at the level of 2016 (81%), the share of the self-service voice channel decreased to 9%; the share with electronic channels with operator’s support increased from 8% to 10.4%.

Internet banking chat was the electronic channel most frequently used by clients in 2017: the number of appeals grew by 29% during the year and amounted to 74 thousand.



Appeal processing via the website feedback form was the second popular channel: over 60 thousand appeals during the year. In 2017, as many as 5000 clients’ appeals via social networks such as Facebook, Twitter and VKontakte were processed, which exceeded the 2016 year’s figure by 66%. Also, more than 3000 facsimile messages were processed.

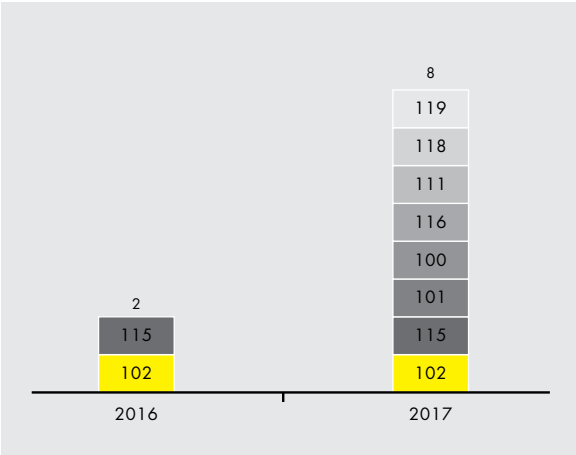
Online Assistant service enabling to browse website pages together with the call center operator, when the operator and the client saw the same web-page being in the chart session of during client’s call in the call-center, also gained popularity. The service provides quicker visualization of client’s problem and enables to come up with the optimal decision. In 2017, more than 1200 clients used such service.

Starting from July 2017, Outgoing SMS-Message service has been offered to clients. SMS-messages were sent to a client’s phone at his/her request to remind of business hours and location of the Bank branch, most popular USSD-requests, Bank account details for transfer of funds abroad. More than 8000 SMS-messages have been sent to clients from launch of the service to the end of the year.

In 2017, new intellectual routing was introduced in the call center, enabling to identify the calling client’s segment at the time of the call and route such client’s appeal to the

most appropriate operator. So, for example, the call center serviced more than 8000 Premium segment calls at 84% service level within 60 seconds.

In 2017, the Bank continued switching of corporate clients’ calls relating to settlement and cash servicing from Minsk banking services centers to the call center. By the year end, the total number of banking services centers serviced by the call center amounted to 8 out of 12. The number of processed calls from legal entities grew by 76% as compared to 2016 and exceeded 60 thousand.



Voice authentication of clients by phone call steadily gathered momentum during 2017. During more than 88 thousand calls to the call center the clients confirmed their identity by voice; 55 thousand of clients created their voice samples during their talks with operators. The share of successful authentication increased from 4 to 14%, it means that the clients confirmed their identity by voice in 14% of calls. From launch of the project, 418 business hours were saved due to voice authentication; the total number of voice samples exceeded 77 thousand by the end of 2017.

During the year the call-center improved its position as a center for sale of banking products and services to individual clients. In 2017, the call center’s share in the total volume of loans extended to individuals grew up to 28.6% as against 22% in 2016.

At the end of 2017, the number of clients’ appeals settled at the first attempt was 85.7%. According to clients satisfaction survey 73% of clients would recommend the call center services to their friends and colleagues.

Switching of corporate clients’ calls to the call center and Internet banking chat sessions for corporate clients will be proposed in 2018.

The Messenger channel supported by Viber and Telegram will be added to the available text servicing channels. The widget uniting all existing channels with visualization of their availability at any instant will be proposed for clients’ convenience and support. The clients will have an

opportunity to choose between the call to the call center, callback request, chat, electronic letter. Also, website shared browsing service will be available in the voice channel and chat.

Bank branches

As of 1 January 2018, the network of Priorbank’s banking services centers included 87 points of sale, in particular, 30 banking services centers and 57 remote

workstations of banking services centers. Implementation of RBI group projects aimed at improvement of operational efficiency of banking services centers and increase of services quality continued in 2017.

Acquiring

In 2017, Priorbank JSC proceeded with improvement of client relationship by offering the acquiring service.

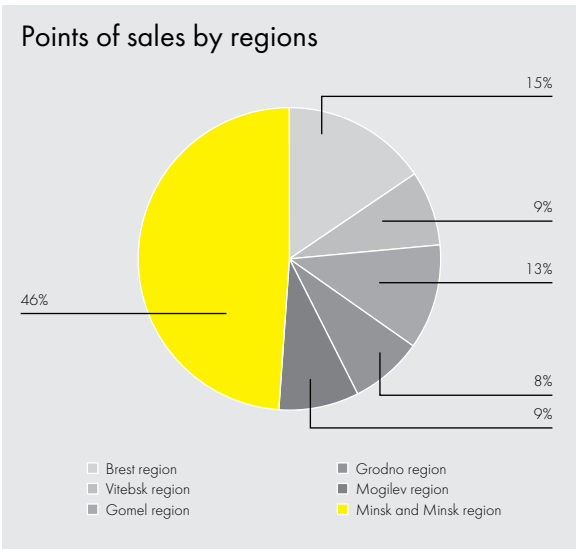
During the first half of the year the Bank was busy at work on transfer to the international bank account numbering in IBAN format. For successful transfer, it was necessary to communicate with clients connected to the acquiring service and notify them of the necessity to submit their banking details in the new format. In the result, over 30000 notifications to clients were sent, information was placed on the Bank website, operators engaged in the acquiring service informational support informed the clients when consulting on current issues.

Also in 2017, the Bank installed the first terminal with the function of automated exchange of foreign currency in cash (USD, EUR, RUB) for Belarusian roubles.

Successful transition to the new software for self-service terminals enabled to improve efficiency and increase quality of equipment operation, and also to reduce costs.

Transfer of acquiring-related contractual relations to the General Conditions of settlements and cash servicing of individuals and individual entrepreneurs (hereinafter GC) was another significant project of 2017. As a result, the Bank abandoned paper versions of agreements, reduced

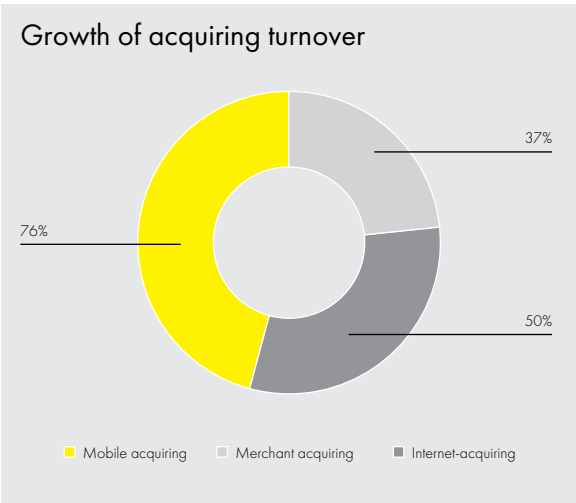
time required for entering into agreements, got an opportunity to keep acquiring tariffs up to date. In the second half of 2017, a new product, Miura mobile terminal, was developed and launched by the Bank (together with the subsidiary of IBA company). Possibility to accept contactless cards and work with smartphones via Bluetooth was the main competitive advantage of such product.



Also, in 2017 the Bank upgraded the level of merchant acquiring loss-free clients from 68% to 94% and increased the quantity of installed terminal equipment by 9.4%.



In 2017, turnover increased by 37% for merchant acquiring, by 50% for Internet acquiring, and by 76% for mobile acquiring.





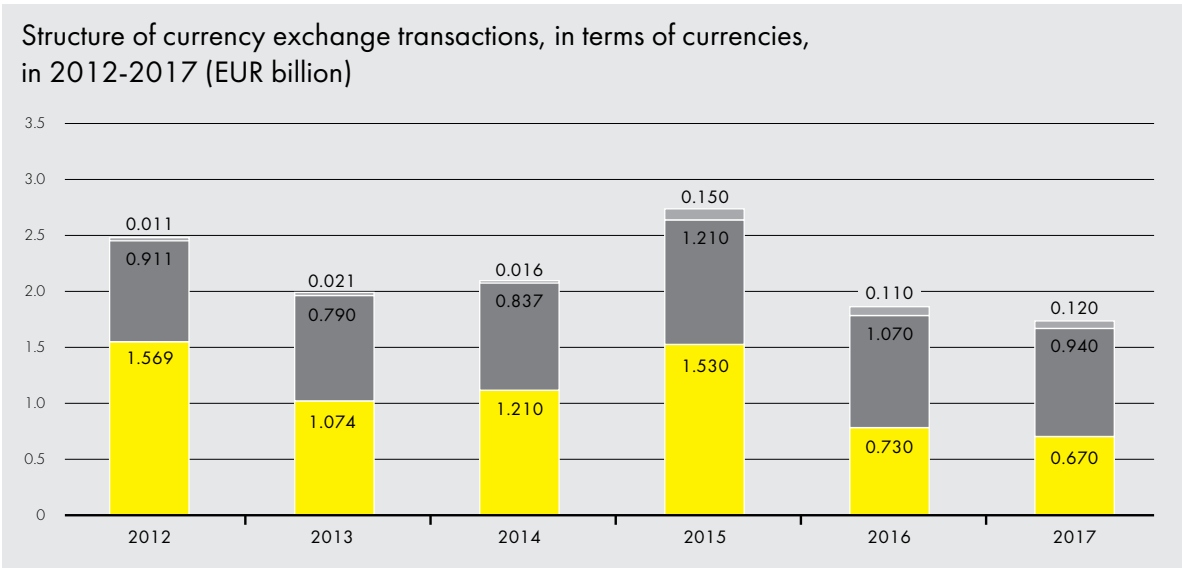
Treasury Operations.
Securities Dealings

Treasury Operations. Securities Dealings

Transactions in the foreign market

In the foreign market Priorbank performs currency exchange transactions and operations aimed at borrowing and placement of funds with a broad circle of high-reliable contractors both for deriving trading and interest profit and for currency risk and liquidity risk management.

In 2017, the volume of currency exchange transactions reduced to EUR 1.72 billion as against EUR 1.91 billion in 2016, evidencing of dedollarization processes in this country. There were no particular changes in the structure of transactions in terms of currencies.



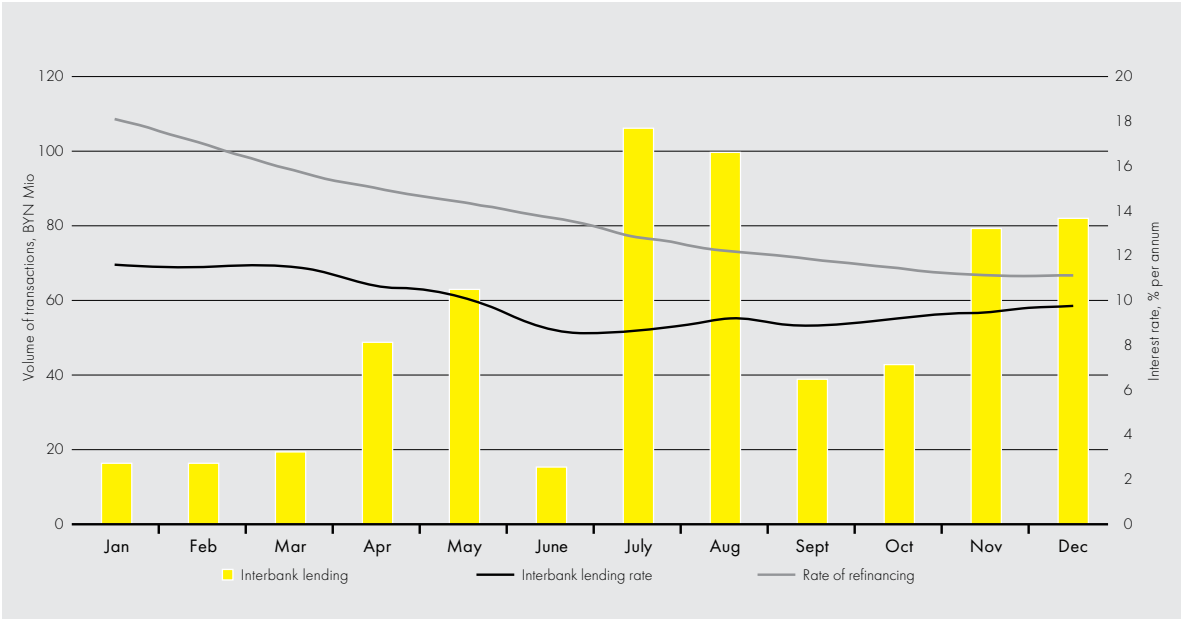
In 2017, the Bank placed its available foreign currency liquidity in highly liquid assets in the interbank market of nonresidents. Foreign currency borrowings were episodic.

In 2017, average daily volume of equity offerings made USD 188 mln.

Transactions in the national currency performed in the domestic money market

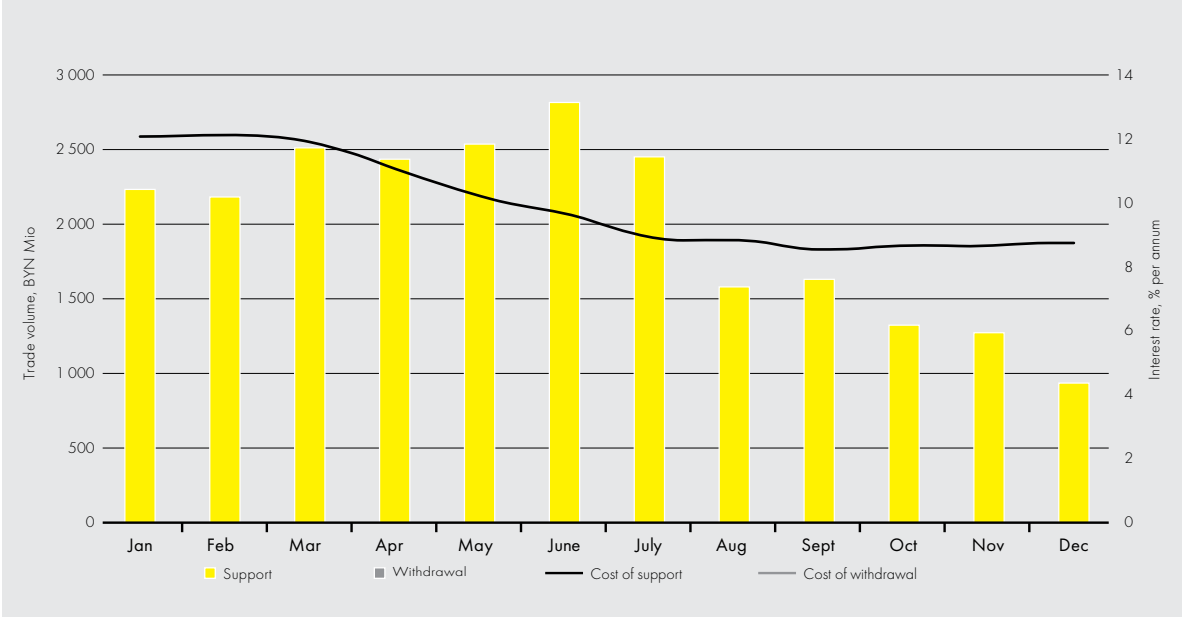
In 2017 banking system liquidity denominated in the national currency remained in the positive zone, which resulted in gradual reduction of interest rates on transactions in the interbank money market from 11.5% to 9.7% per annum. The National Bank of the Republic of Belarus

reduced the rate of refinancing from 18% to 11%, and the interest rate on overnight credits from 22% to 12% per annum. The cost of permanently available liquidity withdrawal instruments also was cut from 11% to 8% per annum.



During 2017, the National Bank regularly withdrew banking system’s excessive liquidity denominated in the national currency, through auctions for placement of short-term bonds with maturity from 7 to 91 days. Moreover, in pursue of the economy delloarization program and for creation of more attractive terms of mobilization of clients’ funds in the national currency, as well for demotivation of mobilization of clients liabilities denom-

inated in foreign currency, the National Bank changed the ratio of contributions to required reserves from 7.5% for the national currency and foreign currency in January 2017 to 4% for the national currency and 15% for foreign currency from July 2017. Such measures contributed to tying-up excessive liquidity in the banking system, affecting the volume of both interbank transactions and of the National Bank’s liquidity withdrawal transactions.



In 2017, the Bank’s revenues from placement of funds in the national currency in the interbank market exceeded BYN 1247.8 thousand at the average active rate 10.14% per annum; costs amounted to BYN 576 thousand.

Transactions in the fixed-income securities market

During 2017, the Bank performed transactions in securities in the securities market. According to the rating of the stock market players made by the Belarusian Currency and Stock Exchange, at the end of the past year Prior-bank was ranked the sixth (among 36 market players) in terms of closed transactions, and the seventh in terms of volume of such closed transactions.

The main volume of investments was made in the government securities and the securities of the National Bank,

in particular, BYN 3.4 billion (7.8% of total placement in the market) in the National Bank’s short-term bonds denominated in the national currency and USD 86.9 mln in the National Bank’s short-term bonds denominated in foreign currency (5.9% of total placement in the market).

The Bank’s revenue from transactions in securities was equal to BYN 22.4 mln at year end.

Treasury Products

By the results of 2017, Priorbank was among eight major banks in the corporate deposit market and increased its share by 1%. The average monthly volume of deposited corporate funds grew by 15% as compared to the previous year and amounted to BYN 372.3 mln.

In 2017, clients' sustained interest in Priorbank's bonds as an attractive instrument of funds placement was noted. Treating such type of dealing with clients liabilities as a source of long-term low-risk liabilities, the Bank organized the 30th issue of own bonds to the amount of BYN

50 mln. Volume of transactions in Priorbank's bonds made BYN 53.5 mln in 2017.

Availability of high-yield government securities, bonds of the National Bank of the Republic of Belarus, and other foreign-currency denominated corporate securities in the market in 2017 provided Priorbank an opportunity to increase the volume of brokerage up to BYN 1256.4 mln which exceeded the volume of 2016 by more than 24 times.

Transactions in sale and purchase of foreign currency in the exchange and over-the-counter market

According to the result of 2017, Priorbank confirmed its status of a large currency market operator and won the second place among Belarusian banks in terms of volume of currency trading operations on the Belarusian Currency and Stock Exchange JSC with its 10% share of transaction volume.

In 2017, volume of Priorbank's currency exchange transactions with business entities in the over-the-counter market grew by 11.2% and made BYN 11.8 billion.

In 2017, Priorbank continued to develop and promote Internet-Banking Trading Site, internet service enabling

the clients to perform online currency exchange transactions at then-current market rates. Development of Internet-technologies by the Bank, alongside with clients' confidence in Internet services and readiness of active Internet users to perform transactions via Internet banking made it possible to increase in 2017 the volume of currency exchange transactions, performed with legal entities via Internet-Banking Trading Site, by 16%, and to increase the number of clients by 16% as against the previous year.

Liquidity Management

Liquidity position of Priorbank JSC both in the national and foreign currency retained at an adequate level in 2017. The Bank complied with regulatory requirements of the National Bank and international standards related to liquidity.

Custody services

In 2017, Priorbank’s Custody Division offered the services of forming and keeping registers of shareholders, safekeeping and settlement of securities, payment of dividends, informed about corporate actions of the issuers and rendered other custody services.

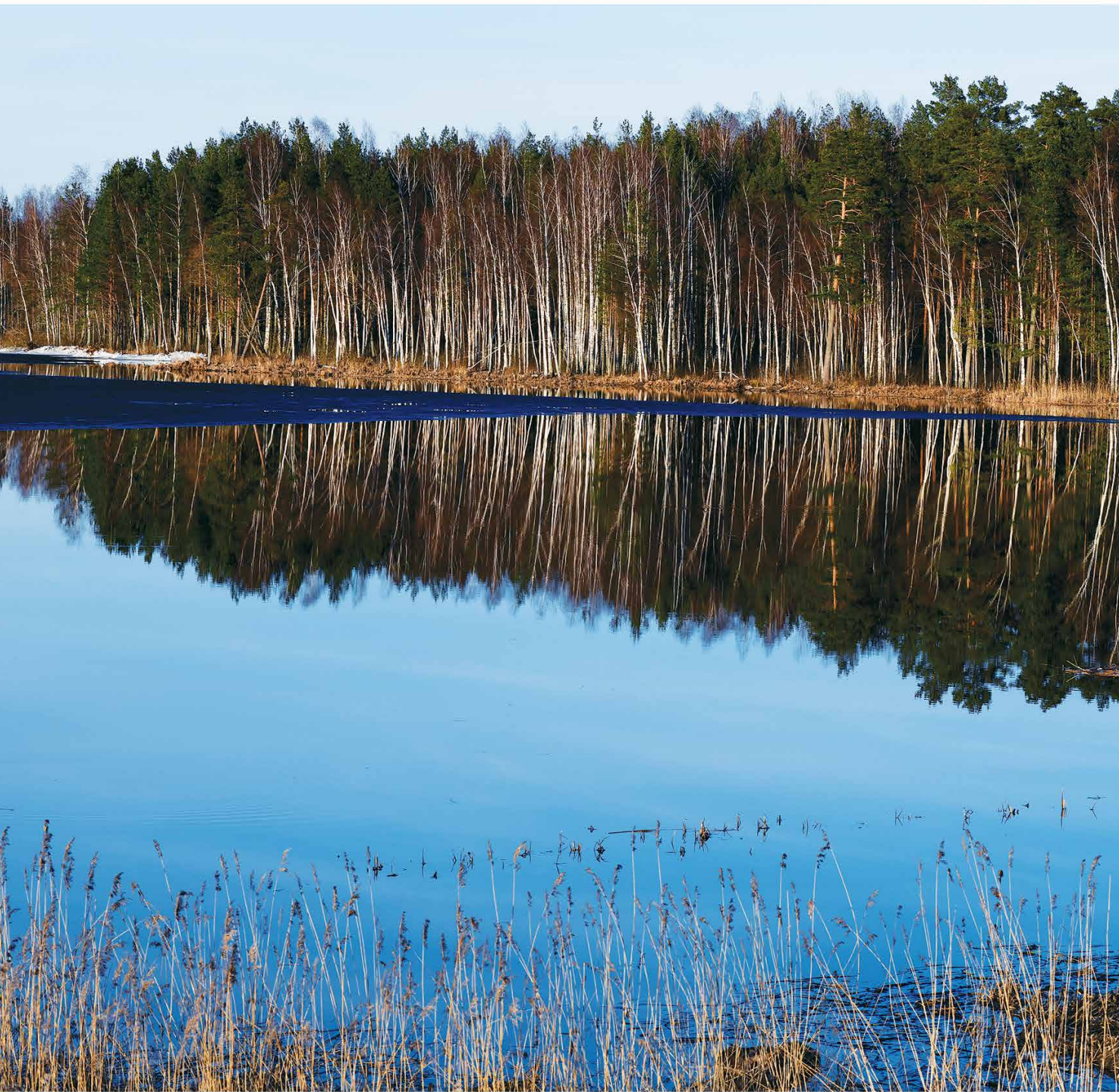
The Banks shareholders comprise of 488 legal entities owning 95.2% of shares and 15,215 private individuals owning 4.8% of shares. The majority share in the autho-

Priorbank applied the strategy of liquidity sustainable management through simultaneous control of both assets and liabilities of the Bank.

rised capital of the Bank belongs to Raiffeisen CIS Region Holding GmbH (associated company of Raiffeisen Bank International AG). Priorbank’s subsidiaries do not own the Bank’s shares.

The number of Priorbank’s ordinary shares is 123,058,441, and privileged shares are 10,000. The nominal value of a share is 0,7 BYN.

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International Activities

International Activities

Trade Finance

Priorbank supports international trade through a comprehensive range of products with the highest quality processing. In an increasingly complex and networked financial world, Priorbank has the scale, experience and expertise in trade finance to offer tailored solutions to meet client’s needs. We see ourselves and other banks not as competitors but as partners offering mutually complementary services to the client. Utilization of commercial credit lines opened for Priorbank by partner banks in world major economic regions allows structuring most complicated deals while keeping best value. The reciprocal nature of our services results in a win-win situation beneficial to all the parties involved.

In 2017, the European Bank for Reconstruction and Development named Priorbank as the “Most Active Issuing Bank in Belarus under Trade Facilitation Programme” for the 10th time. The contribution to the development of trade relations between Belarusian companies and their partners internationally remains our primary direction.

Realizing the digitalization as an integral part of a hi-tech image of the bank and its development strategy we focus on implementation of new technologies in trade finance operations, and remaining prudent to the fraud and security issues in line with the Raiffeisen Group approach.

Funding

Being driven by clients’ needs and striving to introduce world-wide innovations in the field of financing, Priorbank is planning and working out in detail possible options and tools for attracting external funding for our customers. One of such recent innovation on the local market that allows our clients to obtain the vital funding on favorable conditions is co-financing with the EBRD under risk-sharing program. This product has already helped several companies to borrow funds for their development. Adherence to a client-oriented approach

in the business conduct and qualified financial sources planning make Priorbank able to keep the loyalty among the existing customers and bring the interest to the potential ones.

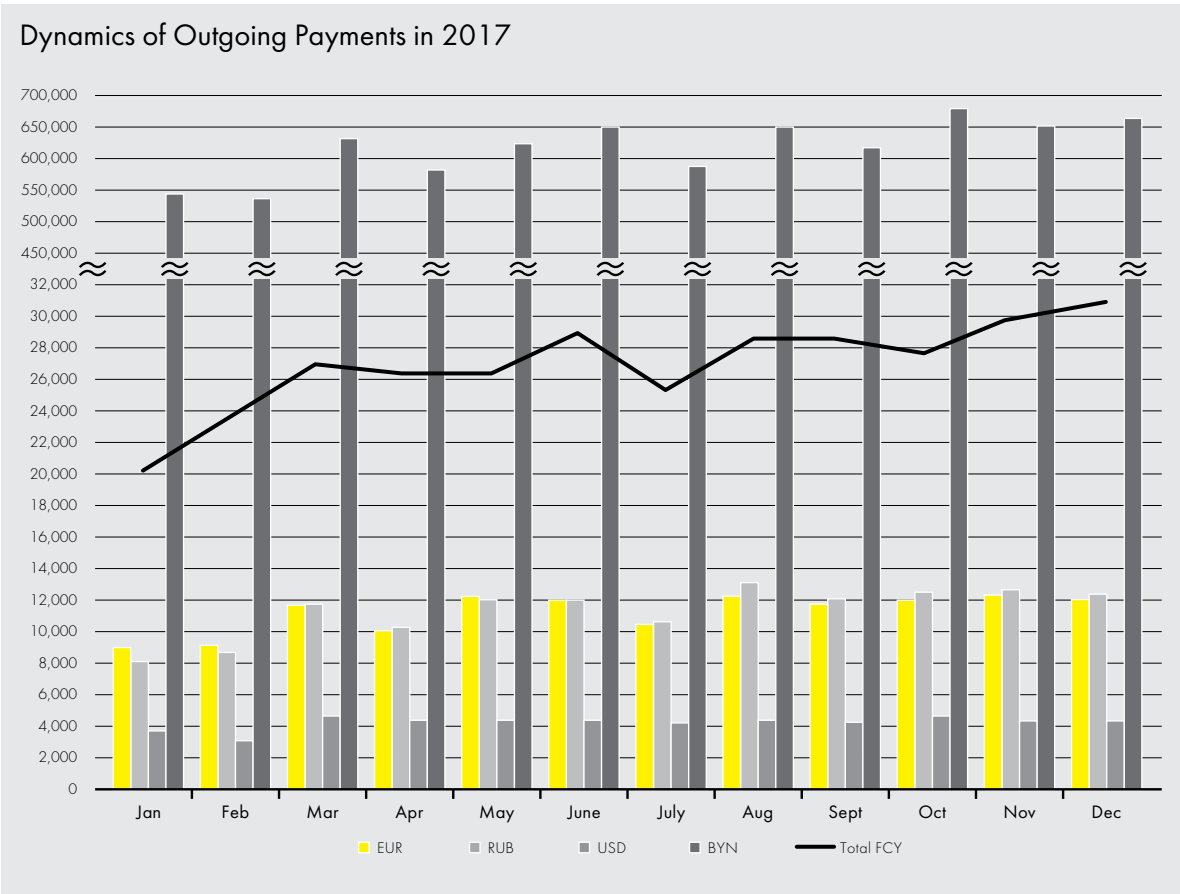
Priorbank has a good track record of the cooperation with development financial institutions in the East, making it possible to extend our clients’ business opportunities on up-to-date Asian-Pacific region market.

Network	Financial Information	Information Technologies	Personnel	Risk Management. Loan Portfolio of the Bank	International Activities	Treasury Operations	Business with Private Individuals	Corporate Banking. Small- and Medium-Sized Business	Macroeconomic Environment	Supervisory Board	Highlights of Priorbank	Foreword	Contents
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Correspondent Banking

From year to year Priorbank offers its customers convenient and understandable products along with excellent services. In order to support international trade, commerce and remittances flows the bank provides means of facilitating cross-border transactions via its network of correspondent relations. The risks of correspondents are sufficiently assessed during regular Know Your Customer (KYC) procedures, which comply not only with the local regulations, but also include international approaches. On the other hand, Priorbank itself provides its correspondents with all required information, bringing easiness in KYC processes as well as comfort and confidence in routing of payments all over the world.

Taking into account the country’s geographical position and being a part of Raiffeisen Banking Group, Priorbank successfully routes the main payment flows to Austria, Germany, Russia, People’s Republic of China, Poland, USA, Baltic countries, Belgium, Ukraine, England, Italy and other countries. The bank’s outstanding competence and expertise in payments processing in line with international requirements is confirmed by a continuous growth in the number of both incoming and outgoing payments in foreign currency (last year their amounts increased by 13% and 9.7% correspondingly as compared to the 2016). Around 20% of all outgoing payments from Belarus are sent via Priorbank.



Market share			
	2015	2016	2017
Payments in BYN, %	9.72	10.06	10.27
Payments in FCY, %	18.35	17.79	18.39

List of main correspondent banks					
Currency	Account	Correspondent	City	Country	SWIFT Code
CHF	0835-0902029-13-010	CREDIT SUISSE AG	Zurich	Switzerland	CRESCHZZ80A
CNY	0101000111902569094	INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD.	Beijing	China	ICBK CN BJ
DKK	500 000 6760	NORDEA BANK AB (PUBL)	Copenhagen	Denmark	NDEA DK KK
EUR	55.045.512	RAIFFEISEN BANK INTERNATIONAL AG	Vienna	Austria	RZBA AT WW
GBP	63999084	BARCLAYS BANK PLC	London	United Kingdom	BARC GB 22
JPY	653-0428213	THE BANK OF TOKYO-MITSUBISHI	Tokyo	Japan	BOTK JP JT
KZT	KZ586010011000268568	JSC HALYK BANK	Almaty	Kazakhstan	HSBK KZ KX
PLN	PL15175000090000000002886448	RAIFFEISEN BANK POLSKA SA	Warsaw	Poland	RCBW PL PW
RUB	30111810700000110023	AO RAIFFEISENBANK	Moscow	Russia	RZBM RU MM
RUB	30111810855550000010	JSC VTB BANK	Moscow	Russia	VTBR RU MM
RUB	30111810200000000136	SBERBANK OF RUSSIA	Moscow	Russia	SABR RU MM
SEK	99-40 945 049	SVENSKA HANDELSBANKEN	Stockholm	Sweden	HAND SE SS
UAH	1600564	RAIFFEISEN BANK AVAL	Kiev	Ukraine	AVAL UA UK
USD	36089449	CITIBANK NA	New York	USA	CITI US 33



Risk Management.
Loan Portfolio of the Bank

Risk Management. Loan Portfolio of the Bank

Risk Management System of the Bank

The risk management system of the Bank is a combination of its organization structure, powers and responsibilities of its officials, local regulatory and legal acts governing the strategy, policy, methods and procedures of risk management, as well as the risk management process, – aimed at ensuring financial reliability of the Bank and minimization of risks exposure on transactions performed by the Bank. For achievements of such purposes the Bank annually develops, and its Supervisory Board approves, the Risk Management Strategy of Priorbank JSC. According to this fundamental document measures to ensure optimum risk to yield ratio is specified, Bank’s tolerance to main types of bank risks is determined:

- strategic risk,
- credit risk,
- market risk,
- liquidity risk,
- operational risk,
- reputational risk.

The Bank controls such types of risks by applying both quantitative and qualitative methods. Particular consideration is given to risk concentration arising due to uneven distribution of indebtedness. Risk concentration is managed by setting limits.

Strategic risk. A common risk management system of any commercial bank is based on assessment of this type of risk. To assess the level of strategic risk, the risk-management develops a multi-factor model enabling to assess ability of the Bank’s capital to compensate for losses caused by different types of shock.

Credit risk. Credit risk is the most complicated and significant risk in the bank management. Credit risk management plays an important role in asset quality measurement, decision making with a view to ensuring stable operation, as well as making direct impact on financial performance of a commercial bank by results of a reporting period.

For credit risk management:

- in order to specify clear lines of loan portfolio development adequately to the current macroeconomic situation and to ensure proper quality of loan portfolio in compliance with the Risk Management Strategy of Priorbank JSC, the risk management together with business units develop and approve Credit Policies for the current year, broken down by respective

areas of business and specifying, inter alia, goals of loan portfolio development for every business area, (branch-wise) portfolio limits, portfolio concentration limits, purposes/indicators of portfolio quality, funding criteria, etc.;

- in the course of independent risk assessment the Bank controls loan risk by setting limits per one client and group of connected customers, so providing measures to minimize loan risk at the individual level and compliance with Credit Policies. Clients are assessed on the basis of their credit histories, quality of collateral and financial standing. It is worth noting that different approaches are applied by the risk management to assess risks of contractors’, so funding criteria are specified for every segment separately. So, default risk of corporate and medium sized enterprises is classified on the basis of rating models; default risk of small clients and individuals is classified by application of scoring models. The respective models are regularly revised, updated and validated;
- control of limits use, preparation of appropriate reports on credit risk is organized at the individual level.

Market risk is managed and controlled by setting the system of limits and regular stress-testing.

Liquidity risk. The Bank manages all assets with due regard to liquidity, carries out daily monitoring of future cash flow and liquidity. To evaluate actual need of the Bank for liquid funds, liquidity is monitored using gap-analysis, liquidity index method, reserve of liquid funds, and stress testing. To develop risk management, the Bank has introduced the process of monitoring and control of new liquidity ratios proposed at Basel III.

Operational risk. To minimize operational losses and to improve the operational risk management system the Bank is monitoring operational incidents and other events making negative impacts on operation of the Bank; it also provides acquisition and analysis of key risk indicators, assessment of Bank’s exposure to operational risk on the basis of stress testing. The Bank continuously improves corporate culture of operational risk awareness and methods preventing from operational losses.

Reputational risk. As far as business reputation is one of the major competitive advantages of any commercial bank in the modern market environment, the Bank takes a package of measures in order to maintain qualitative assessment of its performance made by clients and contractors, founders (shareholders), financial market players, government bodies and local self-governments, banking unions (associations) and other organizations.

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Principles of risk management organization; organizational structure

Development of corporate culture of awareness of risks inherent in banking is one of the major principles of risk management. The Bank upgrades its culture of awareness of risks affecting the performance of banking transactions, through disclosure of necessary information and introduction of appropriate risk assessment methods. The Bank permanently improves the risk management system which includes quantitative and qualitative approaches to risk management and control. A uniform system of risk assessment and limitation methods ensuring coherent and integrated approach to risk management is applied in RBI Group.

The Bank ensures permanent involvement of its managing bodies in organization and functioning of the risk management system, as well as clear distribution of risk-management authorities and responsibilities between the Supervisory Board, Risk Committee, Board, other collective bodies and officials of the Bank, risk-generating units, and interconnection between all mentioned risk management actors.

Clear separation of business units from risk management units at all levels (including vice chairpersons of the Board) is the underlying organizing principle of risk management.

The Board of the Bank organizes the risk management system and ensures fulfillment, by the Bank, of objectives and tasks set by the Supervisory Board in this area, approves local regulatory and legal acts of the Bank developed in pursuance of the Risk Management Strategy of Priorbank JSC and governing the policy, methods and procedures of risk management, as well as procedure of decision making, interconnection of units, distribution and delegation of authorities in the risk management process, ensures their efficient practical application.

Development of credit risk management in 2017

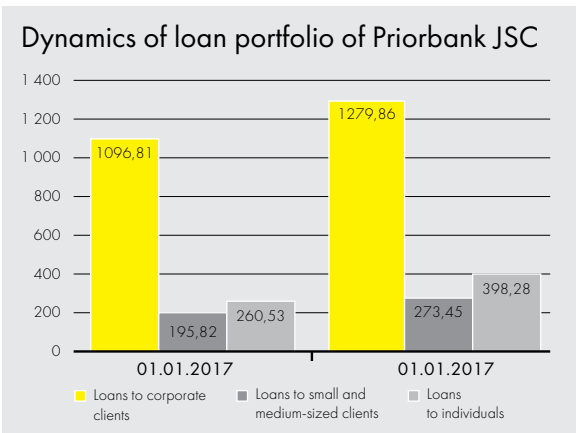
2017 was marked by stabilization of macroeconomic parameters of the Republic of Belarus. Conditions of major sales markets of the Belarusian enterprises started to recover after substantial decline, and it was the key factor of certain improvement of financial standing of the Bank clients and, as a result, improved quality of loan portfolios of the banks in the Republic of Belarus.

Taking into account the above factors, Priorbank JSC closely monitored the macroeconomic situation and

made timely adjustments of approaches to client financing and non-performing loan management.

Within this context, in 2017 Priorbank JSC continued to improve the credit risk management systems and taking measures in the following areas:

- optimization of risk approaches to financing medium-sized clients with a view to further upgrading lending process efficiency (simplified risk assessment, further standardization of products, paperwork reduction, etc.);
- revision/ update of target levels of risk exposure, other portfolio-related purposes;
- ongoing timely analysis of borrowers in terms of business model sustainability in the changing economic environment, and proper respond in terms of revision of funding limits, adjustment of terms of financing. Special consideration is given to borrowers from industries exposed to cyclic demand fluctuations and to lending in foreign currency subject to monitoring of clients exposed to increased currency risk;
- ongoing analysis of loan portfolio quality and prompt respond to its deterioration, combined with improvement of the system of bad debt early detection in the corporate segment and more active non-performing loan management in order to specify the strategy of client relationships at early stages of overdue debts, including debt restructuring; application of new non-performing loan management instruments at later stages resulted in improvement of loan portfolio quality, so proving effectiveness of such instruments in practice;
- further improvement of the system preventing from wrongful acts related to lending transactions of legal entities, with a particular focus on prevention and identification of such wrongful acts;
- development of IT-support to implementation of risk management tasks.

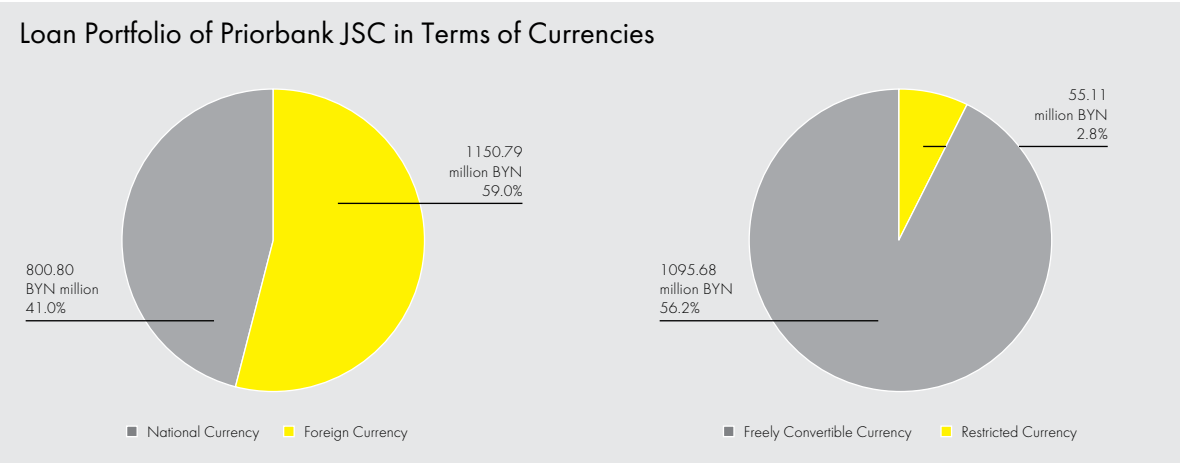
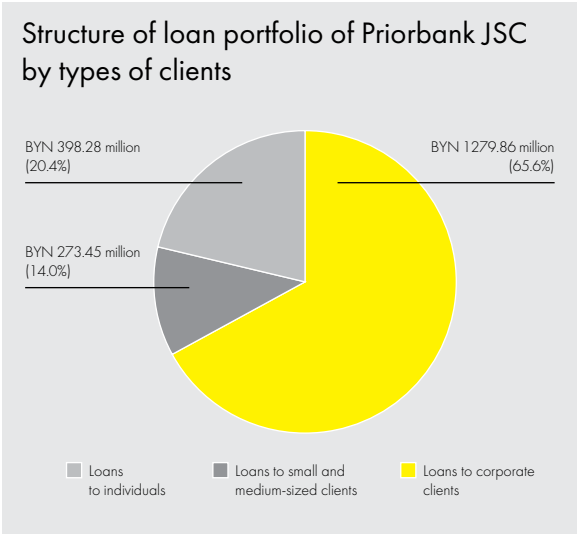


In 2017, loan portfolio growth rates increased substantially as compared to 2016. So, loan portfolio increment by segments was as follows in 2017:

- corporate clients– 16.7%;
- small and medium-sized clients – 39.6%;
- individuals – 52.9 %.

Macroeconomic stabilization and reduction in value of borrowed funds, as well as introduction of new products and upgrading efficiency of lending process were among the key factors of such growth.

There was no significant change of loan portfolio of Priorbank JSC. As of 01 January 2018, the corporate client portfolio share in the loan portfolio structure made 65.6% which was 5 percentage points less than early in 2017. Respectively, the small medium-sized client portfolio share as of 01 January 2018 grew by 3.6 percentage points as compared to the beginning of 2017.

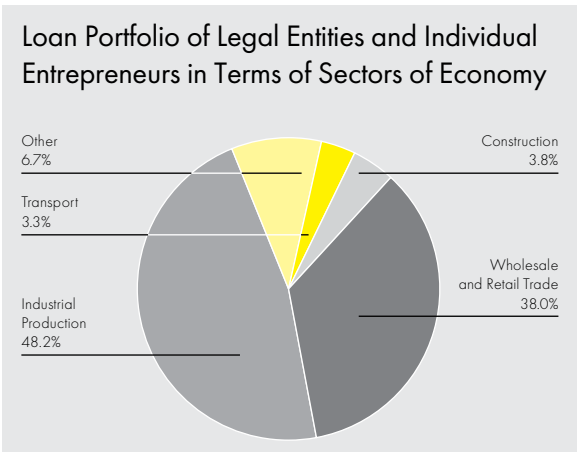


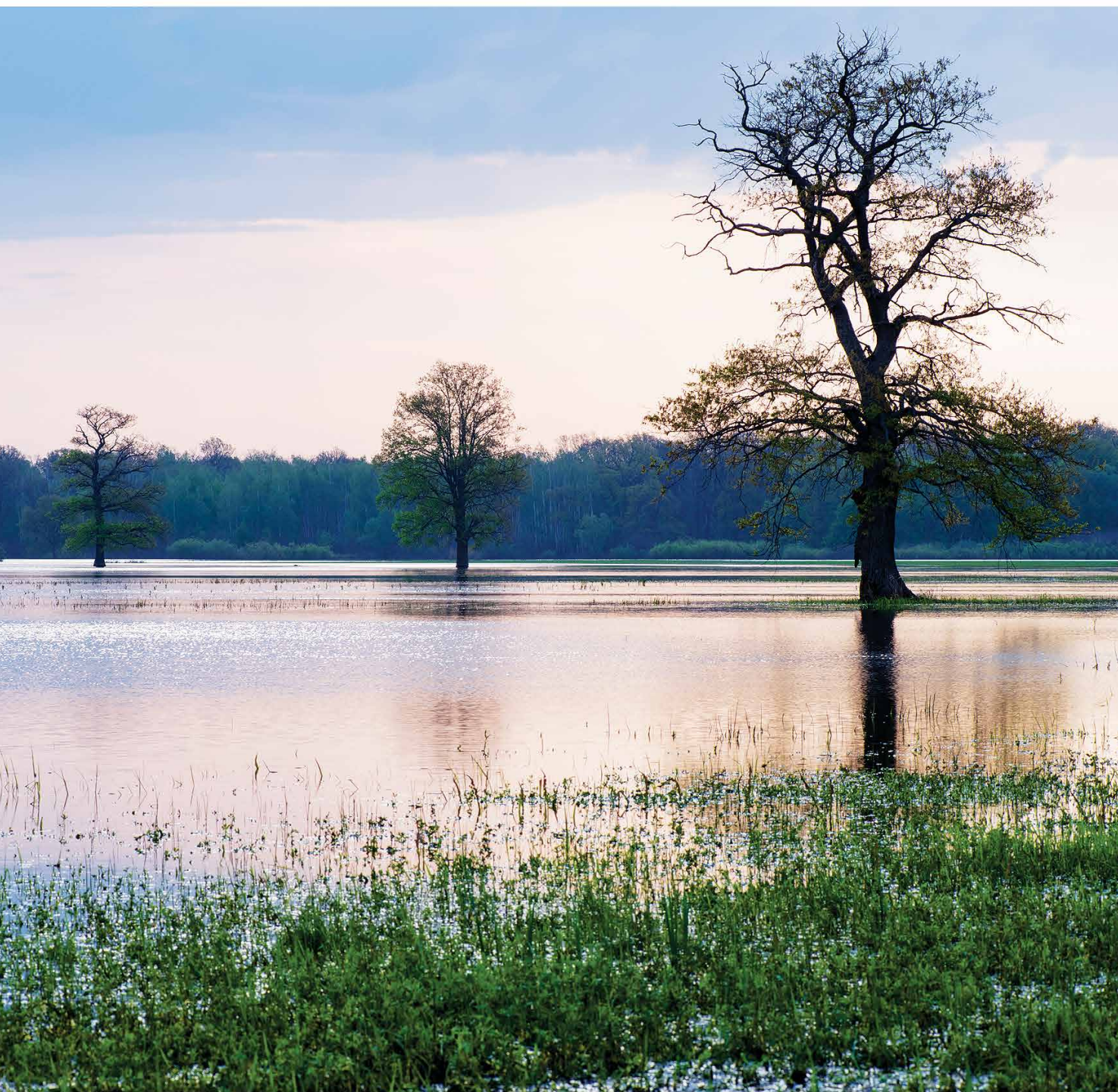
The share of client lending denominated in foreign currency decreased by 11.4% as compared to the beginning of 2017. It was connected with boosting attractiveness for borrowings in the national currency due to reduction of interest rates on loans denominated in Belarusian rouble. The structure of foreign exchange portfolio also changed in terms of decrease in the amount of restricted currency.

The sectoral structure of loan portfolio remained unchanged. At the beginning of 2018, debts of clients from sectors of economy such as industry (48.2% of loan portfolio), wholesale and retail trade (38.0%) prevailed in loan portfolio of legal entities and individual entrepreneurs.

Due to conservative approach to lending in the tough economic climate, improvement of criteria, procedures and risk management systems, prompt respond measures, at present Priorbank has a considerable capital stock and acceptable quality of assets. The share of bad assets made 6% as of 01 January 2018 which was 8.6 percentage points less than at the beginning of 2017.

High efficiency of risk management functioning in Priorbank JSC is one of the key components of success. Its further development remains a priority of the Bank's activities.





Personnel

Personnel

As of 01.01.2018 the headcount of the bank employees was 2232 that includes 19.6% of male and 80.4% of female employees. Number of employees with the high education is 87.5%. In 2017 the number of employees between the ages of 18 and 25 was 258, among them there are talented graduates of higher educational institutions who were on traineeships in the Bank or graduated from Prior School. 38.3 years is the average age of the employees of the Priorbank JSC.

Key HR priorities in 2017 were:

- **Maintaining of innovation culture in the bank**
Further development of non-financial motivation tools for employees aimed at generation and implementation of innovative ideas:
 - 160 ideas are generated by employees in 2017, 16 of them are in the process of realization;
 - concepts updating for individual nominations ("Best employee of HO", "The most active client of the year - Priorbank JSC employee", etc.) in order to stimulate the interest of employees in the development of technologies / processes and in active use of new banking products and technologies;
 - maintaining the level of Lean methodology knowledge for managers and key employees of the Bank;
 - implementation of Performance Management revitalization process (pilot version has been launched).
- **Maintaining high level of employee motivation and engagement:**
 - further development and expansion of opportunities for cross-functional communications of the bank's employees using the database "Pryaniki by Prior" ("Thanking colleagues"). Not only employees of HO were involved in the process, but also employees of the Branches. The total employee engagement amounted to 70% of active headcount.
 - further development of the social package was aimed at creation of employees loyalty to the bank by means of updating the range of medical services, taking into account the needs of employees and increased involvement of employees in the medical program (93% of the bank's employees have passed an annual health screening).
 - the pilot launch of new incentive systems for Branch employees was carried out within the "New way" project, which were aimed at improving the quality of customer service.

Development of quality customer service culture

In order to further improve skills, required for high quality service provision:

- More than 300 HO and Branch employees were trained on customer service quality and more than 65 webinars organized;
- Professional knowledge testing organized on a regular basis for cashiers, customer service, PI, SME, corporate business employees;
- All customer quality service trainings aimed were updated and new program for development sales skills was implemented;
- English classes for employees were organized;
- Annual Talent Pool organization and management for key positions succession; continues process of staff assessment and evaluation; organization of potentials individual development plan;
- Trainings and rotation organization for leaderships skills development for key position employees;
- Recruitment process Enhancement and optimization by regular assessment centers organization.

Bank's results improvement through the formation of healthy competitive spirit and performance evaluation:

- For the purpose of team spirit support as well as healthy living propaganda in the bank the following events were held in 2017: the 21th tourist rally among bank's employees and their families, bowling, billiards, swimming, volley-ball, tennis competitions, etc. Moreover, the bank's team took part in military-patriotic sporting game "Confrontation" having won the 3rd place;
- To promote and encourage the most active and talented employees the contests 'The Best in Profession' were held. For achieving high results for the year 2017 traditional "The Best of the Best" nominations were awarded for the best department, the best manager, the best project and the best branches of Corporate, SME and PI business.

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Information Technologies

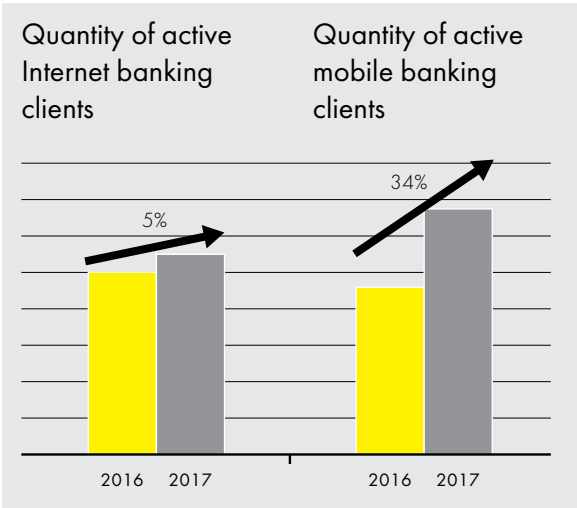
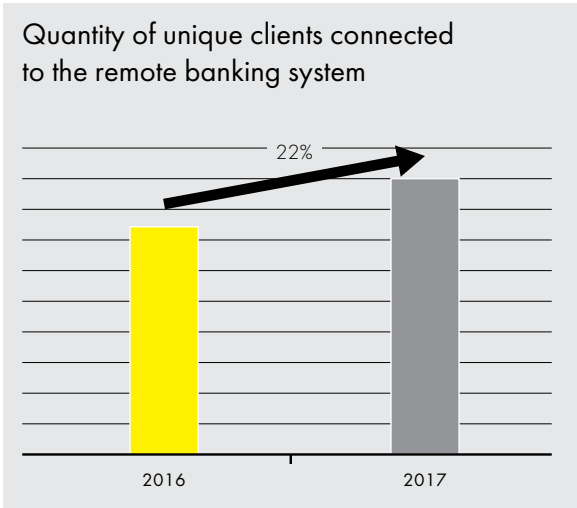
Information Technologies

In the present-day information society in the Republic of Belarus, with the number of Internet users exceeding 5million and penetration of the Internet amounting to 70%, development of the electronic banking services becomes a strategic area of the banking activity.

Priorbank is one of the leaders in the remote banking market and continues to develop innovative technologies of client servicing.

More and more Belarusians prefer payments and transactions to be made on computers via Internet banking (3.41 million users). However, the number of sessions of mobile banking users is growing rapidly and has a lead over Internet banking activity. Priorbank is not an exception.

So, the number of unique clients connected to various systems (Internet, SMS, USSD grew by 22% as compared to the previous year.



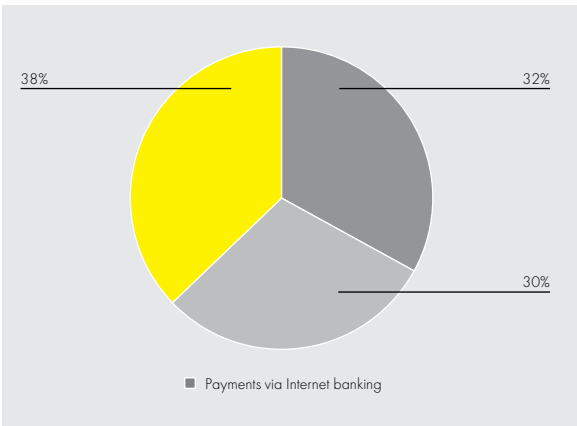
Network	Financial Information	Information Technologies	Personnel	Risk Management. Loan Portfolio of the Bank	International Activities	Treasury Operations	Business with Private Individuals	Corporate Banking. Small- and Medium-Sized Business	Macroeconomic Environment	Supervisory Board	Highlights of Priorbank	Foreword	Contents
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The number of active Internet banking users grew by 5% as compared to the beginning of the year. However, the number of active mobile banking users grew by 34% as compared to the beginning of the year.

Ever-growing number of clients uses electronic channels to make their regular payments.

62% of payments /transfers are made via Internet banking.

Every second payment is made from a mobile phone.



In 2017, the Bank actively developed and improved electronic channels for remote banking. Special focus was on the mobile banking functionality upgrade and development of new applications for Android and iOS smartphones.

In 2017, a new mobile application PriorPay for contactless payment via Android-smartphones was launched.



The contactless technology ensures the level of security as high as for any other transactions performed via Visa cards.

A digital card is issued free of charge by the client himself/ herself without visiting any Priorbank’s office, just by loading it to the mobile application – PriorPay.

The mentioned mobile application is based on HCE (Host Card Emulation) technology for contactless payments via mobile devices supporting NFC (Near Field Communication) technology.

Launching of the new application Express Balance was one of the projects of 2017. Express Balance provides widgets for checking balance (OS Android, iOS) and helps in searching for the Bank’s nearest facilities (iOS).

The application is available to Priorbank clients holding at least one card, whether they are registered in the remote banking system (Internet banking, mobile application) or not.

Express Balance mobile application enables the client to check the balance of any his/her bank card instantly. In this case the client may use an unlimited quantity of widgets showing the balances of all cards added to the application.



Within the year, functionality of Prior Online system was upgraded:

- implementation of the tokenizer technology, which makes transfers to clients’ and non-clients’ cards more convenient and fast in the Internet banking and mobile application;
- processing of requests for loans and credit cards in mobile applications; it increased the number of processed requests;
- transition to IBAN format – international bank account number;
- interconnection with the interbank identification system – “Settlement” Automated Information System, designed for identification of legal entities, individuals including individual entrepreneurs, notaries, lawyers (hereinafter “the clients”) and clients’ representatives without their personal presence;

- display of exchange rates in the Internet banking and mobile applications while performing currency exchange transactions.

Opening of Priorbank’s API for external software developers also was one of the important projects in 2017. As of today, the following APIs are available:

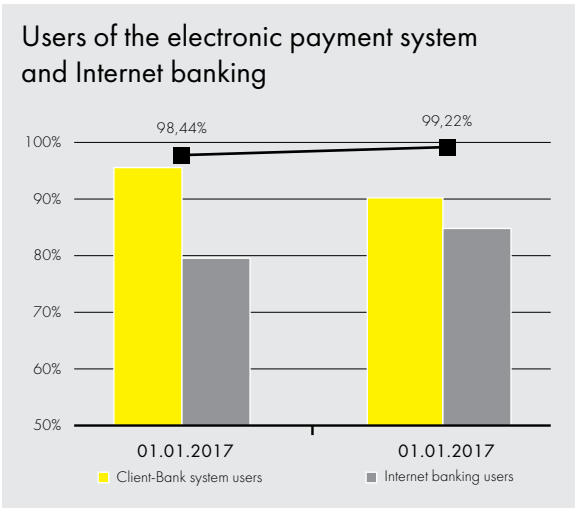
- API of geolocation of the branches, ATMs, self-service terminals for external software developers;
- API of exchange rates for external software developers;
- API of balances, statements for external software developers.

Development of Service to Legal Entities and Individual Entrepreneurs

Client Bank was a leader among remote banking systems servicing Priorbank’s legal entities in terms of quantity of users.

At the same time, there was a steady increase in the number of Internet banking users. Their quantity grew by 9% as compared to 2016.

It is possible to assert now that the Internet banking gained more credibility with clients.



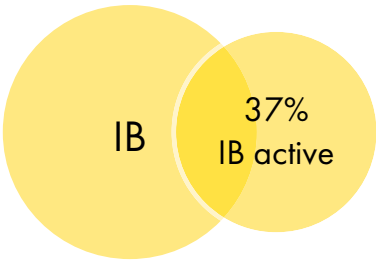
The number of payments made by clients tends to 100%; since 2016 it has grown by 0.76% and made 99.22%.

Year by year, the Bank clients increasingly take advantage of remote banking systems.

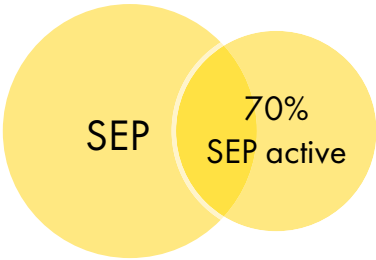
The Bank keeps up with the times and is innovative, so it plans further development of electronic services, elaboration of new electronic products, upgrade of mobile applications.

In 2018 Priorbank will offer to the clients a new electronic loan and virtual card, push-notification service will be implemented, HCE technology will be integrated in Prior Online and Mobile Banking application, access to a larger number of open APIs will be provided.

The share of active Internet banking system users made 37% in 2017.



The share of active Client Bank system users was equal to 70% in 2017.



In 2017, Internet banking 2.0 and mobile applications for legal entities and individual entrepreneurs were under development. Remote banking for legal entities and individual entrepreneurs was further improved in the context of transition to international bank account numbers (IBAN) and bank identification code (BIC).

The Internet Banking 2.0 system (RBS) for legal entities and individual entrepreneurs will be launched early in 2018. Transition of corporate cards operations from RBS for individuals to RBS for legal entities and individual entrepreneurs, as well as implementation of functionality for interaction with the interbank identification system are planned for Internet Banking 2.0.



Financial Information

Translation from the original in Russian

Audit report on annual individual accounting (financial) statements of Priorbank Joint Stock Company, prepared based on the results of business activities for 2017

Details of the audited entity

Full name:	"Priorbank" Joint-Stock Company
Short name:	Priorbank JSC
Legal Address:	31A, V. Khoruzhey str., 220002, Minsk, Republic of Belarus
State registration:	"Priorbank" Joint-Stock Company was registered by the National Bank of the Republic of Belarus on 12 July 1991. Registration Number 12
PIN – Payer's Identification Number:	100220190

Details of the audit firm

Name of the audit firm:	Auditel Audit Limited Liability Company (Auditel ALLC)
Legal Address:	22a, Logoisky trakt, suite 46, room 410, Minsk, 220090, Republic of Belarus
State registration:	State registration certificate of business entity issued by Minsk City Executive Committee, Decision No. 1097 of 28 September 2000
PIN – Payer's Identification Number:	100591487

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www.auditel.by

Audit report on annual individual accounting (financial) statements of Priorbank Joint Stock Company, prepared based on the results of business activities for 2017

To: Mr. Kostyuchenko S.A., Chairman of the Board of Priorbank JSC,

the Shareholders, the Supervisory Board, the Audit Committee of Priorbank JSC

The report on annual individual accounting (financial) statements

We have audited the annual individual accounting (financial) statements (hereinafter referred to as "the annual financial statements") of "Priorbank" Joint Stock Company (hereinafter referred to as Priorbank JSC, "the bank"), as provided for in the laws of the Republic of Belarus consisting of:

- Balance-sheet as of 1 January 2018 (Form 1)
- Profit and loss statement for 2017 (Form 2)
- Statement of changes in equity capital for 2017 (Form 3)
- Cash flow statement for 2017 (Form 4)
- Explanatory notes to the annual financial statements

The audit opinion

To our opinion the enclosed annual financial statements of Priorbank JSC fairly represent, in all material respects, of Priorbank JSC financial standing as of January 01, 2018, and the financial results of its activities and changes in its financial standing, cash flows inclusive, for 2017, in accordance with the laws of the Republic of Belarus.

Grounds for expressing the audit opinion

We have carried out the audit in accordance with the provisions of the Law of the Republic of Belarus of 12 July 2013 "On Auditing Activities" and the National Rules for the audit activities. Our duties under the Rules are described in the "Duties of auditor on auditing the annual financial statements" Section of the Report. We observed the principle of independence with respect to the audited entity in accordance with the legal requirements and the professional ethics norms. We believe that the obtained audit evidence is sufficient and proper to serve the basis for expressing our audit opinion.

Translation from the original in Russian

Duties of the audited entity on the annual financial statements preparation

The management of Priorbank JSC is responsible for the preparation and fair presentation of the annual financial statements in compliance with the laws of the Republic of Belarus and for arrangement of the audited entity’s internal audit system, required for the preparation of the annual financial statements containing no material misstatements occurred as a result of errors or unfair actions.

While preparing the annual financial statements the management of Priorbank JSC shall bear responsibility for the assessment of the bank’s capability to conduct its business activities on continuing basis and for the appropriateness to apply the going concern principle, as well as for the disclosure, in certain cases, in the annual financial statements of the data relating to such going concern.

The persons vested with the managing powers shall bear responsibility for supervision over the process of Priorbank JSC annual financial statements preparation.

Audit key issues

In our professional opinion a key audit issue is the one that is most significant for auditing the annual financial statements. We considered the key issue in the context of auditing the annual financial statements in general and while preparing our opinion concerning such statements, and we are not expressing our separate opinion in respect to such issue.

Special reserve for covering possible losses with respect to the bank’s assets subject to credit exposures

The special reserve for covering possible losses with respect to the bank’s assets subject to credit exposures has been determined as the audit key issue. The selection of the key issue was conditioned by the predominance of credit facilities in the bank’s assets, significance of assessing assets with due account of credit exposures while drawing up relevant forms of the annual financial statements. In such case the determination of relevant features for assessing credit exposure level and qualification of debts by exposure groups assume the accounting of various factors and conditions via the professional judgment that increases the risk of material misstatements in the annual financial statements.

We have considered and assessed the methods of determining credit exposure level and computing the required reserve. Our audit procedures have been elaborated and performed with due account of the exposures inherent to the generation and use of the special reserve for covering possible losses with respect to the bank’s assets. Within the framework of such audit procedures we have analyzed the validity of assessing credit exposure level, the generated reserve sufficiency for covering thereof, influence of reserves on the bank’s fiscal effect.

Miscellaneous

The audit of Priorbank JSC annual financial statements for 2016 was carried out by another audit company (auditor) which expressed its unqualified audit opinion on such statements in its audit report of February 15, 2017.

Duties of the auditor on auditing the annual financial statements

Our objective is to get reasonable confidence that the financial statements of Priorbank JSC contain no material misstatements as a result of errors or unfair actions, and in drawing up the audit report involving the audit opinion expressed in the established form. Such reasonable confidence represents a high degree of confidence, however, it is not a guarantee that the audit conducted in accordance with the national auditing standards makes it possible to detect all material misstatements available. Such misstatements may arise as a result of faults or unfair actions and they are considered to be material ones, provided one can reasonably assume that they individually or in the aggregate may affect the economic solutions of the users of the annual financial statements made on their basis.

- Within the framework of our audit conducted in accordance with the national auditing standards we apply professional judgment while preserving professional skepticism during the whole course of the audit. Moreover, we do the following:
- detect and assess all risks of material misstatements of annual financial statements in consequence of any errors or unfair actions; develop and complete relevant audit procedures in accordance with the assessed risks; obtain all audit evidence sufficient enough for serving the ground for expressing audit opinion. The risk of non-detecting any material misstatements of annual financial statements resulting from any unfair actions is higher than the one in non-detecting any faults, since such unfair actions normally assume the availability of ad hoc measures directed to non-disclosure thereof;

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- get understanding of the internal audit system of Priorbank JSC important for conducting audit, with a view to plan relevant audit procedures complying with the audit circumstances, but not with a view to express audit opinion pertaining to the system operational effect;
- assess the nature of the accounting policies applied by Priorbank JSC, as well as the validity of accounting estimates and relevant disclosure of data in the annual financial statements;
- assess the correctness of the assumption pertaining going concern applied by the management of Priorbank JSC, and on the basis of the audit evidence obtained draw a conclusion on the fact whether there exists any material uncertainty about any events or conditions leading to significant doubts in the bank's capability to conduct its activities on continuing basis. Our conclusions are based on a relevant audit evidence obtained prior to signature of the audit report, however any future events or conditions may lead to the fact that the Bank will lose its ability to conduct its activities on continuing basis;
- assess general perception of the annual financial statements, their structure and content, data disclosure inclusive, as well as the fact whether the financial statements provide reliable perception on the operations and events forming their basis.

We cooperate with the persons vested with the managing authority by bringing to their notice inter alia the data on the scheduled audit scope and terms, as well as on all significant issues arising in the course of audit, including those on all material weaknesses existing in the internal audit system.

We furnish the persons vested with the managing authority with the application stating the fact that we have met all the requirements in respect to the compliance with the principle of independence and that such persons have been furnished with all the data regarding all relations and other issues that may be reasonably considered threats for violation of the principle of independence and, if so required, with all precautionary measures taken.

Report on other legal requirements

We have also audited all the statements set forth by the banking legislation of the Republic of Belarus consisting of:

- The estimates of the regulatory capital adequacy and leverage value as of 1 January 2018 (Form 2801);
- The statement on the amount of special reserves for covering possible losses in respect to assets and operations not reflected in balance sheet as of 1 January 2018 (Form 2807);
- The liquidity estimates as of 1 January 2018 (Form 2809).

Audit opinion

In our opinion, all the data included in the statements in Forms 2801, 2807, 2809, drawn up on the basis of the annual financial statements of Priorbank JSC as of 1 January 2018 are reliable in all material aspects.

The management of Priorbank JSC bears responsibility for the preparation and fair presentation of the statements in Forms 2801, 2807, 2809 in accordance with the provisions of the banking legislation of the Republic of Belarus and for the arrangement of the bank's internal audit system required for the preparation thereof.

Our duties included the expression of opinion on the reliability of the data in the financial statements in Forms 2801, 2807, 2809, drawn up on the basis of the bank's annual financial statements as of 1 January 2018.

A.I. Papkovsky
Director of Auditel Audit
Limited Liability Company

S.S. Shmarlovskaya
Auditor, in charge of the audit

The date of the auditor's report: 15 February 2018.

The place of issue of the auditor's report: Minsk, the Republic of Belarus.

The date of receipt of the auditor's report by the audited entity: 15 February 2018.

Translation from the original in Russian

Balance Sheet

as of 01 January 2018

Priorbank Joint Stock Company

(thousand BYN)

Item		Index	Note	2017	2016
1	2	3	4	5	6
1	ASSETS				
2	Cash	1101	4.1	111,190	131,787
3	Precious metals and stones	1102	4.2	-	297
4	Assets with the National Bank	1103	4.3	294,927	224,436
5	Amounts due from banks	1104	4.4	451,000	407,792
6	Securities	1105	4.5	215,553	171,175
7	Loans to customers	1106	4.6	1,951,590	1,553,404
8	Derivative financial assets	1107	4.11	321	162
9	Long-term investments	1108	4.7	9,207	6,159
10	Fixed and intangible assets	1109	4.8	175,838	170,597
11	Assets for sale	1110	4.9	14,486	8,806
12	Deferred Tax Assets	1111		-	-
13	Other assets	1112	4.10	40,968	38,752
14	TOTAL ASSETS	11		3,265,080	2,713,367
15	LIABILITIES				
16	Amounts due to the National Bank	1201	4.12	-	-
17	Amounts due to banks	1202	4.13	322,526	239,083
18	Amounts due to customers	1203	4.14	2,285,041	1,892,964
19	Securities issued by the bank	1204	4.15	52,382	3,782
20	Derivative financial liabilities	1205	4.11	16	51
21	Deferred Tax Liabilities	1206		-	-
22	Other liabilities	1207	4.10	53,512	60,060
23	TOTAL LIABILITIES	120		2,713,477	2,195,940
24	CAPITAL				
25	Authorized capital	1211	4.17	86,148	86,148
26	Paid in capital	1212		-	-
27	Reserve fund	1213	4.17	126,738	126,738
28	Balance sheet items revaluation fund	1214	4.17	91,485	84,310
29	Accrued profit	1215	4.17	247,232	220,231
30	Total capital	121	4.17	551,603	517,427
31	TOTAL LIABILITIES AND CAPITAL	12		3,265,080	2,713,367

Chairman of the Board

S. Kostyuchenko

Chief Accountant

V. Mantsivoda

Signing Date 15 February 2018

Translation from the original in Russian

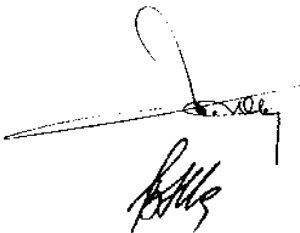
Profit and Loss Statement for 2017

Priorbank Joint Stock Company

(thousand BYN)

Item		Index	Note	2017	2016
1	2	3	4	5	6
1	Interest income	2011		241,420	313,728
2	Interest expenses	2012		37,243	67,441
3	Net interest income	201	5.1	204,177	246,287
4	Fee and commission income	2021		153,013	142,930
5	Fee and commission expenses	2022		42,780	34,688
6	Net Fee and commission income	202	5.2	110,233	108,242
7	Net precious metals and stones income	203	5.3	437	514
8	Net securities income	204	5.4	(213)	(1,079)
9	Net FOREX income	205	5.5	46,195	34,109
10	Net financial derivatives income	206	5.6	(4,255)	1,093
11	Net reserve assignments	207	5.7	(71,452)	82,426
12	Other income	208	5.8	29,294	26,594
13	Operational expenses	209	5.9	194,011	175,154
14	Other expenses	210		10,118	10,165
15	Profit before tax	211		253,191	148,015
16	Income tax	212		67,937	38,996
17	PROFIT	2		185,254	109,019
18	Information on a profit per share in BYN				
19	Basic profit on an ordinary share	22	4.17	1.5054	0.8859
20	Watered profit on an ordinary share	23	4.17	1.5054	0.8859

Chairman of the Board



S. Kostyuchenko

Chief Accountant

V. Mantsivoda

Signing Date 15 February 2018

Translation from the original in Russian

Statement of Changes in Equity for 2017

Priorbank Joint Stock Company

(thousand BYN)

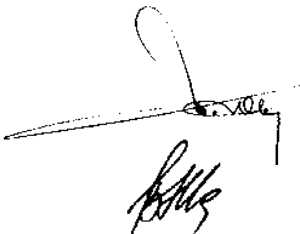
		Capital Items						
Indicators		Index	Authorized Capital	Paid in Capital	Reserve Fund	Accrued Profit (Loss)	Balance Items Revaluation Fund	Total Capital
1	2	3	4	5	6	7	8	9
Section I. For the year preceding the year under report								
1	Balance as of 1 January 2016	3011	41,228	–	126,738	202,658	78,706	449,330
1.1	Thereof: the result from changes in the accounting policy and(or) correction of the material mistake	30111	-	–	–	–	–	–
2	Change of the equity articles	3012	44,920	–	–	17,573	5,604	68,097
2.1	Thereof: gross income	30121	x	x	x	109,019	7,072	116,091
2.2	profit directed to replenishment of funds	30122	44,920	x	–	(44,920)	x	–
2.3	transactions with founders (shareholders)	30123	–	–	x	(47,994)	x	(47,994)
2.4	founders' (shareholders') contribution to authorized capital	301231	–	–	x	x	x	–
2.5	payment of shareholders' dividends	301232	x	x	x	(47,994)	x	(47,994)
2.6	transactions with own shares repurchased	301233	–	x	x	x	x	–
2.7	redistribution among equity articles	30125	–	–	–	1,468	(1,468)	–
2.8	other changes	30126	–	–	–	–	–	–
3	Balance as of 1 January 2017	3013	86,148	–	126,738	220,231	84,310	517,427
Section II. For the year under report								
4	Balance as of 1 January 2017	3011	86,148	–	126,738	220,231	84,310	517,427
5	Change of the equity articles	3012	–	–	–	27,001	7,175	34,176
5.1	Thereof: gross income	30121	x	x	x	185,254	8,901	194,155

Translation from the original in Russian

			Capital Items					
Indicators		Index	Authorized Capital	Paid in Capital	Reserve Fund	Accrue Profit (Loss)	Balance Items Revaluation Fund	Total Capital
1	2	3	4	5	6	7	8	9
5.2	profit directed to replenishment of funds	30122	44,920	x	4,000	(4,000)	x	44,920.0
5.3	transactions with founders (shareholders)	30123	–	–	x	(159,979)	x	(159,979)
5.4	founders' (shareholders') contribution to authorized capital	301231	–	–	x	x	x	–
5.5	payment of shareholders' dividends	301232	x	x	x	(159,979)	x	(159,979)
5.6	transactions with own shares repurchased	301233	–	x	x	x	x	–
5.7	redistribution among equity articles	30125	–	–	–	1,726	(1,726)	–
5.8	other changes	30126	–	–	(4,000)	4,000	–	–
6	Balance as of 1 January 2018	3013	86,148	–	126,738	247,232	91,485	551,603

Chairman of the Board

Chief Accountant



S. Kostyuchenko

V. Mantsivoda

Signing Date 15 February 2018

Translation from the original in Russian

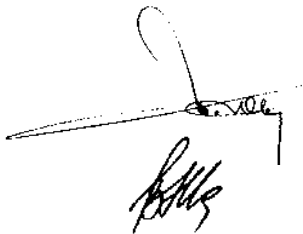
Information on Total Gross Income for 2017

Priorbank Joint Stock Company

(thousand BYN)

Item		Symbol	Note	2017	2016
1	2	3	4	5	6
1	Profit	301211	6	185,254	109,019
2	Other gross income components	301212		8,901	7,072
2.1	Thereof: fixed assets revaluation, revaluation of incomplete construction and uninstalled equipment	3012121	4.8	8,901	7,072
2.2	intangible assets revaluation	3012122	4.8	–	–
2.3	securities revaluation	3012123		–	–
2.4	hedge tools revaluation	3012124		–	–
2.5	other balance sheet items revaluation	3012125		–	–
3	TOTAL Gross Income	30121		194,155	116,091

Chairman of the Board



S. Kostyuchenko

Chief Accountant

V. Mantsivoda

Signing Date 15 February 2018

Translation from the original in Russian

Cash Flow Statement for 2017

Priorbank Joint Stock Company

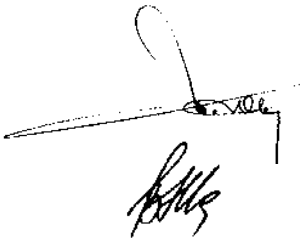
(thousand BYN)

	Item	Index	Note	2017	2016
1	2	3	4	5	6
1	OPERATIONS CASH FLOW				
2	Interest income received	70100		245,369	319,165
3	Interest expenses paid	70101		(37,456)	(68,504)
4	Fee and commission income received	70102		152,729	143,526
5	Fee and commission income paid	70103		(42,704)	(34,548)
6	Net precious metals and stones income	70104		437	514
7	Net securities income	70105		(213)	(1,079)
8	Net FOREX income	70106		10,978	45,323
9	Net financial derivatives income	70107		(4,255)	1,093
10	Other income received	70108		80,452	52,344
11	Other expenses paid	70109		(172,771)	(152,091)
12	Income tax paid	70110		(60,754)	(38,108)
13	Total profit (loss) before changes in operational assets and liabilities	701		171,812	267,635
14	Net decrease (increase) of funds with the National Bank	70200		(11,545)	(1,277)
15	Net decrease (increase) of funds due from banks	70201		143,666	(143,525)
16	Net decrease (increase) of funds in securities (except for securities retained till repayment)	70202		(142,560)	300
17	Net decrease (increase) of funds in loans disbursed to customers	70203		(280,035)	(290,628)
18	Net decrease (increase) of funds from derivative financial assets	70204		(159)	615
19	Net decrease (increase) of funds in other operational assets	70205		(51,250)	(21,822)
20	Total cash flow from change in operational assets	702		(341,883)	(456,337)
21	Net increase (decrease) of cash funds of the National Bank	70300		–	–
22	Net increase (decrease) of funds due to banks	70301		47,187	(70,270)
23	Net increase (decrease) of clients’ funds	70302		325,261	163,101
24	Net increase (decrease) of cash funds from securities issued by the bank	70303		48,220	(4,272)
25	Net decrease (increase) of cash funds from derivative financial liabilities	70304		(35)	(529)
26	Net increase (decrease) of funds in other operational liabilities	70305		(805)	(10,031)
27	Total cash flows from change in operational liabilities	703		419,828	77,999
28	Net operational cash flow	70		249,757	(110,703)

Translation from the original in Russian

Item	Index	Note	2017	2016
29	INVESTMENT CASH FLOW			
30	Purchase of fixed, intangible, and other long-term assets	71100	(21,096)	(31,959)
31	Sale of fixed, intangible, and other long-term assets	71101	(2,164)	2,668
32	Purchase of long-term financial investments to authorized capital of other legal entities	71102	(3,048)	(1,923)
33	Sale of long-term financial investments to authorized capital of other legal entities	71103	–	–
34	Purchase of securities retained till repayment	71104	(3,317,342)	(77,851)
35	Repayment (sale) of securities retained till repayment	71105	3,412,450	144,645
36	Net investment cash flow	71	68,800	35,580
37	FINANCIAL CASH FLOW			
38	Issue of shares	72100	–	–
39	Re-purchase of own shares	72101	–	–
40	Sale of previously re-purchased own shares	72102	–	–
41	Payment of dividends	72103	(159,211)	(47,782)
42	Net financial cash flow	72	(159,211)	(47,782)
43	Influence of official exchange rate fluctuations on cash and its equivalents	73	5,664	11,972
44	Net increase (decrease) of cash and its equivalents	74	165,010	(110,933)
45	Cash and its equivalents as of the beginning of the period under report	740	7	x
46	Cash and its equivalents as of the end of the period under report	741	7	533,362
				x

Chairman of the Board



S. Shyshou

Chief Accountant



V. Mantsivoda

Signing Date 15 February 2018

Notes to the annual financial reporting that are an integral part of the annual financial reporting of the Bank are not presented in this booklet.

Translation from the original in Russian



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Audit report of an independent audit firm on the consolidated financial statements of “Priorbank” Joint-Stock Company for the period from 1 January 2017 to 31 December 2017

To the Chairman of the Management Board
 of “Priorbank” Joint-Stock Company
 Mr. S.A. Kostyuchenko

To the shareholders, Supervisory Board and Audit
 and Executive Committee of “Priorbank” Joint-Stock Company

Opinion

We have audited the consolidated financial statements of “Priorbank” Joint-Stock Company and its subsidiaries (hereinafter, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated 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 Law No. 56-Z of the Republic of Belarus “On Auditing Activity” dated 12 July 2013, National Rules for Auditing Activities effective in the Republic of Belarus and with International Standards on Auditing (ISA). Our responsibilities under those rules and standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements for the current period. These matters were addressed in the context of our audit of

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the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Allowance for impairment of loans to customers

The appropriateness of allowance for impairment of loans to customers is a key area of judgment for the Group’s management. The identification of impairment indicators and the calculation of the recoverable amount require the significant use of professional judgment, assumptions and analysis of various factors, including the analysis of the borrower’s financial position, expected future cash flows and realizable value of the collateral. The use of various models and assumptions significantly affects the estimates of allowance for impairment of loans to customers.

Due to the significance of loans to customers, which account for 61% of total assets, and the significant use of judgment, the assessment of the allowance for impairment represents a key audit matter.

Our procedures included review of the methodology used to calculate allowance for impairment of loans to customers, including analysis of models, testing of input data used in those models, analyzing of the Group’s assumptions used to calculate a collective allowance for impairment, as well as assessment of whether allowances made for loans to legal entities are sufficient for the purposes of individual allowance for impairment. With regard to allowance for impairment of significant individually assessed loans, we reviewed presumptions and assumptions used by the Group to identify impairment indicators, their quantitative assessment, including forecasts of future cash flows, and the measurement of the fair value of the collateral.

In the course of our audit procedures, we also analyzed the consistency and relevance of management’s judgments used to assess economic factors and statistical information on losses incurred and amounts recovered.

We reviewed information disclosed in Notes 4, 8 and 25 to the consolidated financial statements with regard to allowance for impairment.

Responsibility of management and the Supervisory Board of “Priorbank” JSC for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of “Priorbank” JSC is responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 Law of the Republic of Belarus “On Auditing Activity” of 12 July 2013, National Rules for Auditing

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Activities effective in the Republic of Belarus and International Standards on Auditing, 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 consolidated financial statements.

As part of our audit performed in accordance with Law No. 56-Z of the Republic of Belarus “On Auditing Activity” of 12 July 2013, National Rules for Auditing Activities effective in the Republic of Belarus and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group’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 Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated 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 auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board and the Audit Committee of “Priorbank” JSC 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 the Supervisory Board and the Audit Committee of “Priorbank” JSC with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee of “Priorbank” JSC, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor’s 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.

Audit partner in charge of the engagement resulting in this independent auditor’s report is Y.S. Studynska.

I.V. Stankevich
Deputy General Director –
Director in Audit, FCCA
Ernst & Young LLC

O.M. Yarmakovich
Head of Audit Department
Ernst & Young LLC

27 April 2018

Translation from the original in Russian

Details of the audited entity

Name: "Priorbank" Joint-Stock Company
"Priorbank" Joint-Stock Company was registered by the National Bank of the Republic of Belarus on 12 July 1991, registration No. 12.
Address: 220002, Republic of Belarus, Minsk, V. Khoruzhey str., 31-A

Details of the audit firm

Name: Ernst & Young Limited Liability Company
Certificate of State Registration No. 190616051 issued by the Minsk City Executive Committee on 15 December 2014
Address: 220004, Republic of Belarus, Minsk, Klary Tsetkin str., 51a, 15th floor

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Foreword
Highlights of Priorbank
Supervisory Board
Macroeconomic Environment
Corporate Banking. Small- and Medium-Sized Business
Business with Private Individuals
Treasury Operations
International Activities
Risk Management. Loan Portfolio of the Bank
Personnel
Information Technologies
Financial Information
Network

Translation from the original in Russian

Consolidated statement of financial position As at 31 December 2017

(thousands of Belarusian rubles)

Item	Notes	2017	2016
Assets			
Cash and cash equivalents	6	858,102	799,436
Amounts due from credit institutions	7	53,428	40,822
Derivative financial assets	8	2,241,797	1,939,278
Loans to customers	9	244,982	172,625
Held-to-maturity investment securities	10	16,929	-
Property and equipment	11	150,514	132,167
Intangible assets	12	32,622	27,313
Current income tax assets		224	3,567
Other assets	14	65,647	77,838
Total assets		3,664,245	3,193,046
Liabilities			
Amounts due to credit institutions	15	385,007	513,061
Amounts due to customers	16	2,293,720	578
Amounts due to international financial institutions	17	6,826	1,647,013
Debt securities issued	18	51,732	17,466
Current income tax liabilities		13,958	6,889
Deferred income tax liabilities	13	47,303	5,607
Other liabilities	14	105,500	62,749
Total liabilities		2,904,046	2,429,385
Equity	19		
Share capital		341,828	341,828
Additional paid-in capital		193	193
Foreign currency translation reserve		2,994	1,693
Retained earnings		399,535	403,226
Revaluation reserve for the net pension liability		(10,002)	(4,482)
Total equity attributable to shareholders of the Bank		734,548	742,458
Non-controlling interests		25,651	21,203
Total equity		760,199	763,661
Total equity and liabilities		3,664,245	3,193,046

Signed and authorized for release on behalf of the Management Board of the Bank

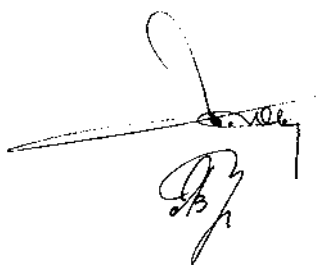
Sergey A. Kostyuchenko

Chairman of the Board

Zoya P. Yarmosh

Executive Director

27 April 2018



Translation from the original in Russian

Consolidated income statement for the year ended 31 December 2017

(thousands of Belarusian rubles)

Item	Notes	2017	2016
Interest income			
Loans to customers		253,246	333,556
Held-to-maturity investment securities		23,754	10,373
Cash and cash equivalents		5,925	9,674
Amounts due from credit institutions		827	1,180
		283,752	354,783
Securities designated at fair value through profit or loss		–	14,962
		283,752	369,745
Interest expense			
Amounts due to customers		(25,246)	(52,302)
Amounts due to credit institutions		(16,124)	(22,508)
Debt securities issued		(928)	(724)
Amounts due to the National Bank of the Republic of Belarus		(299)	(144)
Amounts due to international financial institutions		(42,597)	(75,678)
		241,155	294,067
Net interest income		294,067	231,176
Charge of allowance for loan impairment	8	(8,988)	(46,145)
Net interest income after allowance for loan impairment		232,167	247,922
Fee and commission income		143,223	128,152
Fee and commission expense		(68,946)	(59,525)
Net fee and commission income	21	74,277	68,627
Net gains from foreign currencies:			
- dealing		19,959	12,348
- translation differences		34,068	36,598
Other income	22	26,285	8,511
Non-interest income		80,312	57,457
Personnel expenses	23	(90,894)	(83,323)
Depreciation and amortization	10, 11, 12	(21,838)	(19,268)
Other operating expenses	23	(62,673)	(66,224)
Non-interest expense		(175,405)	(168,815)
Income before income tax expense		211,351	205,191
Income tax expense	13	(51,377)	(49,088)
Profit for the year		159,974	156,103
Attributable to:			
- shareholders of the Bank		156,289	152,772
- non-controlling interests		3,685	3,331
		159,974	156,103

Translation from the original in Russian

Consolidated statement of comprehensive income for the year ended 31 December 2017

(thousands of Belarusian rubles)

Item	Notes	2017	2016
Profit for the year		159,974	156,103
Other comprehensive income			
Other comprehensive income to be subsequently reclassified to profit or loss subject to certain conditions:			
Exchange differences on translation of the financial statements of a foreign subsidiary	19	2,064	(102)
Net other comprehensive income/(loss) to be subsequently reclassified to profit or loss subject to certain conditions		2,064	(102)
Other comprehensive income not to be subsequently reclassified to profit or loss subject to certain conditions			
Actuarial gain/(loss) on defined pension plan	19	(7,360)	3,065
Income tax effect	19	1,840	(766)
Net other comprehensive income/(loss) to be subsequently reclassified to profit or loss when specific conditions are met		(5,520)	2,299
Other comprehensive loss for the year, net of tax		(3,456)	2,197
Total comprehensive income for the year		156,518	158,300
Attributable to:			
- shareholders of the Bank		152,070	155,006
- non-controlling interests		4,448	3,294
		156,518	158,300

Translation from the original in Russian

Consolidated statement of changes in equity for the year ended 31 December 2017

(thousands of Belarusian rubles)

Attributable to shareholders of the Bank								
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Revaluation reserve for the net pension liability	Total	Non-controlling interests	Total equity
At 31 December 2015	296,908	193	1,758	343,368	(6,781)	635,446	17,909	653,355
Profit for the year	–	–	–	152,772	–	152,772	3,331	156,103
Other comprehensive income/(loss) for the year	–	–	(65)	–	2,299	2,234	(37)	2,197
Total comprehensive income for the year	–	–	(65)	152,772	2,299	155,006	3,294	158,300
Dividends declared and paid to shareholders of the Bank (Note 20)	–	–	–	(47,994)	–	(47,994)	–	(47,994)
Increase in share capital	44,920	–	–	(44,920)	–	–	–	–
At 31 December 2016	341,828	193	1,693	403,226	(4,482)	742,458	21,203	763,661
Profit for the year	–	–	–	156,289	–	156,289	3,685	159,974
Other comprehensive income/(loss) for the year	–	–	1,301	–	(5,520)	(4,219)	763	(3,456)
Total comprehensive income for the year	–	–	1,301	156,289	(5,520)	152,070	4,448	156,518
Dividends declared and paid to shareholders of the Bank (Note 19)	–	–	–	(159,980)	–	(159,980)	–	(159,980)
At 31 December 2017	341,828	193	2,994	399,535	(10,002)	734,548	25,651	760,199

Translation from the original in Russian

Consolidated statement of cash flows for the year ended 31 December 2017

(thousands of Belarusian rubles)

Item	Notes	2017	2016
Cash flows from operating activities			
Interest received		284,873	349,281
Interest paid		(42,857)	(76,361)
Fees and commissions received		143,817	127,904
Fees and commissions paid		(68,868)	(60,886)
Gains less losses from foreign currencies		21,954	11,313
Other income received		26,242	8,497
Personnel expenses paid		(88,633)	(80,347)
Other operating expenses paid		(62,362)	(62,263)
Cash flows from operating activities before changes in operating assets and liabilities		214,166	217,138
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(10,334)	(16,887)
Loans to customers		(212,788)	(131,665)
Other assets		13,788	(29,814)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(55,084)	(127,811)
Amounts due to international financial institutions		(6,184)	(6,457)
Amounts due to customers		370,284	157,766
Other liabilities		18,628	12,561
Net cash from operating activities before income tax		332,476	74,831
Income tax paid		(56,632)	(50,044)
Net cash from operating activities		275,844	24,787
Cash flows from investing activities			
Purchase of held-to-maturity investment securities		(3,687,420)	(79,486)
Proceeds from redemption of held-to-maturity investment securities		3,613,482	144,645
Purchase of securities at fair value through profit or loss		–	(3,727,243)
Proceeds from disposal of securities at fair value through profit or loss		–	3,727,243
Proceeds from sale of property and equipment and intangible assets		2,993	2,436
Purchase of property and equipment and intangible assets	11, 12	(50,498)	(31,707)
Net cash used in investing activities		(121,443)	35,888
Cash flows from financing activities			
Proceeds from issue of bonds		52,394	442
Redemption of bonds		(3,718)	(4,695)
Dividends to shareholders of the Bank	29	(159,980)	(47,994)
Net cash used in financing activities		(111,304)	(52,247)
Effect of exchange rates changes on cash and cash equivalents		15,569	21,014
Net increase in cash and cash equivalents		58,666	29,442
Cash and cash equivalents, beginning		799,436	769,994
Cash and cash equivalents, ending	6	858,102	799,436

Notes comprising an integral part of the annual consolidated financial statements of Priorbank JSC as banking holding are not presented in this Report

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Network	Financial Information	Information Technologies	Personnel	Risk Management. Loan Portfolio of the Bank	International Activities	Treasury Operations	Business with Private Individuals	Corporate Banking. Small- and Medium-Sized Business	Macroeconomic Environment	Supervisory Board	Highlights of Priorbank	Foreword	Contents
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Raiffeisen Bank International at a glance

Raiffeisen Bank International AG regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 14 markets across the CEE region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A.

In total, nearly 50,000 employees serve RBI's 16.5 million customers in more than 2,400 business outlets, primarily in CEE. RBI AG shares have been listed on the Vienna Stock Exchange since 2005.

At year-end 2017, RBI's total assets stood at € 135 billion. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares, with the remaining approximately 41.2 per cent in free float.

Following the merger in March 2017 with Raiffeisen Zentralbank Österreich AG (RZB AG), its former majority shareholder, RBI AG assumed all rights, obligations and functions of the transferring company RZB AG in their entirety, in particular, the role of central institution for the Austrian Raiffeisen Banking Group.

Raiffeisen Glossary

Gable Cross

The gable cross is part of the trademark used by almost every company in the Raiffeisen Banking Group and RZB Group in CEE. It represents two stylized horse’s heads, crossed and attached to the gable of a house. It is a symbol of protection rooted in old European folk tradition: a gable cross on the roof was believed to protect the house and its occupants from outside dangers and to ward off evil. It symbolizes the protection and security that the members of the Raiffeisen banks enjoy through their self-determined collaboration. Today, the gable cross is one of Austria’s best-known trademarks and a well-recognized brand in CEE.

Raiffeisen Bank International

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a

universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. At the end of 2014, around 52,000 RBI staff served approximately 14.8 million customers in around 2,900 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers as well as major multinational clients operating in CEE. All in all, RBI employs about 55,000 staff/employees and has total assets of approximately € 122 billion.

RBI has been listed on the Vienna stock exchange since 25 April 2005 (as Raiffeisen International up until 12 October 2010). RZB, which functions as the central institution of the Austrian Raiffeisen Banking Group (RBG), remained the majority shareholder following the merger. As at year-end 2014, RZB held approximately 60.7 per cent of RBI’s stock, with the remaining shares in free float.

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RZB

Founded in 1927, Raiffeisen Zentralbank Österreich AG (RZB) is the central institution of the Austrian Raiffeisen Banking Group (RBG) and acts as group center for the entire RZB Group, including RBI. RZB functions as the key link between RBG and RBI, with its banking network in Central and Eastern Europe (CEE) and numerous other international operations.

RZB Group

The Group owned and steered by RZB. Raiffeisen Bank International is the Group's largest unit.

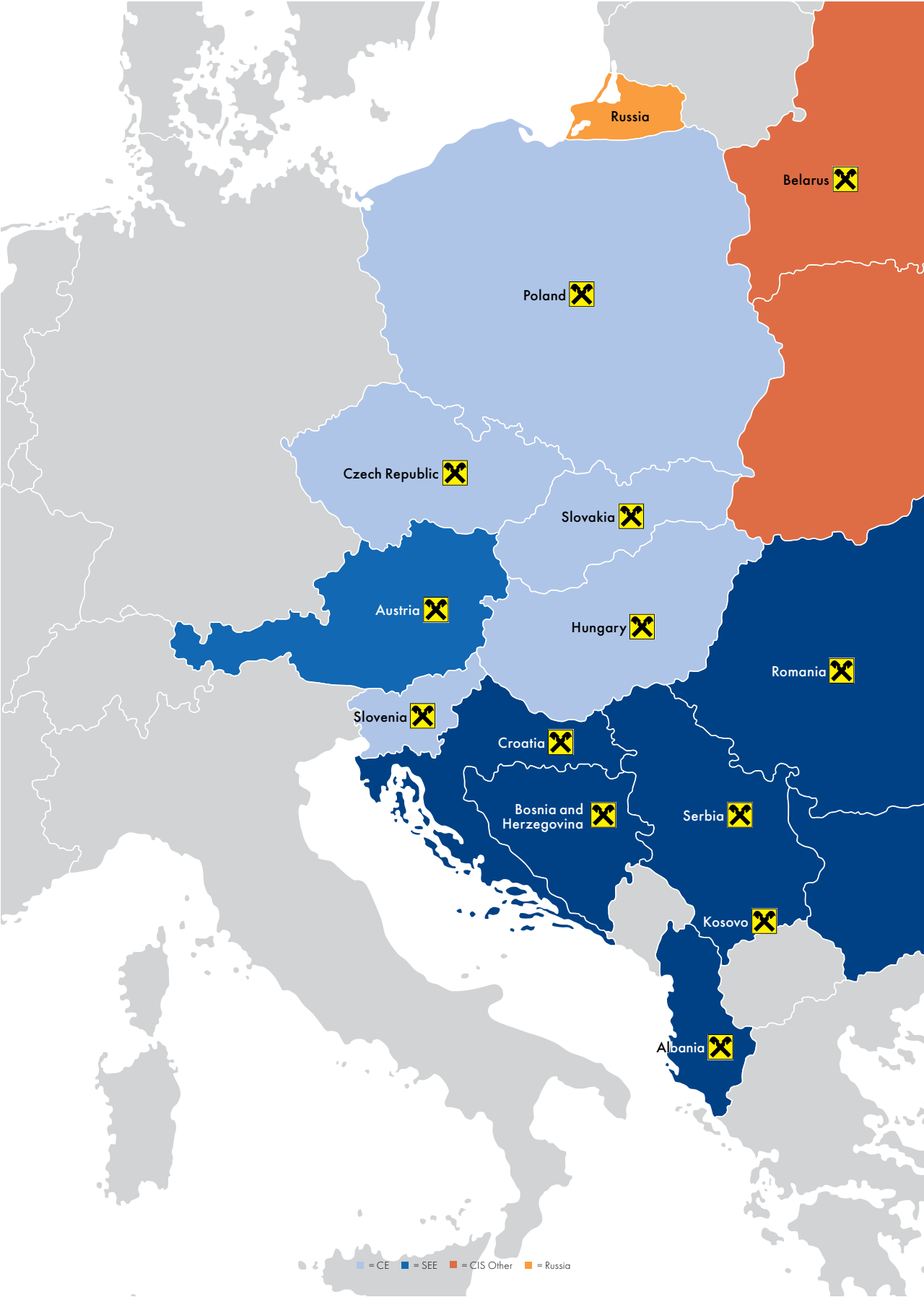
Raiffeisen Banking Group

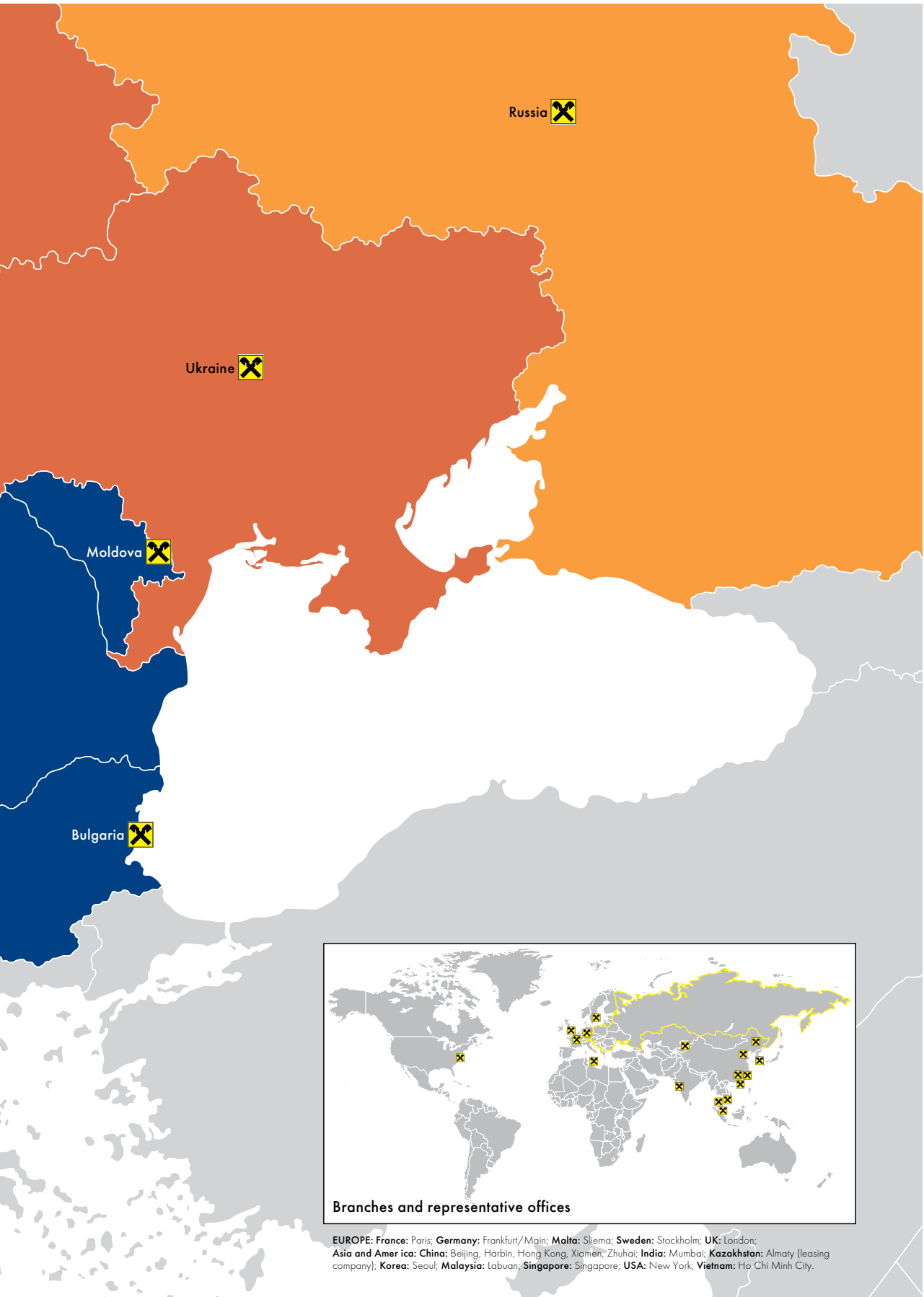
With total assets of € 285.9 billion as at 31 December 2014, RBG is Austria's largest banking group. As at this reporting date, RBG managed € 92.8 billion in domestic customer deposits (excluding building society savings), of which € 49.4 billion were held in savings deposits. RBG has thus maintained its market share of around 30 per cent and, once more, its role as market leader among Austria's banks. RBG's strong market position was achieved through healthy organic growth. RBG consists of Raiffeisen Banks on the local level, Regional Raiffeisen Banks on the provincial level and RZB as central institution. RZB also acts as the link between the international operations of its group and RBG. Raiffeisen Banks are private cooperative credit institutions, operating as

universal banks. Each province’s Raiffeisen Banks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 90 per cent of RZB’s ordinary shares.

The Raiffeisen Banks go back to an initiative of the German social reformer Friedrich Wilhelm Raiffeisen (1818 – 1888), who, by founding the first cooperative banking association in 1862, has laid the cornerstone of the global organization of Raiffeisen cooperative societies. Only 10 years after the foundation of the first Austrian Raiffeisen banking cooperative in 1886, already 600 savings and loan banks were operating according to the Raiffeisen system throughout the country. According to Raiffeisen’s fundamental principle of self-help, the promotion of their members’ interests is a key objective of their business policies.

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Network	Financial Information	Information Technologies	Personnel	Risk Management. Loan Portfolio of the Bank	International Activities	Treasury Operations	Business with Private Individuals	Corporate Banking. Small- and Medium-Sized Business	Macroeconomic Environment	Supervisory Board	Highlights of Priorbank	Foreword	Contents
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Network	Financial Information	Information Technologies	Personnel	Risk Management. Loan Portfolio of the Bank	International Activities	Treasury Operations	Business with Private Individuals	Corporate Banking. Small- and Medium-Sized Business	Macroeconomic Environment	Supervisory Board	Highlights of Priorbank	Foreword	Contents
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