

Annual Report 2018

Priorbank
Member of RBI Group



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Member of RBI Group



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Foreword

Foreword



In 2018, Priorbank continued its development having increased its market share in the banking system in all key businesses retaining high profitability and efficiency indicators.

In Corporate Banking Priornank continued to focus on comprehensive banking services offering the clients a wide product range and a high quality information and advisory support.

In documentary transactions the Bank actively utilized the loan facilities of foreign banks and international financial organizations. The total amount of the effective facilities exceeded USD 300 million. Priorbank pioneered in Belarus in an international bank warranty electronic transaction based on blockchain technology.

The Bank successfully developed the co-operation with small- and medium-sized enterprises. The number of the attracted customers increased by 13% yoy driven by the launch of new service packages for SME with the use of a new “philosophy” of creation and promotion. The Bank continued to simplify the lending process and already 20% of the clients concluded the pre-approved loan agreements. In 2018, the Bank actively co-operated with OJSC Development Bank of the Republic of Belarus in terms of SME financing. This resulted in SME Loan Portfolio growth by 48% and Liabilities growth by 51%.

In 2018, the Bank’s business with Private Individuals significantly developed. Pls Loan Portfolio increased by 44% or 190 million BYN. Owing to the development of the Salary Payroll and Pension Programs the account balance in local currency increased by 28.7%. The product range has been added by new offers in consumer lending: the loan transaction can be concluded with a client without the branch visit, credit card payment instalments are launched, the Bank started to implement the Pre-approved Lending Program to simplify the lending process.

Priorbank still occupies leading positions on the market of distant services to Pls. The number of clients subscribed to various distant services systems increased by 23%. The share of active users of the Internet-Bank and mobile applications accounted for 45%. The number of active users of the Mobile Bank PriorOnline increased by 43% vs 2017. The share of payments via the Mobile Bank accounted for 45%, via the Internet-Bank – 28%. The deposits opened via the electronic channels accounted for 65.6%.

For Legal Entities the Bank launched a new fully functional Internet-Bank (the Internet-Bank 2.0.) equipped with the innovative technology of signing payments using the M-code. The Mobile Bank (Prior Business 2.0) was also upgraded: it enables to view balances and exchange rates, generate account statements. Priorbank is the first in the Republic of Belarus to provide access to the open API enabling the developers, clients and partners of the Bank to receive actual data online.

Priorbank is constantly expanding the transactions via the alternative sales channels. In December 2018 the Bank opened the innovative self-service branch. The branch is equipped with self-service computers, comfortable negotiations room with the opportunity of on-line consulting via Skype. This point of sale has become the 6th in Priorbank operating without traditional tellers.

With the purpose to increase efficiency the Bank has been constantly improving and optimizing its business processes. The Project on servicing of Legal Entities and Individual Entrepreneurs in the Contact-Center enabled to build a uniform and controlled process of distant consulting of the clients regarding the cash management issues. FX transactions are registered in the Trading Platform by Legal Entities Support Group operators.

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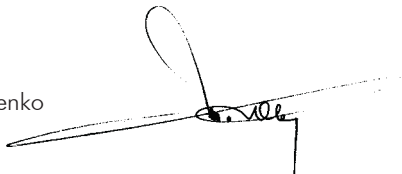
In 2018, the Bank continued to improve its Loan Portfolio quality. Strict risk approach to customer lending, early warning signs system and constant work with problem loans enabled to maintain high Loan Portfolio quality.

High reliability and efficiency of Priorbank's business was repeatedly awarded by international financial institutions and editions. Citibank NA awarded Priorbank with 'Straight Through Processing Excellence Award' for the payments processing high quality. In 2018, for the 10th time in a row Priorbank was awarded by EBRD as 'Most Active Issuing Bank in Belarus' under the Trade Facilitation Program. The magazine EMEA Finance awarded Priorbank with 'Best foreign bank and Best investment bank in Belarus'. For the 7th time in a row Priorbank was awarded by the magazine Global Finance with 'Best Bank Award 2018'.

In 2019, Priorbank faces comprehensive and challenging tasks. However, the longstanding accumulated business experience on the financial market of the country, efficient management system and highly qualified personnel, constant endeavor to innovations will enable us to successfully perform the set objectives and ensure the Bank's efficient development in 2019.

In conclusion I would like to express sincere gratefulness to all our clients and partners, all the Bank's employees for their contribution to the Bank's development in 2018.

Sergey Kostyuchenko

A handwritten signature in black ink, consisting of a large loop at the top and a series of smaller, connected strokes below it, ending in a vertical line.

Chairman of the Board
of Priorbank JSC



Ladies and Gentlemen,

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Priorbank. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity as well as on the direction of the bank’s business and risk strategies. The Supervisory Board also dealt at length with further development in the area of corporate governance and monitored the implementation of corresponding policies. In the course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives of the banking supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board also maintained contact with the Chairman of the Management Board and the Management Board members. The Management Board was available where required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on the matters addressed by the Supervisory Board.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction. I would like to take this opportunity to thank all employees of Priorbank for their hard work and unwavering efforts in 2018, as well as to ask for their continued commitment in tackling any challenges going forward.

Martin Gröll

Chairman of the Supervisory Board

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 background is a solid bright yellow. Overlaid on this are several abstract geometric patterns in shades of grey. In the top-left corner, there is a pattern of parallel lines forming a series of nested 'V' shapes. In the center-right, there is a large, complex pattern of nested, stepped 'V' shapes. In the bottom-right, there is a pattern of parallel lines forming a series of nested 'Z' shapes. The text 'Highlights of Priorbank' is located in the bottom-left area, in a black, sans-serif font.

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 01.01.2019:

Share in the Shareholder
Authorized Capital

Raiffeisen CIS Region Holding GmbH, Austria	87.74%
State Committee on Property of the Republic of Belarus	4.62%
Open Joint Stock Company "Minsk Automobile Plant" – managing company of holding "BelAutoMAZ"	1.28%
Private individuals	4.82%
Other legal entities	1.54%

Correspondent banks as of 01.01.2019:

in the Republic of Belarus – 12
abroad – 33

Employees as of 01.01.2019:

2,124

Customers as of 01.01.2019:

Corporate Clients – more than 1,860
Active SMEs – 30,086
Private Individuals – 730,137

Membership in interbank unions, exchanges, associations:

Association of Belarusian Banks;
Belarusian Currency-Stock Exchange;
Visa International;
MasterCard/Europay International;
"Belkart".
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

Awards

- "Most Active Issuing Bank in Belarus in 2018 under the Trade Facilitation Programme" – European Bank for Reconstruction and Development
- Global finance. "Best bank in Belarus in 2018"
- Euromoney. "Best bank in Belarus in 2018"
- EMEA finance. "Best foreign bank in Belarus in 2018", "Best investment bank in Belarus in 2018"
- Bank of the year award (organized by myfin.by). "Bank of the year 2018", "Best foreign bank in Belarus 2018", "Best bank among large banks in Belarus 2018"

The background is a solid bright yellow. On the left and bottom-right, there are grey, semi-transparent architectural patterns. These patterns consist of multiple overlapping, slightly offset lines that create a sense of depth and movement, resembling a stylized building facade or a series of steps. The patterns are contained within angular, geometric shapes that fit into the yellow background.

Supervisory Board

Supervisory Board

Breit Helmut	Head of Corporate Finance, Raiffeisen Bank International AG
Wagenleitner Robert	Executive Director, Raiffeisen Bank International AG
Grüll Martin	Member of the Board, Raiffeisen Bank International AG
Kadushko Nikolay	—
Kroeger Harald	Head of Division Financial Institutions, Country & Portfolio Risk Management, Raiffeisen Bank International AG
Lottersberger-Roschitz Gerda	Senior Regional Manager CIS Countries, Raiffeisen Bank International AG
Lyakhov Alexander	Director General, State Production Association “Belorusneft” – Republican Unitary Enterprise “Production Association “Belorusneft”
Nikanorova Ludmila	—
Hödl Heinz	—
Stenzel Fabian	Head of International “Premium & Private Banking” division, Raiffeisen Bank International AG

Management Board

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



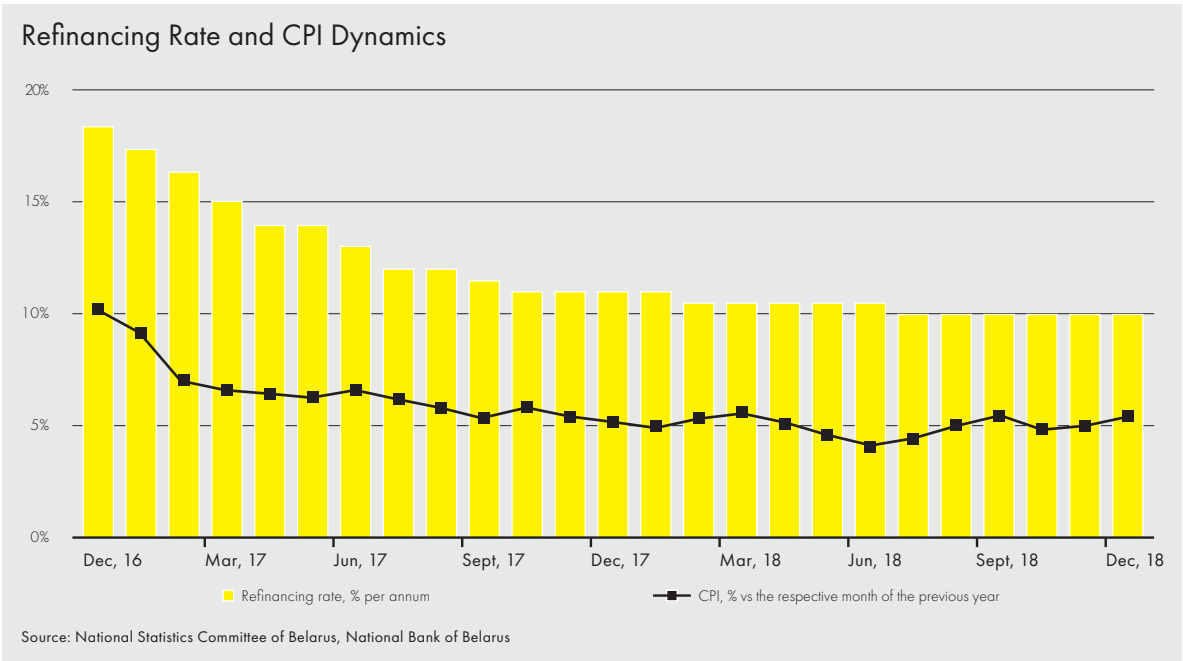
Macroeconomic Environment

Macroeconomic Environment

Inflation, Monetary and Credit Policy. FOREX Reference Rates

In 2018, the key measures of the National Bank and the Government of the Republic of Belarus focused to maintain the target inflation level were moderate money offer tending to reduce broadly defined money supply growth from 18% to 12% and less eop, as well as limitation of privileged financing volume of state owned enterprises.

Being planned at 6% the actual consumer price index (CPI) in December 2018 constituted 5.6% vs December 2017. Efficient application of such measures enabled to curb the inflation growth in the conditions of the population real income significant increase (by 8.0% in 2018), households' active demand for bank loans driven by drop of loan interest rates (PIs loan debt to the banks increased by 28.6% in 2018), and growth of prices for utilities (in 2018 the consumer services prices increased by 8.1%).

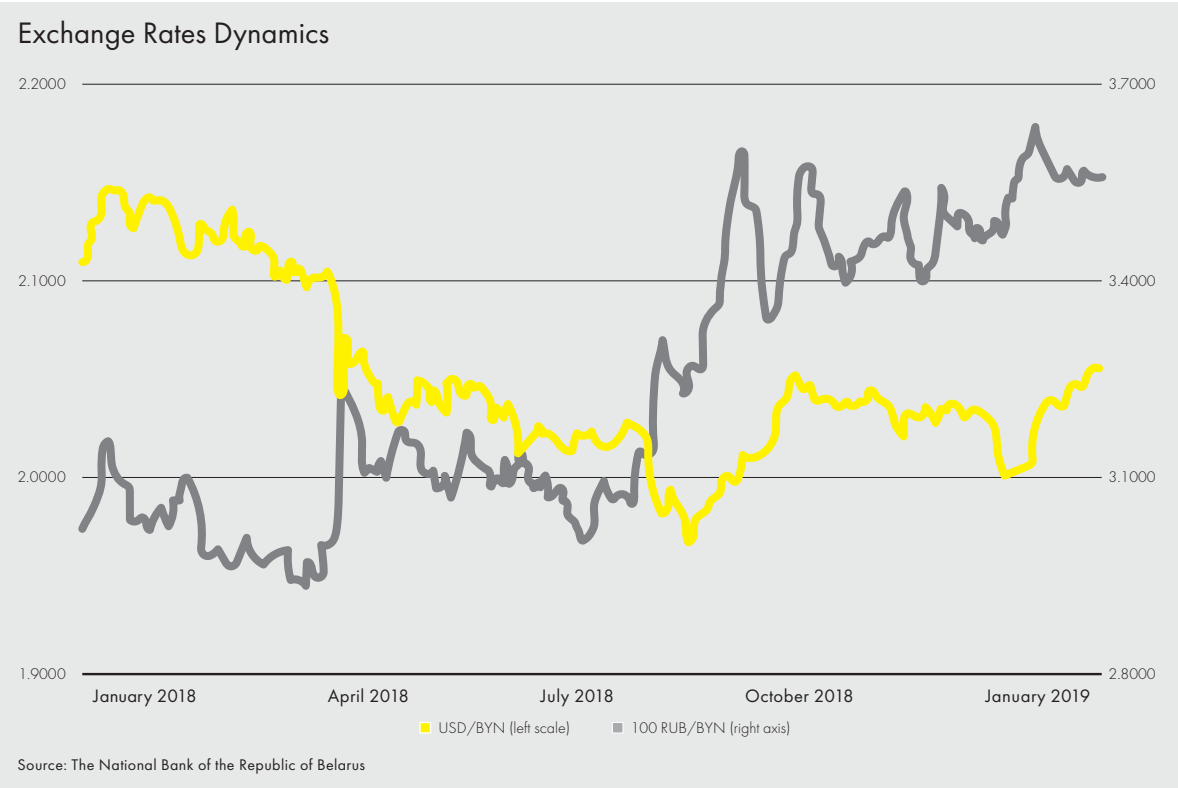


The interest rates policy was targeted at achieving the balance between the refinancing rate to stimulate the economic activity and curb inflation. Therefore, in 2018, the National Bank decreased the interest rate only twice: from June 2018 the refinancing rate has remained unchanged being at the level of 10.0% per annum. This led to decrease of local currency (LCY) one year loan interest rates for Legal Entities (LEs) in 2018 from 11.6% to 10.9% per annum eop, for Private Individuals (PIs) – from 9.6% to 8.7% per annum respectively.

Low inflation level in 2018 increased the population trust to savings and settlements in LCY, contributed to implementation of measures by the National Bank and Ministry of Finance of Belarus on access to the local market of new financial instruments, decrease of administrative regulation of FX transactions, increase of LCY utilization in the economy and ensuring of stable functioning of the financial market of the country.

Stable Belarusian financial market situation, acceptable inflation rate in 2018 have been the important local drivers supporting BYN exchange rate stability and mitigating negative influence of such external events as trading conflicts between the countries, political crises in the USA and EU countries, USA economic sanctions against Russia. The controlled BYN devaluation in 2018 resulted in decrease of BYN value against USD by 9.48%

(to USD/BYN 2.1598) and against EUR by 5.01% (to EUR/BYN 2.4734). Meanwhile, in 2018 BYN exchange rate against RUB strengthened by 9.19% (to 3.1128 BYN - 100 RUB); within the currency basket BYN value increased by 1.11% to BYN 0.2664. Lack of sharp fluctuations of BYN exchange rate enabled the National Bank to cancel mandatory sale of the companies' FCY revenues.



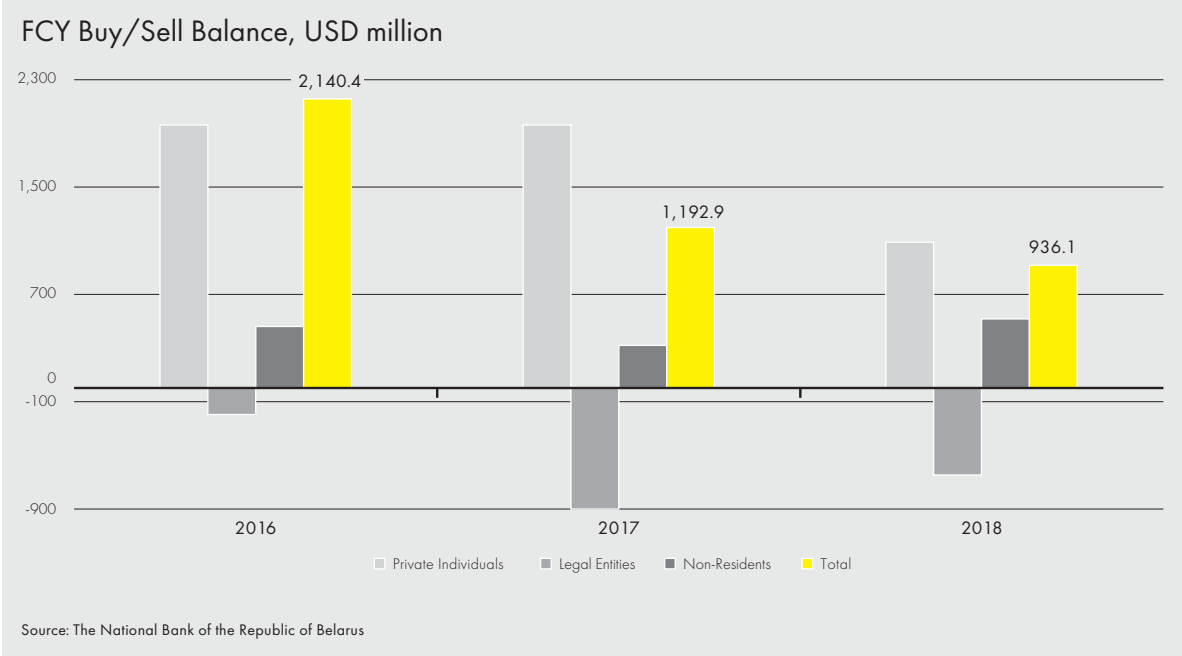
In 2018, additional support of the local market in the form of the FCY net supply by Pls and non-resident LEs remained. In this FCY market segments the National Bank bought an equivalent of USD 1.61 billion (in 2017 the Net Buying amounted to an equivalent of USD 2.07 billion).

Pls ensured the largest volume of FCY net supply on the local market in 2018 – an equivalent of USD 1.11 billion (in 2017 - USD 1.76 billion). Excess of FCY selling by Pls over buying was mainly driven by increase of BYN deposit rates attractiveness vs FCY deposit rates and inflow of

personal FCY transfers almost in the same volume as in the previous two years.

Resident legal entities slightly decreased FCY net demand vs the previous year to an equivalent of USD 0.67 billion (USD 0.88 billion in 2017) due to completion of the majority of programs on modernization of separate industrial enterprises.

FCY net supply by non-resident legal entities in 2018 amounted to USD 0.49 billion vs net supply of USD 0.31 billion in the previous year.

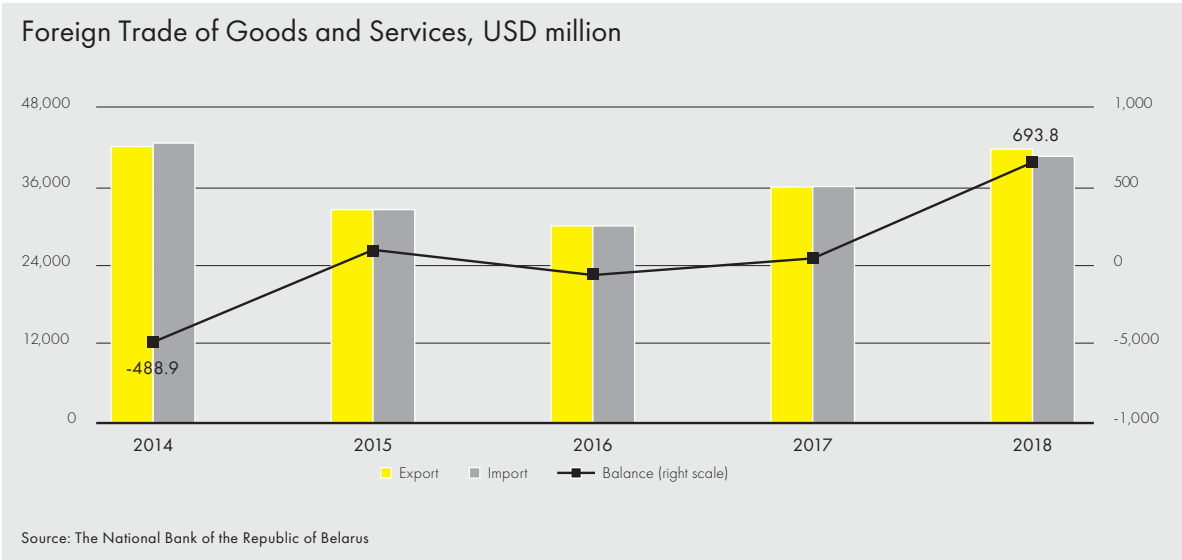


Foreign Trade

In 2018, goods and services foreign trade balance was positive and amounted to USD 0.69 billion vs USD 0.08 billion for the previous year. Meanwhile, goods foreign trade balance in 2018 was negative to the amount of USD 2.65 billion (USD 2.98 billion in 2017) and was compensated by the services trade surplus to the amount of USD 3.34 billion (USD 3.06 billion in 2017).

In 2018, the goods export volume grew by 15.3% vs 2017, the goods import volume exceeded the 2017 indicator by 12.2%.

The largest import growth in 2018 was driven by increase of energy goods (by 14.6% or USD 1.4 billion), other interim goods (by 12.1% or USD 1.55 billion) and consumer non-food goods (by 28.8% or USD 1.25 billion).



Significant reasons of the import growth of the aforementioned three directions were increase of imported oil prices in 2018 (by approximately 27%), increase of raw material and components purchasing volume by industrial enterprises in the first half of 2018 and increased population demand for the imported durable goods driven by accessibility of consumer loans for population.

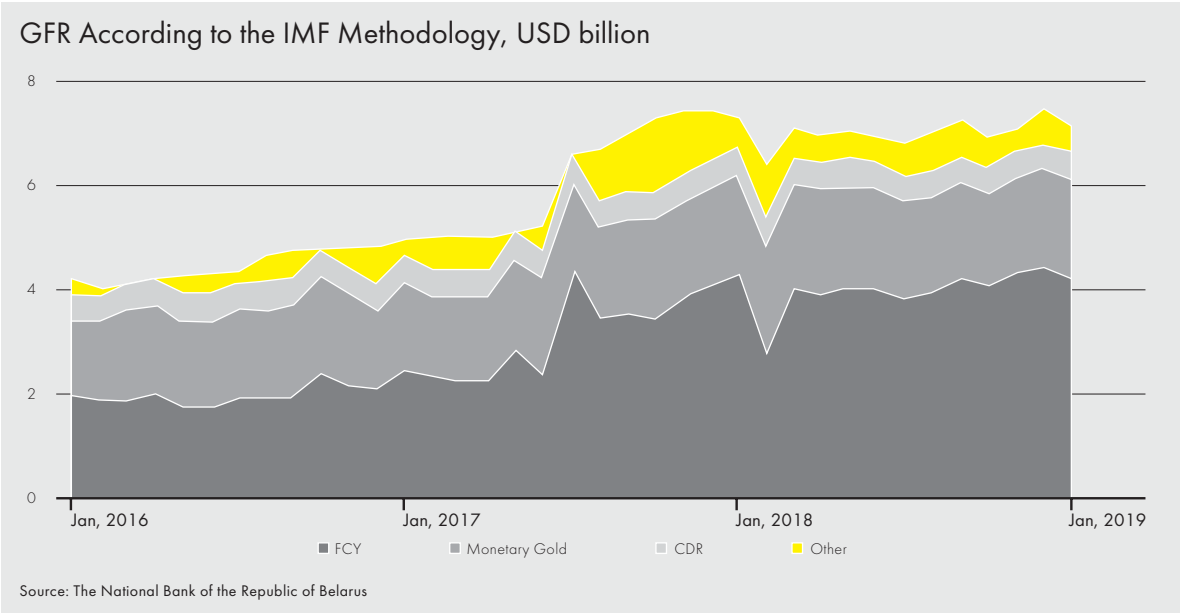
In 2018, the Russian Federation remained the major foreign trade partner, with a share of 50.4% in the total goods turnover volume (decreased from 52.5% in 2017). RF share in the total export volume dropped to 38.4% against 44.1% in 2017, while the import share from Russia in the total import volume increased to 58.9% as compared to 57.2% in 2017. The major reason of such changes in export and import was growth of price for the crude oil imported from Russia and export of oil products to EU countries on the background of quotations growth of the aforementioned goods on the world market. Furthermore, in the first half of 2018, Belarusian industrial enterprises focused on non-resource goods export to Russia maintained rather high output growth rate. In 2018, the most substantial export growth was reported in terms of the following products: automobiles (cars, trucks, passenger vehicles) – by 19.7% - 91.4% depending on the vehicle type, whole

milk products – by 16%, poultry meat – by 10.9%, large cattle – by 8.4%.

Gold and Foreign Currency (FCY) Reserves

In 2018, the volume of Gold and Foreign Currency Reserves (GFR) decreased by USD 157.7 million or by 2.2% vs 01.01.2018 and amounted to USD 7,157.6 million as at 01.01.2019.

GFR drop is caused by the fulfilment of the FCY obligations of the National Bank and the Government of Belarus to the amount of USD 5.7 billion, thereof in December 2018 – USD 0.94 billion, thereof early repayment - USD 0.47 billion. The most significant sources of GFR replenishment were taxes and duties from foreign economic activities, as well as buying of the FCY by the National Bank on the local FX market. Additional FCY funds entered GFR from selling FCY bonds on the local market of the Ministry of Finance and allocation of the Government Eurobonds on the international financial market. Rise in prices for monetary gold on the global market also positively affected GFR.



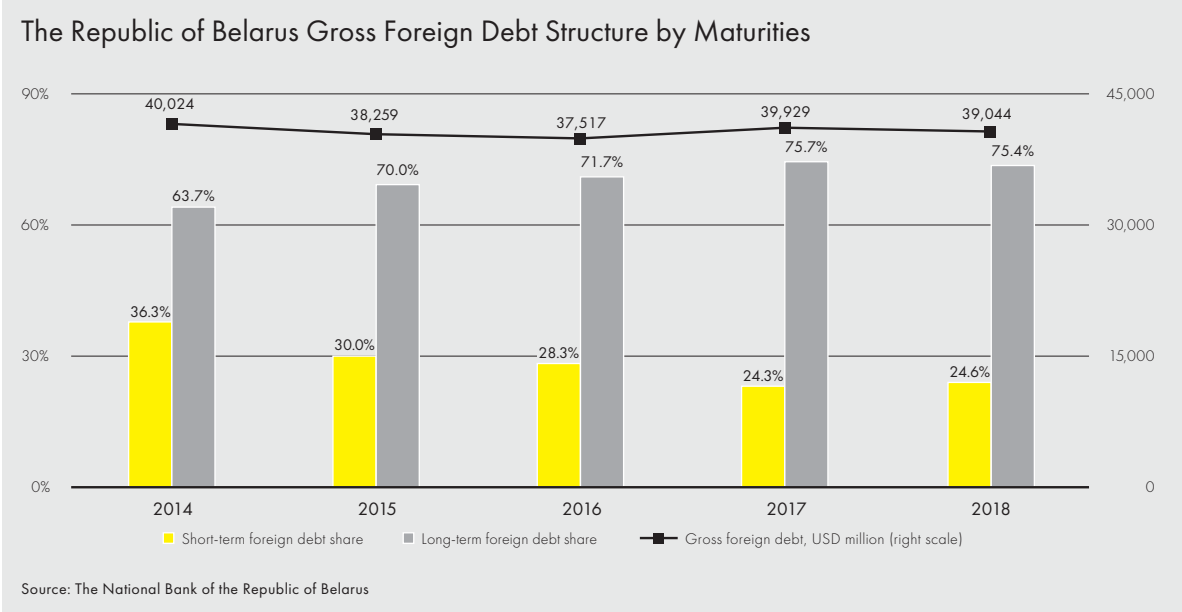
Foreign Debt

Gross Foreign Debt (GFD) as at 1 January 2019 amounted to USD 39.0 billion (65.5% of GDP), having decreased by 2.2% vs 1 January 2018: USD 4,120 per capita vs USD 4,210 as at 01.01.2018.

As at 1 January 2019, the share of long term and short term obligations in the total volume of the Gross Foreign

Debt constituted 75.4% and 24.6% respectively, whereas in 2017, the share of long term obligations constituted 75.7%, the share of short term obligations – 24.3%.

The long term obligations decreased by 2.5% or USD 0.8 billion to USD 29.4 billion vs 01.01.2018. The short term obligations decreased by 1.2% or USD 0.12 billion vs 01.01.2018 to USD 9.6 billion.



In 2018, USD 7.2 billion were allocated for the gross foreign debt payments (13.2% of GDP or 17.1% of the goods and services export), thereof USD 5.7 billion – for the principal repayment; USD 1.5 billion – for the interest payment.

In 2018, Belarusian Government’s sovereign foreign debt increased by 1.0% and as at 1 January 2019 amounted to USD 16.9 billion. In 2018, the Government raised sovereign borrowings to the amount of USD 2.35 billion (vs USD 4.04 billion in 2017).

The major financing sources were funds raised from the Russian Government and banks – USD 0.88 billion, from the Eurobonds allocation – USD 0.60 billion, loans of the Chinese banks – USD 0.51 billion, from the Eurasian Stabilization and Development Fund – USD 0.20 billion, loans of the World Bank for Reconstruction and Development – USD 0.15 billion.

In 2018, the Government spent USD 2.00 billion for the foreign sovereign debt payment vs USD 1.03 billion in 2017. The major amounts repaid in 2018 were the debt under the Eurobonds – USD 0.80 billion, to the Russian Government and banks – USD 0.40 billion, to the Chinese banks – USD 0.37 billion, to Eurasian Stabilization and Development Fund – USD 0.35 billion.

Banking Sector

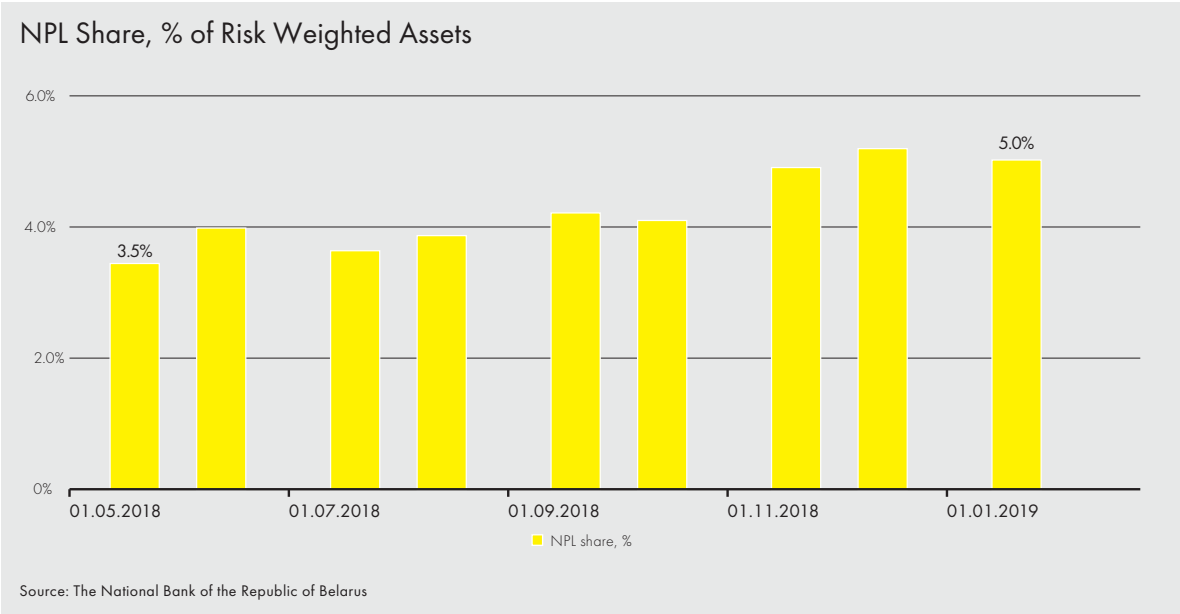
In 2018, for the second year in a row the Belarusian banking sector continued to operate in the environment of historically low inflation and positive economic growth rate. Nevertheless, the aforementioned positive factors have not significantly affected the change of Belarusian

banks’ loan portfolio quality due to slow improvement of the financial situation of a number of large state owned enterprises having implemented the production modernization programs.

Therefore, in January-March 2018 the share of Non Performing Loans (NPL) in the banks’ risk weighted assets remained at about 13%, being only slightly lower than in 2017 – 13.3%. In the 2nd quarter of 2018 the National Bank introduced a new indicator for the loan portfolio quality assessment – the share of NPL in the banks’ risk weighted assets and from April till December 2018 it has increased from 3.5% to 5.0% respectively.

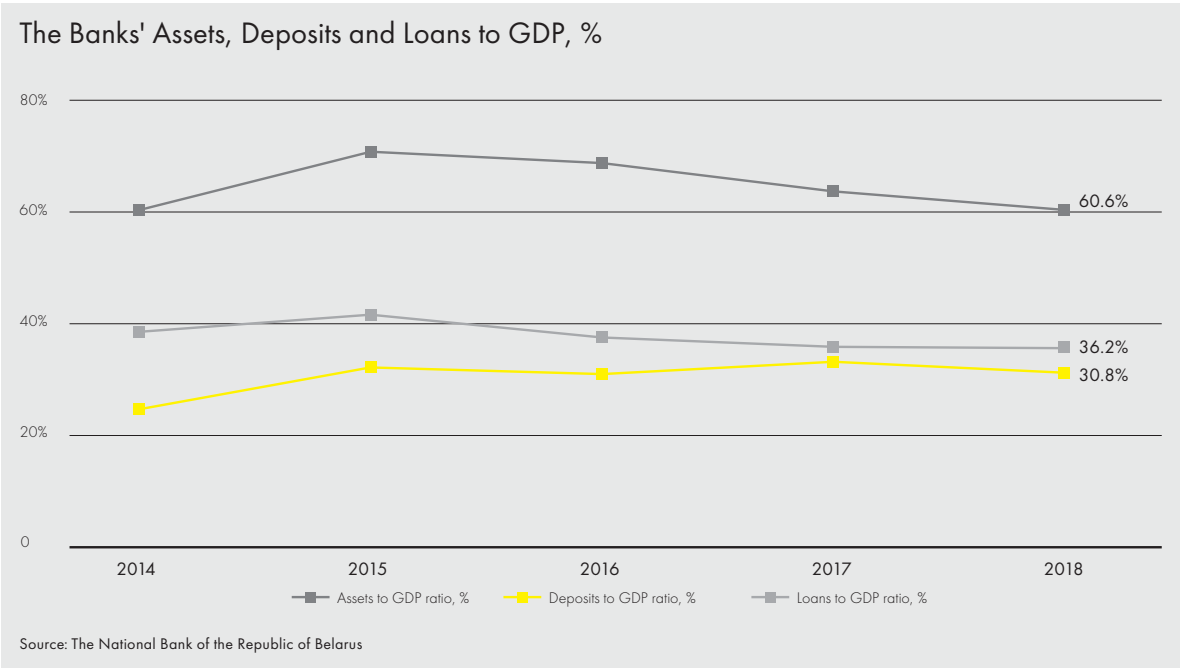
Meanwhile, on the background of moderate inflation and gradual decrease of loan resources the households retained active demand for banks’ loans throughout all 2018, in spite of introduction by the National Bank of the limitations of the maximum loan exposure of Pls borrowers depending on their income. Nevertheless, the regulator’s measures enabled to prevent excessive lending to households and mitigated delinquent payment risks in this segment.

In 2018, the National Bank continued to increase attractiveness of BYN for settlements and savings, also owing to maintenance of positive real interest rates under the instruments in local currency on the credit and deposit market of the republic. With the purpose to decrease the administrative regulation of the FCY market the regulator cancelled the purposeful buying of FCY and mandatory selling of FCY revenues, extended the terms of foreign trade transactions closing.



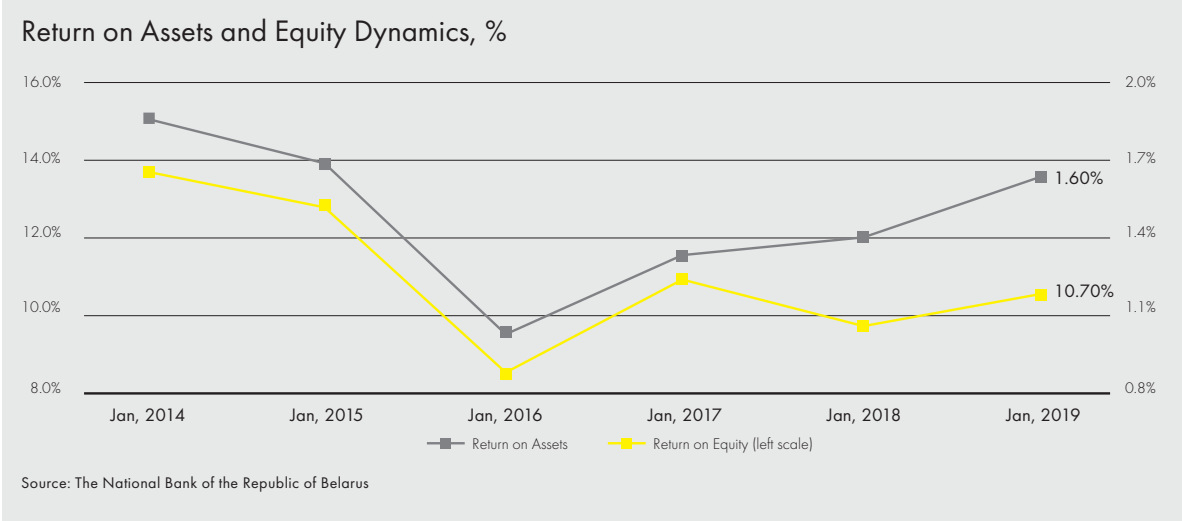
The banks’ assets in 2018 amounted to 73.71 billion BYN, USD 18.82 billion. The share of FCY assets decreased, having increased by 10.5%. Meanwhile, BYN assets increased by 12.7% to 33.06 billion BYN, in foreign currency – decreased by 0.6% to an equivalent of

from 56.0% as at 01.01.2018 to 55.1% as at 01.01.2019 respectively.



The banks’ claims to the economy in 2018 increased by 8.7% to 67.06 billion BYN. The banks’ claims to the enterprises in 2018 amounted to 37.77 billion BYN, having increased by 10.8%. The banks’ claims to private individuals increased by 28.2% (vs 25.9% in 2017) to 11.77 billion BYN.

The banks’ liabilities in 2018 increased by 10.5%, meanwhile, LCY liabilities increased by 12.16% to 32.83 billion BYN, FCY liabilities decreased by 0.2% to an equivalent of USD 18.93 billion. In 2018, the LCY funds owed to residents increased by 12.13% to BYN 19.74 billion, FCY funds owed to residents decreased by 3.8% to an equivalent of USD 13.85 billion.



In 2018, the banks increased their profit by 23.64% against the previous year to 1.1 billion BYN. Return on

Equity increased to 10.7% from 9.6% in 2017, Return on Assets increased to 1.6% from 1.4% in 2017.

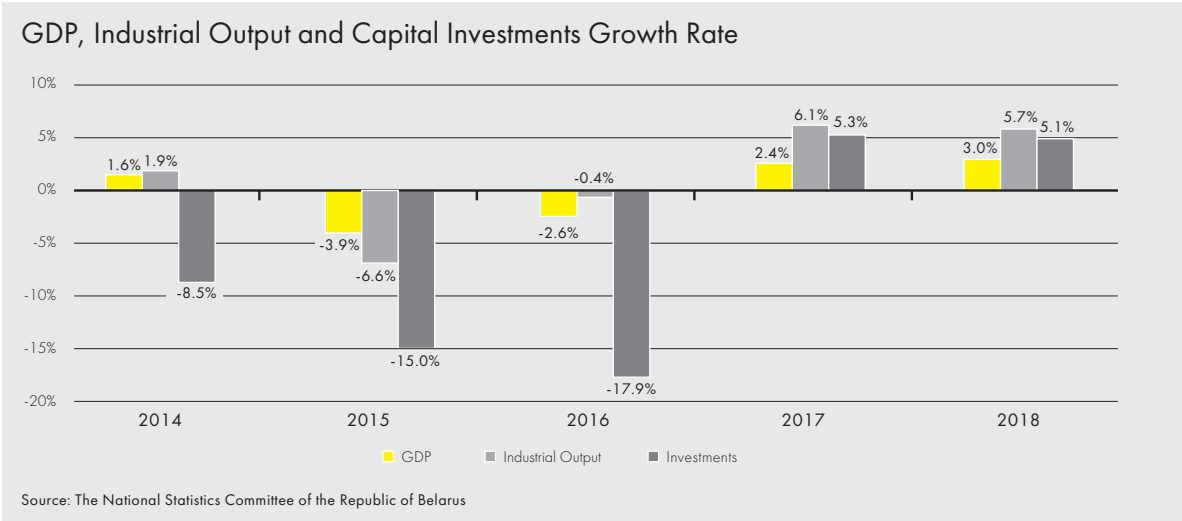
GDP

Real GDP by late 2018 increased by 3.0% vs increase of 2.5% in 2017.

In 2018, industrial output increased by 5.7% yoy vs 2017 to 110.07 billion BYN (in 2017, 6.1% growth yoy). The most noticeable output growth was reported in vehicles production (by 14.1%), wood processing industry (by 13.8%), machinery and equipment production (by 13.3%), pharmaceutical industry (by 8.9%) and chemical

industry (by 6.2%), whereas oil processing industry grew by only 1.4%.

In 2018, Capital Investments continued to grow – by 5.1% yoy to 24.25 billion BYN (in 2017 5.3% growth yoy). Meanwhile, the largest growth was reported in the segment of investments for purchasing of machinery and equipment (by 9.8% yoy), whereas the investments growth to construction and assembly works (CAW) was more moderate (by 4.5% yoy). The share of Capital Investments in GDP grew to 19.9% against 19.4% in 2017.



In 2018, real population income increased by 8.0% vs 2.8% in 2017.

Income growth, inflation and loans rate drop continued to support domestic demand, contributed to retail turn-over growth by 8.4% yoy (in 2017 – 4.4% growth).

The background is a vibrant yellow. Overlaid on this are several abstract, geometric patterns. In the top-left corner, there's a black triangular shape with white lines forming a series of nested, parallel chevrons. A bright white light source is visible within this black area. In the bottom-right, a large, dark grey/black triangular shape contains a complex pattern of white lines, including a series of parallel lines and a grid-like structure. A large, white, stylized 'L' shape is positioned in the center, separating the top-left and bottom-right patterns. The text is located in the bottom-left area, within the yellow field.

Corporate Banking.
Small- and Medium-Sized
Business

Corporate Banking. Small- and Medium-Sized Business

Corporate Business

In 2018, Priorbank proved its image as a stable banking institution delivering services of a high level. The flexible custom-tailored approach applied by the Bank via a personal manager system and a broad network of branches enabled the Bank to keep the number of active customers in corporate segment at over 1,800 companies.

The Bank has been permanently expanding its product range available for customers through well-balanced pricing policies and innovative Digital Banking technologies:

- the number of self-service cash-in terminals increased;
- single entry point was introduced for processing of e-applications for opening accounts (the Bank’s website) and applications from the Contact Center;
- M-code for signing documents was developed and implemented within the Internet-bank promotion strategy;
- electronic digital signature for loan documentation was implemented;
- 24/7 mode was launched for transactions on corporate cards within Internet-bank 2.0 project;
- a loyalty program was launched together with A-100 with a cash-back facility for corporate cards at petrol stations of the chain;

- service packages for corporate customers were improved (the composition of macroeconomic reports sent out to customers revised; the option of investment-banking experts advice added).

Priorbank has been paying much attention to the partnership development to improve the quality of its customer service. Financing programs out of the funds of the Eximbank of Russia, the Development Bank of the Republic of Belarus, the European Bank for Reconstruction and Development were actively implemented and fully operational.

On the lending side, the risk-weighted approach allowed to keep the actual lending volumes and maintain a good quality of the loan portfolio.

Factoring: Trends and Structure 2018 Business

- A domestic non-recourse factoring transaction – the first of a kind for Priorbank – was effected in Belarus;
- Import factoring – a unique product of Priorbank in the Belarusian market – was launched and intensively promoted;
- Active cooperation with ING Commercial Finance Polska SA (Poland) was initiated as part of international factoring activities.

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Documentary Business

On November 1, 2018 Priorbank pioneered in Belarus in an international bank warranty transaction based on blockchain technology. Within the transaction Priorbank issued an international bank warranty under the customer instruction for the beneficiary Gazprom Neft having tested the innovative distributed ledger (blockchain) technology on R-chain platform. The software used for the deal had been developed by Raiffeisenbank in collaboration with trade finance experts from Priorbank.

The implementation of such transactions with the use of blockchain technology opens the potential for issuing electronic bank warranties, online tracking of the deal status, as well as allows to cut transaction-related personnel costs, streamline document flow, speed up settlements and minimize costs.

On November 14-15, 2018, representatives of Priorbank and Raiffeisenbank presented the results of their collaborative efforts at the internal group-wide event "RBI Blockchain Days" followed by a panel discussion involving prominent international blockchain experts Mr. Christian Schultze-Wolters (IBM) and Mr. Daniel Cotti (Marco Polo). The panelists discussed the prospects for the application of the blockchain technology in trade finance.

Project and Structured Finance

Traditionally the Bank has been giving priority to:

- financing of retail facilities construction in food retail and DIY segments;
- investment projects both of private and state-owned companies;
- corporate financing in petrochemical and mining industries.

In 2018, Priorbank maintained its image as the number-one contact in the banking sector for international companies. In spite of the high competition with other locally operative banks Priorbank not only managed to keep, but also to expand its business operations with major international corporate groups with a footprint both in Belarus and abroad.

The customized solutions coupled with the high-quality services and technologically advanced business processes at Priorbank (smart Internet bank, open API, etc.) were the driving success factors for business in this customer segment.

In 2019, Priorbank intends to extend the current business cooperation to include new renowned international players.

Small and Medium-Sized Business

In 2018, business with SME customers was focused on improvement of service quality, optimization and development of technologies and processes. These efforts resulted in an increase in the number of attracted customers (+13% yoy), an increase in the number of lending customers (+21% yoy), a significant increase in customer lending through OJSC «Development Bank of the Republic of Belarus» (the sum of signed credit agreements was 29.1 million BYN).

High attention was paid to acquisition of new customers. Starting from September, the average acquisition increased by 58% per month as compared to the previous months of the year because of the implementation of new service packages for SME with the use of a new "philosophy" of creation and promotion. That became possible owing to the targeted advertising in the Internet, centralization of the accounts opening functions, as well as the Bank employees visits to new customers in Minsk to deliver a new account to their office.

There is a significant increase in the number of sales to customers through the CRM-campaigns. In 2018, sales focus made on Salary Payroll Projects to the “cold market”. Bank increased activity on retention and sales to customers, who showed reduction of business activity.

Great attention was paid to the development of innovative technologies. In particular, the Open API technology has been successfully implemented. SOFT-developers, clients, partners of Priorbank are able to use external applications in order to receive up-to-date, publicly available data online as a result of providing by Priorbank (the first in the Republic of Belarus) access to the open API. New technologies led to a positive performance in the development of business with SME clients in 2018. Thus, the Bank:

- Updated Internet bank for business with full functionality (Internet Bank 2.0.). During 2018, 100% of customers using the Internet Bank were transferred to the new version;
- Implemented a new technology of signing payments using M-code in the Internet Bank. Large scale of customers informed by the staff of the Customer service departments, Contact Center, departments of SMEs, as well as through the CRM mailing. The introduction of this technology has provided the possibility to launch a new line of Service Packages for SMEs;
- Updated Mobile Banking (Prior Business 2.0.) for legal entities and individual entrepreneurs with the ability to see balances and exchange rates, create statements and monitor the actions of the Internet bank users;
- Finished a project of the transfer of remote servicing of legal entities and individual entrepreneurs from Minsk branches to the Contact Center. It has allowed to increase the level of a Customer Service accessibility, making consultation process uniformed and monitored.

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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Business with Private
Individuals

Business with Private Individuals

One of the key Pls business priorities in 2018 was further increase of the active client base due to new customers attraction (loans and payroll), as well as efficient customer retention campaigns. The number of clients increased by 0.6% yoy to 730.1 ths.

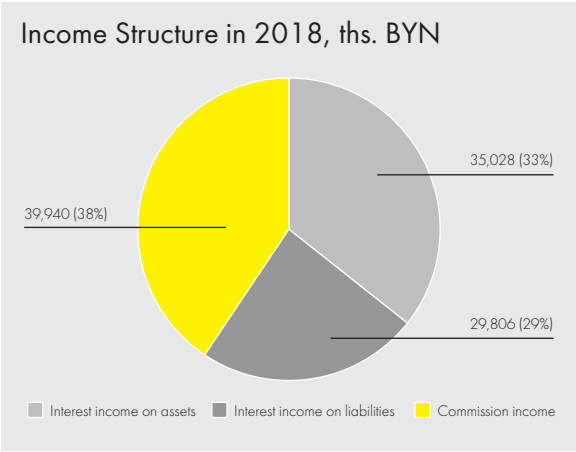
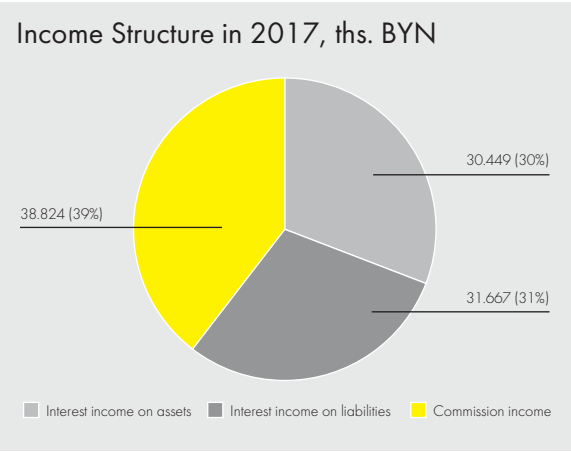
The Bank focused utmost attention on launch of new digital services, including the possibility to receive E2E consumer loans disbursed via a debit card, credit card payments installments, as well as issue of contactless bracelets for retail settlements both in Belarus and abroad. The Bank also continued further development of distant Pls distribution channels.

In 2018, with the purpose to perform the Gross Income target Priorbank significantly increased lending volume to

Pls on the background of further decrease of loan margin on the financial market. Thus, the Bank’s Loan Portfolio grew by 44% vs 2017. This resulted in the increase of share of the Interest Income on Assets to 33% in the total Income Structure.

Also, in 2018, Priorbank actively attracted new clients offering comprehensive banking services, which enabled to increase the number of active packages by 13.2 ths. to 448 ths. and increase Commission Income from Service Packages by 41%.

Decrease of Interest Income on Liabilities continued in the conditions of the existing longstanding excessive FCY liquidity.

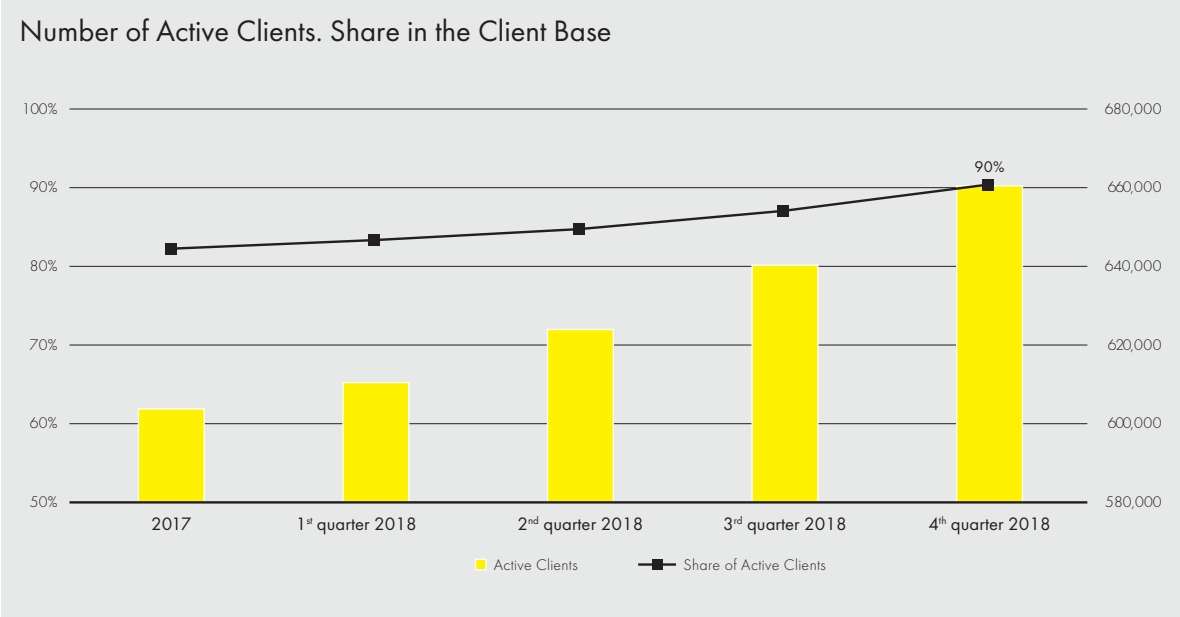


Customer Relationship Management (CRM) – Cooperation with the Existing Clients in 2018

Last year CRM campaigns were focused on increase of the active clients’ share. In 2018, the share of active clients in the total clients’ number grew by 8.4% vs 2017 to 90%.

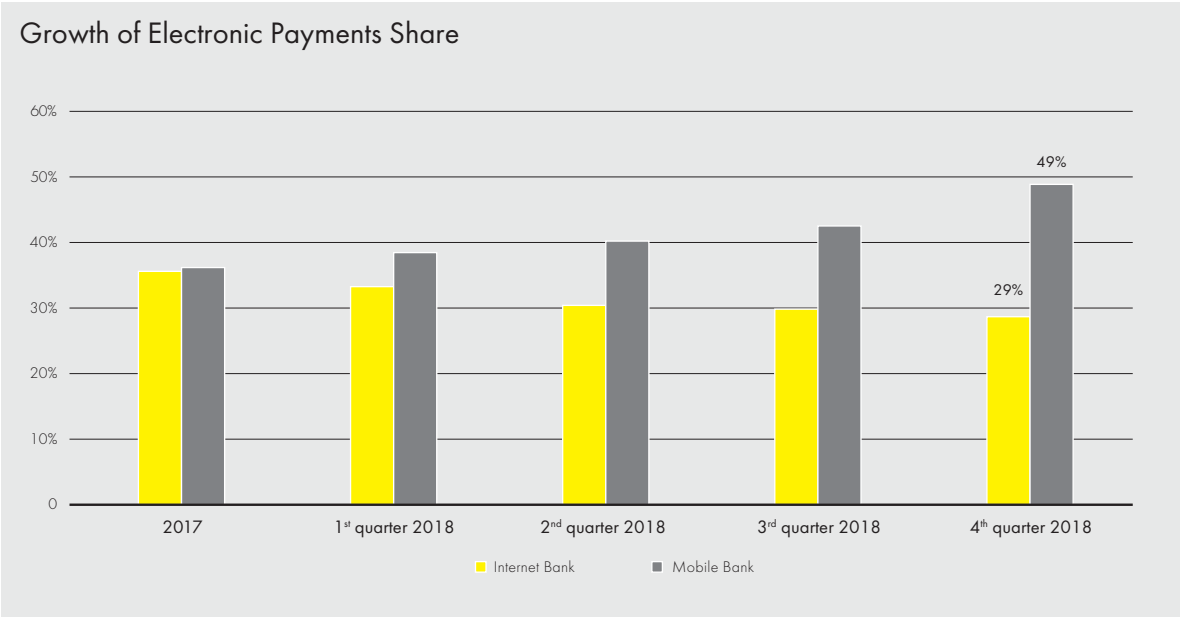
With the purpose to increase the lending volume the Bank developed a new type of pre-approved loan offers for the existing Bank’s clients which enabled to achieve higher rates of response and positive customer feed-backs.

In 2018, the communications focus with customers was shifted from product offer to the client co-operation level owing to application of deep analytical tools studying the data on consumer preferences and behavior. Personalization of interaction with the customer was the key development priority in 2018.



Development of distant channels, availability of strategy and online financial tools promotion plan enabled Prior-

bank to increase the share of electronic channels in the total transactions volume.



In 2018, Priorbank developed a new tool of detailed visualization of the process of the Bank’s product buying by a customer (Customer Journey Map), which in a convenient manner enables to assess distribution channels efficiency at each process step, assess multi-channel efficiency integration, reveal ‘the Customer Journey’ efficiency loss points, as well as plan possible initiatives on the business profitability increase and customer satisfac-

tion degree. The tool allows to rationally build business processes, monitor current period targets performance, and, if required, promptly plan changes.

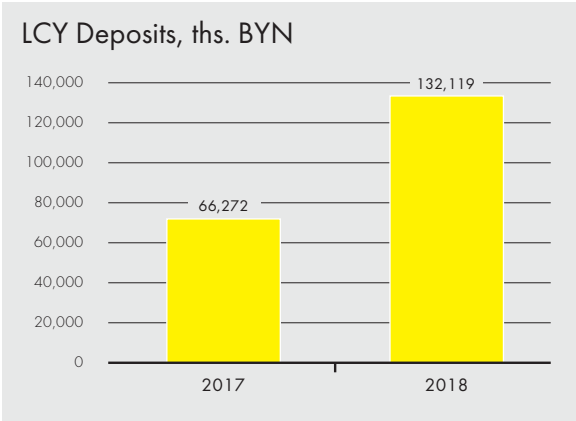
In 2018, 89% of Priorbank clients were involved in personalized CRM communications. More than 30% of the conducted CRM campaigns were targeted at offering the Bank’s products to the clients.

Pls Deposits and Accounts

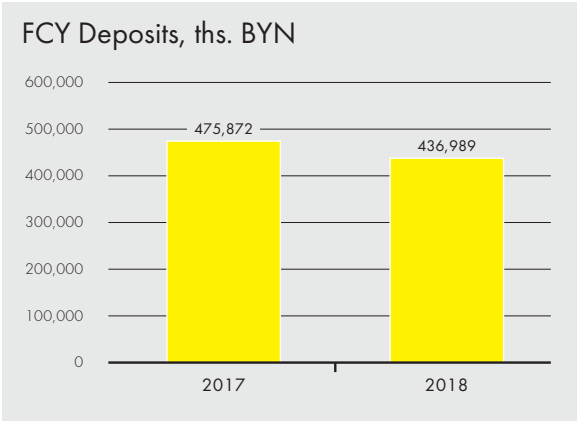
In 2018, LCY deposits grew by 99%. The positive trend is characterized by the deposits conditions attractiveness, optimally high interest rates level, funds safety guarantee, and the clients trust to Priorbank.

The Bank offered a wide deposits range: both revocable and irrevocable.

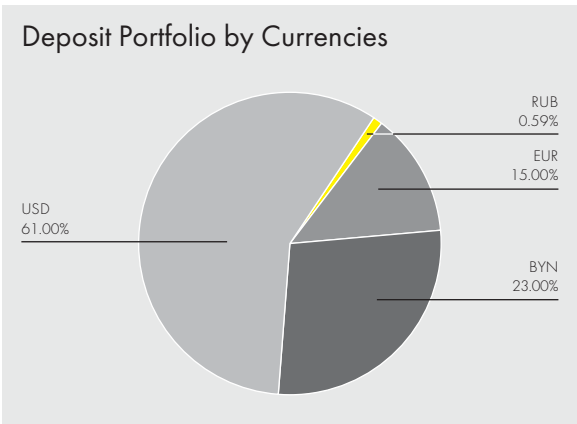
The share of irrevocable deposits in the LCY deposit portfolio increased from 43% to 76.5%.



In 2018, the Bank continued to pursue a conservative Interest Policy towards FCY deposits, which resulted in drop of term FCY deposits portfolio by 8.2%.



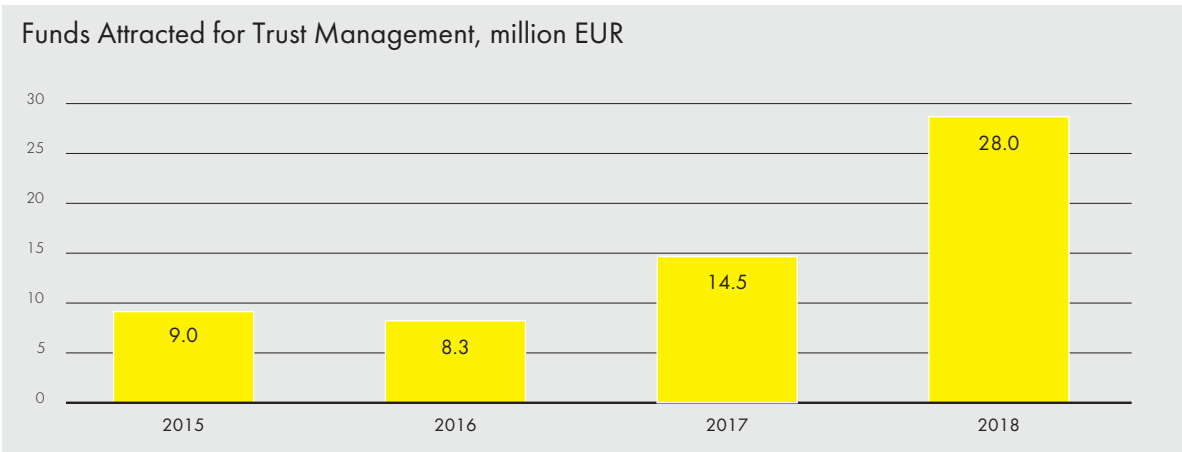
In 2018, the Bank formed a diversified deposit portfolio structure by currencies.



Investment products

Priorbank continued to grow assets of premium customers serviced within trust management. In 2018, the

amount of funds entrusted to the Bank for management increased by 93% to 28 million EUR.

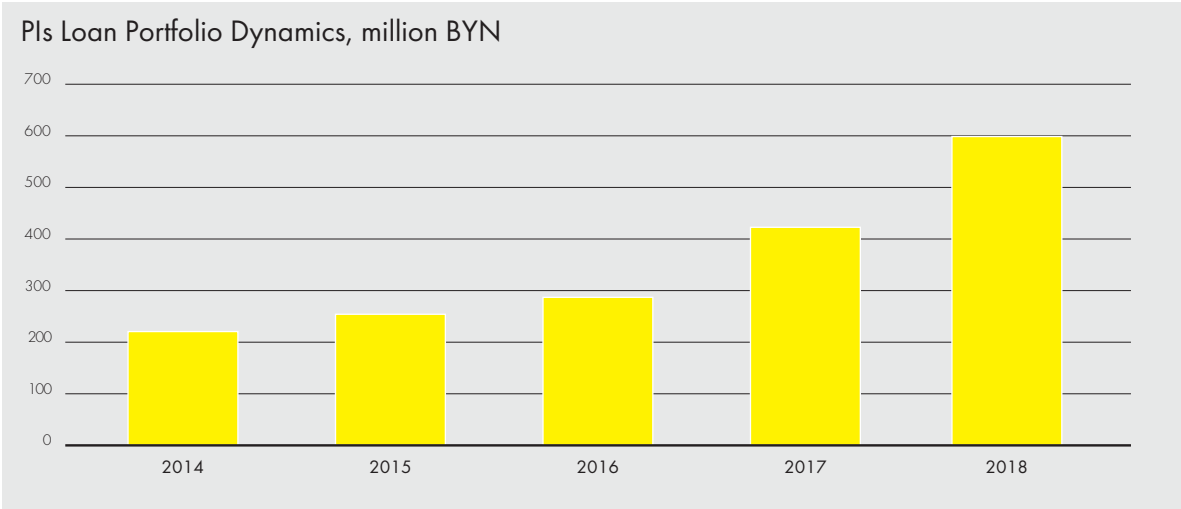


Loans

In 2018, Priorbank occupies the 2nd place among the banks of the Republic of Belarus in terms of consumer lending to PIs and the 3rd place in terms of total volume of loans to PIs. These results have been achieved owing to a wide product range, efficient communications with

the existing clients and a variety of channels of loan applications submission to the Bank.

In 2018, PIs Loan Portfolio grew by 44%. The key products contributed to the PIs Loan Portfolio increase have been consumer loans, credit cards and mortgages.



In September 2018, Priorbank launched a new product: payment by installments for goods and services by credit cards at the interest rate of 0.01% per annum for the period of up to 12 months. Furthermore, in November 2018 Priorbank offered its credit card holders a unique service – ‘Transfer by Installments’ enabling to utilize the credit card funds with a short installments period at beneficial conditions.

Also, in October 2018, Priorbank credit cards joined the KeyCard loyalty program: a client receives a money back up to 20% from the spent amount upon the credit card payment.

These measures were targeted at the growth of the cashless settlements share and increase of the product offer attractiveness.

In August 2018, the payroll clientsd the opportunity to receive the loan without visiting the branch: all the lending process starting from loan application filling to cash disbursement is conducted via the Internet-Bank. Meanwhile, online lending is very convenient due to fast decision making process and is available for the clients in the towns where there are no Bank’s branches.

In 2018, the share of mortgage loans in Priorbank’s Loan Portfolio increased twofold which evidences strengthening of the Bank’s position on the mortgage market of the Republic of Belarus. This indicator was achieved, inter alia, owing to co-operation with the construction companies and real estate agencies.

Tariff Policy

In 2018, Priorbank continued to pursue the Tariff Policy focused on stimulation of cashless transactions and promotion of distant banking service system (DBSS) for banking transactions execution.

The Bank expanded the functional of the Internet-Bank Prior Online and Mobile Application:

- the clients can enjoy the opportunity to transfer funds to 45 countries to the cards Visa and MasterCard issued by foreign banks;

- a user can add to his/her account the cards of other banks of the Republic of Belarus and transfer funds to Priorbank cards without any fees.

In 2018, FX transactions volume via DBSS and plastic cards increased by 52% vs 2017. The aforementioned growth is explained by utilization of flexible exchange rate formation mechanism depending on the transaction channel.

The Bank continued to further develop safety deposit box services to PIs owing to utilization of electronic agreement forms and automated fees calculation.

Payment bank cards

In the mid of 2018, Priorbank has issued a total of more than one million payment bank cards for the payment systems: Visa International, MasterCard Worldwide and “Belkart”, and by late 2018 their number amounted to 1,080,000.

Priorbank still remains one of the leaders in the Republic of Belarus in terms of the cards issue, occupying a confident 5th place with the cards issue growth rate of 13% in 2018. Meanwhile, the Bank occupies the 3rd place in terms of the market share of active cards in the portfolio.

Also, in 2018, Priorbank was the leader in terms of consumer lending having issued more than 12,000 credit cards in the last year.

Priorbank occupies the 3rd place in terms of cashless settlements via cards with a share of 58%. Priorbank is among the leaders in terms of cards transactions gross turnover – in 2018, Priorbank is ranked the 2nd with the gross turnover of 4.1 billion EUR, thereof 2.4 billion EUR – cashless payments for goods and services, and 1.7 billion EUR – hard cash withdrawal transactions. As compared to the last year the number of cards transactions grew by 50 million.

Continuing to develop up-to-date payment instruments, in May 2018, Priorbank was the first among Belarusian banks to successfully launch payment bracelets. The Project was implemented for IBA Group employees devoted to the IT company’s 25 years anniversary. The bracelet is the counterpart of the payment card. It contains a small card with a built-in antenna (a mini chip MiniTag) with all the functions of contactless cards Visa Classic payWave.

In July 2018, Priorbank provided the opportunity to its cardholders to transfer funds via the Internet-Bank Prior Online and mobile application to 42 countries of the world to foreign banks’ cards.

In late 2018, Priorbank and the International Payment System Visa launched a unique for the Republic of Belarus point loyalty program PriorPlus enabling all its participants to accumulate points for any everyday purchases. A client can change the points not only to the certificates of partners of well-known Belarusian brands, but also spend them for hotels booking, car rent, and purchasing of tickets directly on the program web-site within the international travel platform. Besides, the Cashback service additionally built-in to the program enables also to return part of the amount from online purchases on the well-known international web-sites.

Throughout the year, Priorbank cardholders actively participated in the national promotional campaigns arranged by the payment systems Visa International, MasterCard Worldwide and “Belkart” on the Belarusian market.

Thus, jointly with the Payment System Visa, Priorbank sponsored the festival ‘Rock for Bobrov’. Advertising games and special offers were arranged for the clients, the tickets with discounts were sold, as well as discounts were provided to the clients who executed contactless payments by a Visa card.

Priorbank actively supported football movement having issued the cards with a special design in summer 2018, as well as arranged two stages of the advertising game with draw of the journey to the Football World Championship FIFA 2018 to Russia, and other prizes with football attributes.

Premium Banking for Pls

In 2018, continued to render premium services for the affluent clients: Premium Banking and Premium Direct. In 2018, the number of premium clients grew by 16%.

With the purpose to create additional convenience and save time of the premium clients, in 2018, the Bank expanded the list of distant banking operations and services, which can be executed via Premium Direct Service. In Premium Banking the clients can distantly execute a number of new operations, such as assets transactions under the funds trust management agreement.

In 2018, the Bank launched additional services to its premium clients such as Auto help on a road and Lawyer 24, which enable to increase the value of the premium servicing due to covering of non-banking issues of the clients’ life.

Contact Center

In 2018, the total number of inquiries to the Contact Center via all communication channels increased by 3% to 1,360,000.

The share of Pls inquiries accounted for 87%, thereof premium clients via a 24/7 separate dedicated hot line.

The share of LEs inquiries increased by 4% to 13%.

The average service level in the Contact Center in 2018 constituted 85%/60 seconds, which means that the operator joined 85% of the incoming calls and chats within the first 60 seconds. The service level of the premium clients reached 87%/60 seconds.

The most popular service channel in 2018 was the voice channel, which share constituted 94% of all clients’ inquiries.

The share of digital channels in 2018 accounted for 6%, the most frequently used channel was the Internet-Bank Chat, where the number of inquiries reached 62 ths.

In 2018, the number of inquiries via social networks Facebook, Twitter and VKontakte increased by 12%. The Bank also answered more than 5,000 incoming inquiries via e-mail, sent more than 7,800 SMS, and processed more than 1,000 fax messages.

Joint view of the Internet-Bank pages with the Bank’s operator during the chat or the phone call enjoyed popularity. More than 2,800 clients utilized the service in 2018.

In 2018, the Bank successfully completed the Project on Centralization in the Contact Center of LEs Phone Calls regarding the cash management issues. Calls of 12 Minsk BSCs were shifted for processing to the Contact Center. Throughout the year Priorbank processed more than 180,000 ths. calls of LEs. The Project was acknowledged the best in 2018.

In 2018, the number of clients who created the Voice Sample during the call processing by the Bank’s Contact Center increased twofold. As at 01.01.2019, 24% of the active clients – PIs could confirm their identity by voice upon calling to the Contact Center. In 2018, the voice biometry service enabled to save 835 working hours due to reduction of the client’s identity confirmation time from 35 to 15 seconds.

Throughout the year, the Contact Center improved its positions as the sales center of the Bank’s products and services to PIs. In 2018, the Contact Center’s share increased to 36% in the total loan sales to PIs vs 28% in 2017.

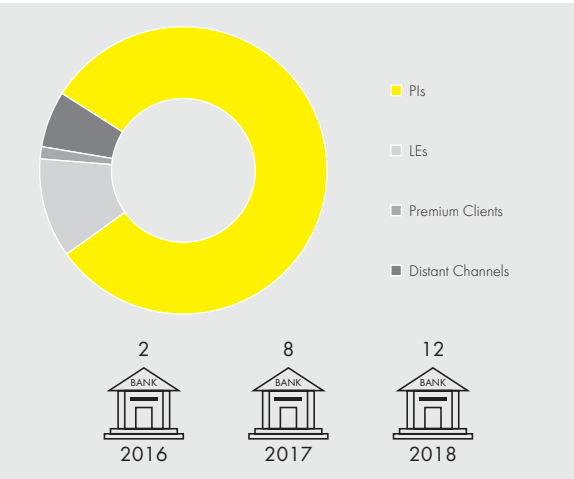
The customers inquiries resolved by the Contact Center operators on the first try accounted for 85%. The customer satisfaction survey shows, that 76% of the customers will recommend their colleagues and friends to apply to the Contact Center for servicing.

Throughout the year the Bank actively created new customer support channel – ‘messengers’. Since May

2019 the customers can send a personal inquiry to the Bank via the public chat Viber or Telegram and receive up-to-date and correct information regarding the Bank’s products and services.

Throughout 2018, the Bank was developing the uniform widget Online Assistant at the corporate and the Internet Bank web-sites as the 24/7 support tool for PIs customers. The client can choose the communication channel with the Bank based on the data on its accessibility: a call, a call back order, a chat or a letter via an e-mail. The service was launched in the Internet-Bank on 26 February 2019 and will be available on new version of the corporate web-site.

In September 2018, Priorbank started to implement the project on launch of the IVR assistant in digital channels. This project will enable to deny from choosing of the menu options in tone dial mode and render the clients a new improved service applying the voice detection system. A client will only communicate the inquiry in a normal manner, so that the system understands its essence and redirect for servicing to the operator or the self-service desk.



Bank branches

As at 1 January, 2019 Priorbank branch network included 85 outlets. They split in the following way: 30 Banking Services Centers (BSC) and 55 Specialized Points of Sale

(POS). Throughout 2018 Priorbank continued to implement RBI Group projects targeted at branches’ efficiency increase and service quality improvement.

Acquiring

In 2018, Priorbank JCS continued to improve its partner relationships with clients offering acquiring services.

On 1 January, 2018 the cooperative project of the Bank and the branch of international company IBA started on setting up mobile terminals of the new generation. The results of the previous year show the high demand for this terminal — about 330 devices have been set up.

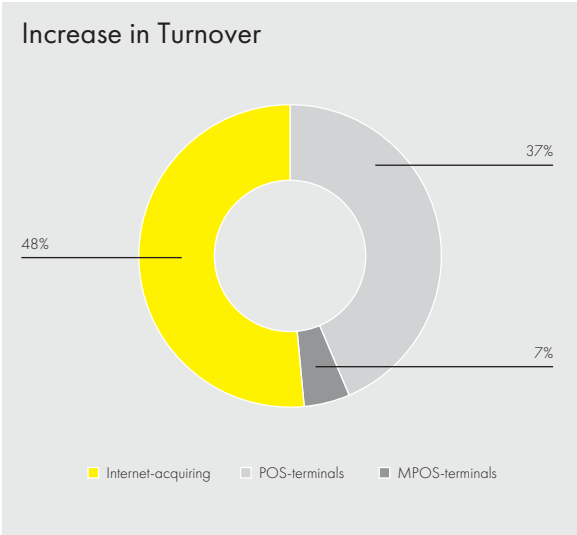
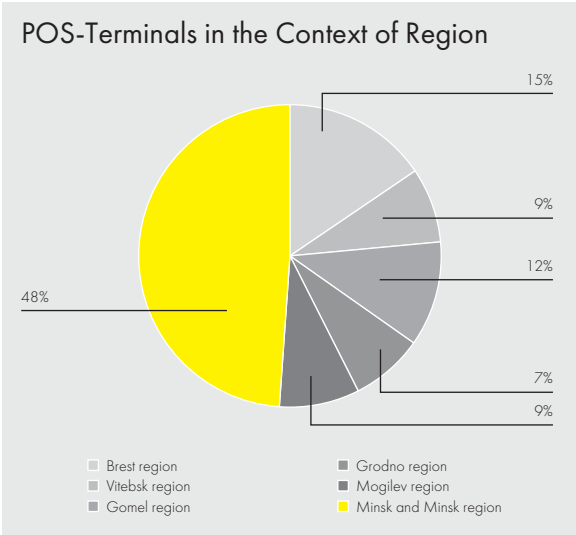
Another significant project of 2018 was creation of the new cost-effective tariffs for POS-acquiring that allows the Bank to have profit with the standard interest rates, and also in most cases with the interest rates reduced by 20%.

In the second half of 2018, the Bank started to work with mobile applications in the e-commerce segment with the functions: Credential-on-file and Recurring payments.

These functions allow to buy product or service on certain conditions from particular merchant repeatedly.

According to the results of 2018, the Bank increased the number of installed terminals by 24.8%.

In 2018, the total turnover of POS-terminals increased by 37% as well as by 48% on internet-acquiring and by 7% on MPOS-terminals.



The background is a vibrant yellow. In the top-left corner, there is a grey geometric pattern of nested chevrons pointing right. In the bottom-right corner, there is a large, complex grey pattern featuring a dense triangular mesh overlaid with several large, white-outlined, nested chevrons pointing right. The text is positioned in the lower-left area of the yellow field.

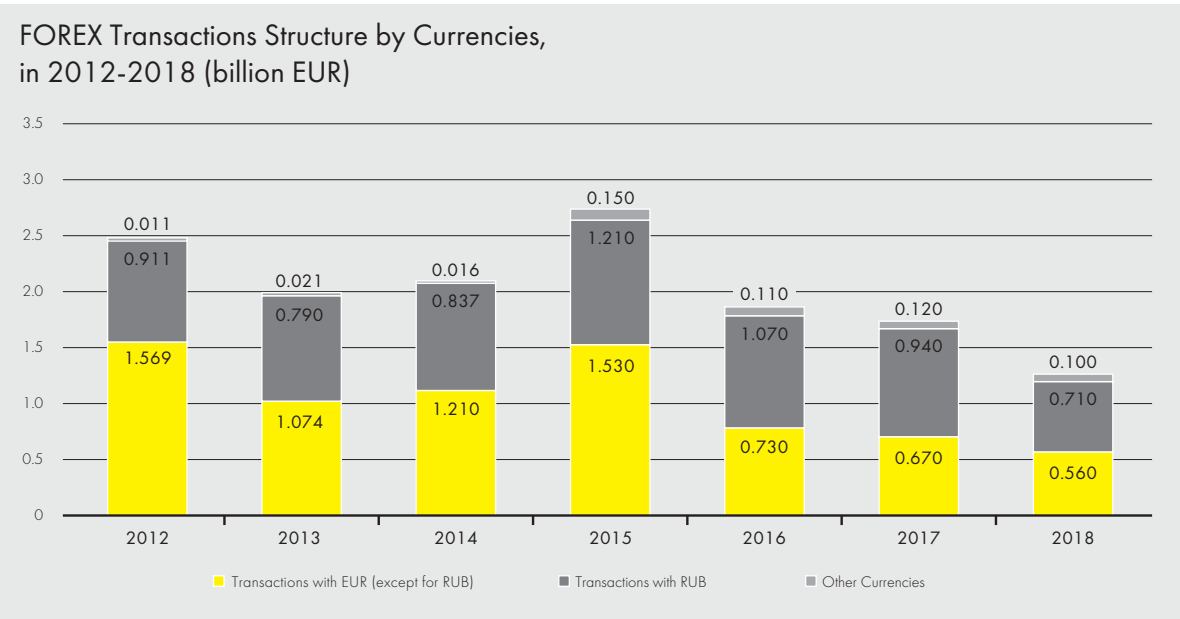
Treasury Operations.
Securities Dealings

Treasury Operations. Securities Dealings

FOREX Transactions

Prudent approach to the FX position ensuring FX risks mitigation enabled to achieve all the planned targets in 2018. On the background of significant growth of transactions with clients, the Bank had to close the positions on the

FX market more seldom – the majority of the transactions were closed inside the Bank, therefore the volume of the inter-bank FX transactions in 2018 dropped from 1.72 to 1.37 billion EUR.



As in previous years, the Bank allocated excessive FCY liquidity on the inter-bank non-residents market. In 2018, the average overnight allocation volume increased by

25.4% vs 2017 to USD 235.7 million, which, alongside with USD interest rates noticeable growth, significantly increased the Bank’s income from these transactions.

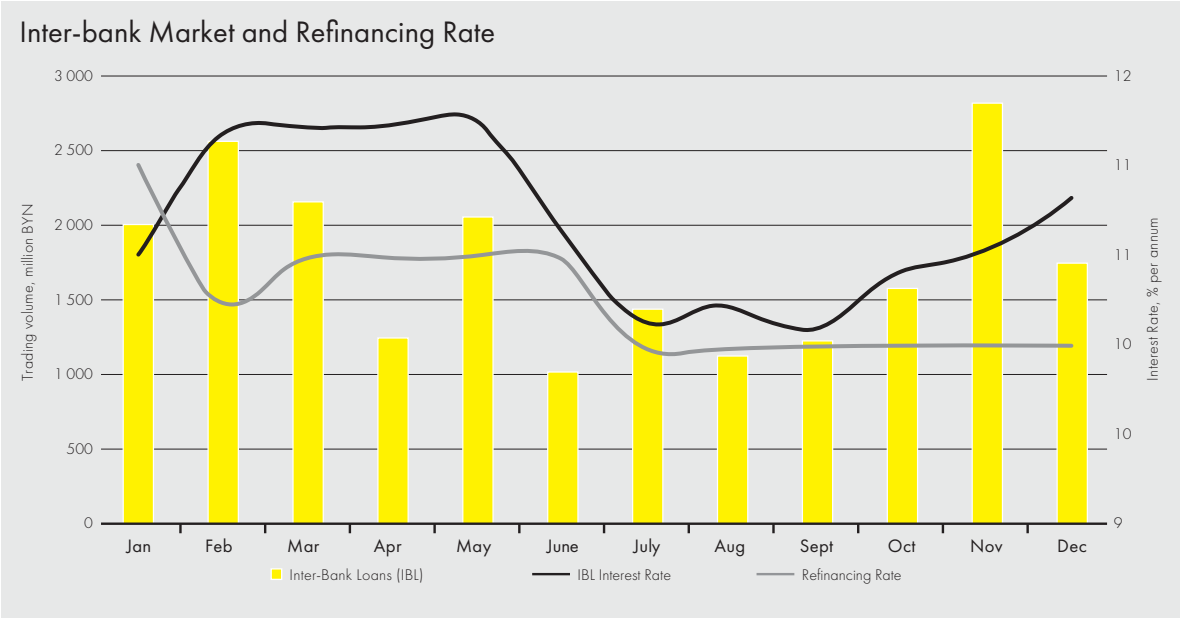
Local Money Market Transactions in LCY with Resident Banks

The banking system LCY liquidity in 2018 was generally positive, however, the periods of excessive liquidity regularly changed to the deficit periods, which mainly fell on quarterly taxes payments by companies. The National Bank of the Republic of Belarus (NBB) efficiently and rapidly responded the situation on the money market and executed the transactions on both liquidity provision and taking. The liquidity taking price slightly fluctuated

between 9.3-10.3% per annum; liquidity support price was 11.0-11.8% per annum. In this environment the NBB decreased the refinancing rate by 1% during the year from 11 to 10% per annum. The interest rate on the permanently available funds of the NBB did not change significantly having dropped from 11.75 to 11.5% per annum.

The funding price on the inter-bank market corresponded with the NBB interest rates range and fluctuated between 10.1-11.3% per annum.

In 2018, income from BYN inter-bank loans exceeded 660.7 ths. BYN, expenses amounted to 3,660 ths. BYN.



Securities Dealings with Fixed Income

In 2018, Priorbank actively invested to securities issued by the Government and the NBB. Thus, in 2018, the Bank bought short-term NBB LCY bonds to the total amount of 2.073 billion BYN (9.7% from the total issue volume), and NBB bonds nominated in FCY to the amount of USD 99.09 million (15.26% from the total volume allocated on the market). Priorbank’s income from investments to these securities amounted to 11.4 million BYN.

According to the Belarusian Currency and Stock Exchange rating of the bonds stock market participants, in 2018, Priorbank occupied the 8th place in terms of the number and volume of the concluded transactions among 54 market participants.

Treasury Products

In 2018, Priorbank increased the average monthly legal entities’ deposit portfolio by 18% vs 2017 to 440.3 million BYN.

In 2018, the clients retained the interest to Priorbank bonds. With the purpose to satisfy the demand, the Bank additionally arranged 31st issue of its bonds to the

amount of 50 million BYN. Throughout the year, the Bank concluded 651 transactions with its binds (for reference, in 2017 – 24 transactions) having increased this indicator by 27 times vs 2017. The total transactions volume increased by more than 28 times: from 53.5 million BYN in 2017 to 1,535.5 million BYN in 2018.

FCY Buy/Sell Transactions at the Belarusian Currency and Stock Exchange (BCSE) and on the over-the-counter market

In 2018, Priorbank confirmed the status of the large operator of the BCSE market confidently entering the top five leading Belarusian banks in terms of FCY Buy/Sell trading at the BCSE.

Priorbank’s FCY Buy/Sell transactions volume on the FCY over-the-counter market in 2018 amounted to 13.9 billion BYN, having increased by 17.6% vs the previous year, enabling the Bank to retain its 12% share on the FCY over-the-counter market.

Improvement and active promotion of digital banking service ‘Internet-Bank Trading Platform’ enabling the

clients to execute on-line FCY Buy/Sell transactions at current market exchange rates contributed to increase of the number of active clients by 19.7%, and the volume of FCY Buy/Sell transactions via this channel by 27.8%.

Priorbank actively offered its clients FX risk hedging service by execution of forward FX transactions, which resulted in growth of the number of customers utilizing forward transactions by 19%. The volume of the concluded forward transactions in 2018 increased by 48.6%.

Liquidity Management

Priorbank liquidity position in 2018 remained at sufficient level. The Bank performed all the Prudential Standards of the National Bank and international liquidity standards.

Priorbank pursued the liquidity balanced management strategy through simultaneous assets and liabilities management.

LCY liquidity was characterized by the following indicators:

- funds owed to customers growth by 282 million BYN or 37% (from 769 million BYN as at early 2018 to 1,051 million BYN as at late 2018);

- loan portfolio growth by 349 million BYN or 37% (from 944 million BYN to 1,292 million BYN);
- flexible interest policy regarding liabilities/assets management (change of transfer prices in order to optimize raised funds pricing and return on assets operations).

In 2018, Priorbank increased efficiency of the liquidity management processes improving the existing management models, which enabled the Bank to adequately adapt to changing market environment.

Custody services

In 2018, 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.

In 2019 the creation of conditions for providing custody services via smart digital communications, including the Internet-Bank, will be the key development focus.

The Bank’s shareholders comprise of 479 legal entities owning 95.18% of the shares and 15,215 private individuals owning 4.82% of the shares. The majority share in the authorized capital of the Bank belongs to Raiffeisen CIS Region Holding GmbH (associated company of Raiffeisen Bank International AG).

The number of Priorbank’s ordinary shares is 123,058,441, and privileged shares – 10,000. The nominal value of a share is 0.7 BYN.



International Activities

International Activities

Priorbank JSC has always paid utmost attention to the international business of its customers. Being a well-funded institution the Bank supports clients in exploration of new markets and backing up their international relations.

Priorbank is a member of Global Trade Finance Program of International Finance Corporation (IFC) and Trade Facilitation Program of European Bank for Reconstruction and Development (EBRD), which constitutes a solid ground for foreign trade business of any client.

Priorbank offers a number of products with unique terms and conditions like Funded Risk Participation jointly with

the EBRD and RBI. It allows customers to ease access to the financing tools and get loans at an attractive pricing. Companies that have already used this product noted its positive economic effect. Considering perfect track record of cooperation, Priorbank intends to reduce credit risk on customers by the means of unfunded agreement with the EBRD and utilize additional funds in the upcoming years.

Due to the gained experience through the decades of co-operation with RBI, EBRD, IFC, FMO, AKA and development institutions of Asia we can offer our customers the most effective ways of international business support.

Correspondent Banking

Within the globally changing environment moving to the digitalization, customers require faster, easy-understandable and convenient products and services. Priorbank successfully meets these expectations and constantly improves experience in cross-border transaction banking.

It can be achieved by a combination of both the quality of correspondent relationships together with the innovative IT technologies. Strict internal policies, local and international Know Your Customer (KYC) procedures and anti-money laundering (AML) controls provide

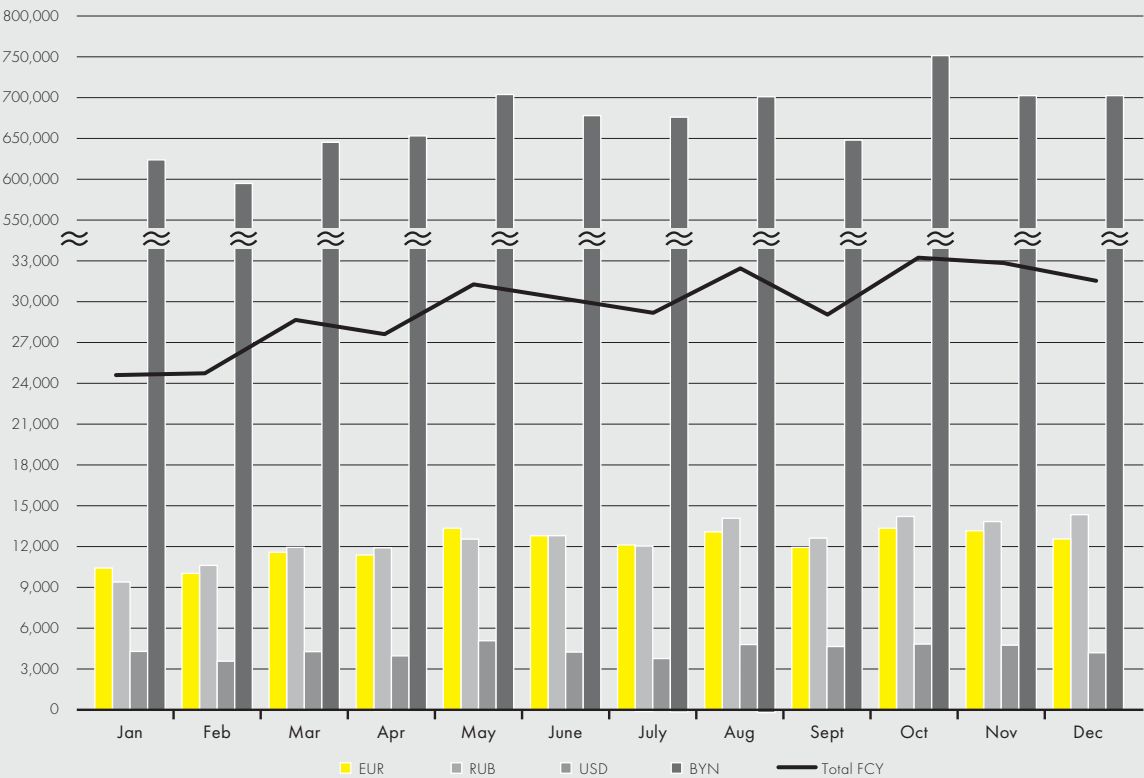
Priorbank’s clients and counterparts with confidence and comfort of cooperation.

Last year the largest number of payments were sent in favor of recipients from Russia, Germany, Austria, People’s Republic of China, Poland, Ukraine, USA and UK. In 2018, the volume of both outgoing and incoming payments in foreign currencies increased by 6%. Priorbank’s share in FCY outgoing payments was 18% locally, while the share in LCY payments – around 10%.

Market share			
	2016	2017	2018
Payments in BYN, %	10.06	10.27	10.30
Payments in FCY, %	17.79	18.39	18.03

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Personnel	
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Network	

Outgoing Payments Dynamics in 2018



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 ABP	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	MUFG BANK, LTD.	Tokyo	Japan	BOTK JP JT
KZT	KZ586010011000268568	JSC HALYK BANK	Almaty	Kazakhstan	HSBK KZ KX
PLN	PL68102000161201110000027901	PKO BANK POLSKI SA	Warsaw	Poland	BPKO 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 in the Bank

The Risk Management System is the key management element in the Bank, its subsidiaries, as well as at RBI Group level in general. With the purpose of mitigation of risks and their possible adverse affect on the Bank’s business, Priorbank conducts comprehensive risk detection and management activities. Priorbank applies advanced risk management approaches and ensures the capital planning to cover risks taking into account stressed conditions.

The Bank’s Risk Management System constitutes a complex of its organizational structure, authorities and responsibilities of executives, local standard acts, determining the risk management strategy, policies, guidelines and procedures, as well as the risk management process, targeted at achieving of the Bank’s financial safety and operations risks mitigation. For these purposes, the Bank annually develops and its Supervisory Board (SB) approves Priorbank Risk Management Strategy. This guiding document defines the measures to achieve adequate risk/return ratio, establishes the Bank’s tolerance towards the key banking risks:

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

The Bank’s Risk Management Organization is based on the experience and principles of RBI Group and fully complies with NBB requirements. In addition to the regulator’s requirements Priorbank internal risk management methods take in to account the character, scope and complexity of the Bank’s business processes and corresponding risks.

Strategic Risk

Strategic Risk assessment forms the basis of general risk management system of any commercial bank. In order to assess the Strategic Risk level, the Risk Management Team develops a Multifactor Model enabling to assess the Bank’s capital ability to compensate loss caused by various shocks.

Credit Risk

The Credit Risk is the most comprehensive within the risks structure and the most important for the Bank’s management. The Bank constantly manages the credit risk, including its detection, assessment, development of mitigation measures and control both within the concrete transactions and on the portfolio level.

Utmost attention is paid to the risk concentration resulting in unbalanced exposure distribution. Risk concentration is managed by the limits establishment.

The Bank controls the Credit Risk, concentration risk by the limits establishment for one client and group of connected clients, as well as by the limits establishment for industries, currencies and other concentration types. The Bank regularly monitors such risks, the limits are reviewed at least once a year.

The lending transactions with clients are assessed based on their credit history, financial standing, transactions parameters and collateral quality. The Credit Risk is managed by regular analysis of the ability of the existing and potential clients to fulfil their financial obligations, as well as by change of the credit limits, if required, development of financing structures minimizing risks and loan portfolio management within the approved Credit Policies. It is worth mentioning that the Credit Risk management (CRM) applies various approaches to assess counter-agents risks, therefore the financing criteria shall be determined individually for each customer segment. Thus, default risk classification for corporate and medium-sized customers is conducted based on the rating approach, for small-sized customers and PIs – using the scoring assessment model. The respective ratings are regularly reviewed, updated and validated.

The CRM plays an important role for determination of the Bank’s assets quality, making decisions, targeted at stable operation, as well as direct influence on the financial results of the commercial bank’s activities in the reporting period.

Market Risk

The market risk is managed and controlled by the limits system setting and regular stress testing.

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Liquidity Risk

The Bank manages assets taking into account the liquidity, daily monitors future cash flows and liquidity. In order to assess actual Bank's need in liquid funds, the Bank's specialists monitor the liquidity with the help of the gap analysis, liquidity indicators method, liquid funds reserve and stress testing. Within the risk management system development, the Bank implemented the process of monitoring and management of new liquidity ratios offered by Basel III.

Operational Risk

In order to minimize operational losses, as well as improve operational risk management system, the Bank monitors operational incidents, as well as other events negatively affecting the Bank's business activities, collects and analyses key risk indicators, assesses the Bank's exposure to operational risk based on the stress testing. The Bank constantly improves corporate culture of understanding of the operational risk and methods on operational losses prevention.

Reputational Risk

As the business reputation in the current market environment is one of the key competitive advantages of any commercial bank, Priorbank implements a complex of measures in order to support a high quality assessment of the Bank's business activities by its clients, counter-agents, shareholders, financial market participants, Governmental bodies, banking unions (associations) and other organizations.

Risk Management Principles. Organizational Structure

The Bank's risk management processes are constantly improving – the Bank implements advanced risk management systems, improves tools and methods. These systems include qualitative and quantitative approaches to the management and control of the aforementioned risks.

New risk management approaches are developed both at the Bank's and RBI Group's level. RBI Group approaches and methods contribute to the introduction of up-to-date international risk management practices.

One of the key risk management principles is development of corporate culture of risks understanding peculiar to the banking field. The Bank improves the culture of risks understanding upon execution of banking operations by disclosure of the required information and setting of the respective risk assessment methods.

The Bank ensures constant participation of the management bodies in organization and functioning of the Risk Management System, as well as clear distribution of risk

management authorities and responsibilities among the Supervisory Board, Risk Committee, Management Board, and other Bank's bodies and executives, risk management units, risk generating units, and inter-action among all the aforementioned risk management process participants.

The underlying organizational Risk Management principle is the clear separation of business units and risk management units at all levels (including Deputy Chairmen of the Board).

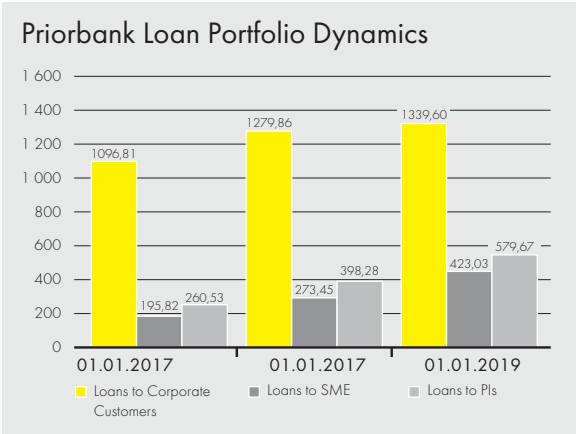
The Bank's Management Board organizes the Risk Management System and ensures the Bank's performance of the targets set by the Supervisory Board in this area, approves local standard acts of the Bank, developed to fulfil Priorbank Risk Management Strategy and regulating risk management policy, methods and procedures, as well as the order of decisions making, units interaction, distribution and delegation of authorities within the risk management process, ensures their efficient practical application.

Credit Risk Management Development in 2018

The year 2018 was noted by stable macroeconomic environment favorable for business activation, which positively affected the dynamics and quality indicators of Belarusian banks' loan portfolios.

On the background of these positive changes, in 2018, Priorbank continued to improve the Credit Risk Management Systems in the following directions:

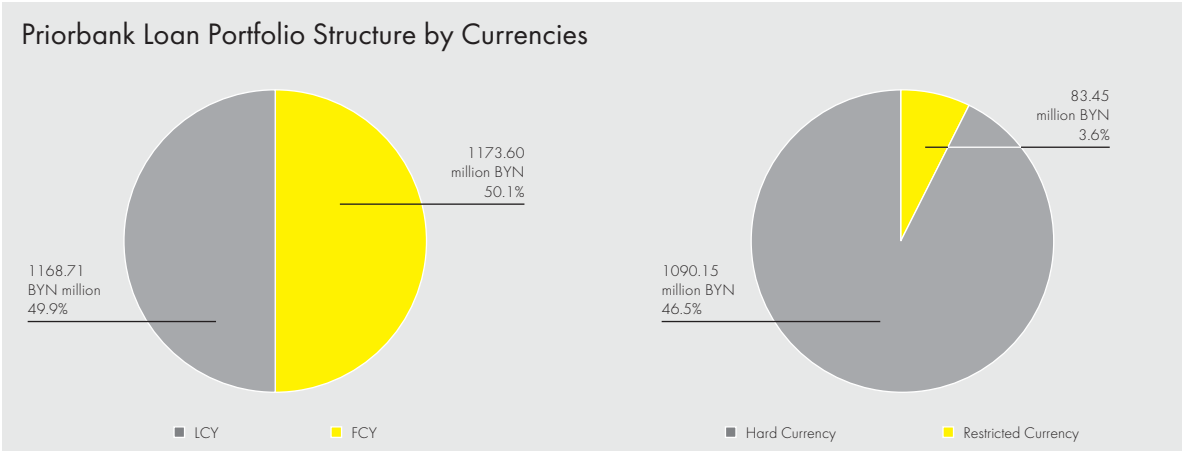
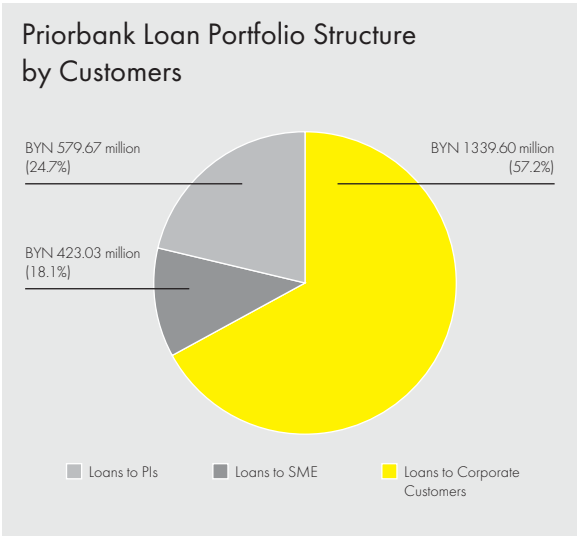
- improvement and constant loan portfolio quality analysis, operative response to the situation change jointly with Early Warning Signs (EWS) System improvement. More active work with problem debts at early past due stages, thereof debt restructuring; application of new instruments in work with problem debts at late workout stages;
- lending process further optimization focusing on efficiency increase (thereof further products standardization, workflow reduction, separate business processes automation, etc.);
- review/update of target risk acceptance level in the industries, other portfolio purposes;
- compliance with credit policies requirements, regular analysis of borrowers and due response in part of financing limits review, financing terms and conditions adjustment. Special attention was paid to the borrowers of cyclical industries, lending in FCY with monitoring of the borrowers with increased FX risk;
- further improvement of Credit Fraud Prevention System focused on prevention and identification of fraudulent actions;
- Risk Management IT support development.



In 2018 vs 2017, the LEs and IEs (corporate, SME) Loan Portfolio grew by 13.5%, Pls – by 45.5% (in 2017 vs 2016 – by 20.2% and 52.9% respectively). One of the key growth factors were macroeconomic stabilization and drop of loans pricing, as well as launch of new products and lending process efficiency increase.

Given more active growth of Pls segment, Priorbank Loan Portfolio Structure underwent respective changes: the

share of LEs and IEs loans in the Bank’s Loan Portfolio Structure as at 01.01.2019 accounted for 75.3%, having decreased by 4.3% vs early 2018; respectively, the share of Pls loans in the Bank’s Loan Portfolio Structure as at 01.01.2019 increased by 4.3% vs early 2018.



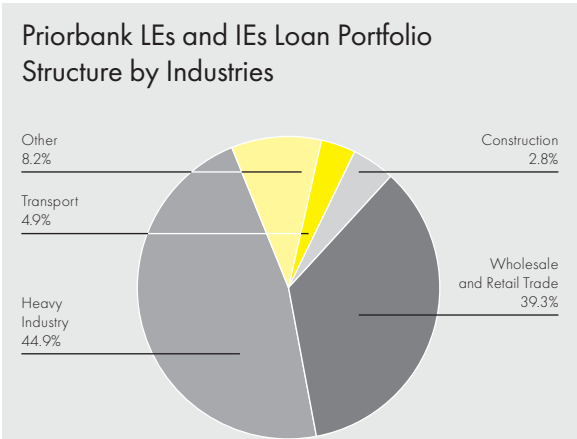
The share of the customers financing in FCY dropped by 8.9% vs early 2018. This fact is connected with growth of attractiveness of LCY borrowings due to BYN loans interest rates drop. The FCY Loan Portfolio Structure also changed in part of restricted currencies share increase.

The Loan Portfolio Structure by industries remained unchanged. In the LEs and IEs Loan Portfolio Structure as at early 2019 the largest share falls on heavy industry, (44.9% of the Loan Portfolio), wholesale and retail trade (39.9%).

Due to conservative approach to lending with the purpose to mitigate credit risks, efficient Loan Portfolio management, constant improvement of risk management procedures and systems, currently, Priorbank possesses significant capital cushion and excellent assets quality.

One of the key success factors is high efficiency of Priorbank current Risk Management System.

Its further development remains an important priority for the Bank.



The background is a vibrant yellow field. Overlaid on this are several white geometric shapes: a large, irregular polygon in the center-right, and a series of nested, stepped lines in the top-left and bottom-right corners. These white shapes frame a black and white photograph of a modern building with a glass facade, seen from a low angle looking up. The building's lines and the sky with clouds are visible through the white geometric cutouts.

Personnel

Personnel

As at 01.01.2019 the headcount of the Bank was 2,124 employees, thereof 20% of male and 80% of female employees. Number of employees with the high education is 89%. In 2018 the number of employees between the ages of 18 and 25 was 206, among them there are talented graduates of higher educational institutions who were on traineeships in the Bank or graduated from Prior School. 38.8 years is the average age of Priorbank employees.

Key HR priorities in 2018 were:

- **Maintaining of innovation culture in the Bank:**
 - development of non-financial motivation tools for employees aimed at generation and implementation of innovative ideas;
 - regular and systematic employees training of innovative approach in banking;
 - Lean methodology implementation: 298 ideas are generated by employees in 2018, 47 of them are in the process of implementation;
 - 90% of Priorbank employees works with Performance Management upgraded after revitalization process.
- **Maintaining high level of employee motivation and engagement:**
 - development of non-financial motivation program for the employees of the Bank;
 - further development of social package aimed at highly qualified and loyal employees retention by means of updating the medical service program, pension insurance, etc.;
 - implementation of the incentive systems for Branch employees aimed at improving the quality of customer service and individual performance;
 - 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 73% of the active headcount.
- **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 70 webinars were 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 sales skills development program was implemented;
- new learning project aimed to create information field in terms of digital banking, to develop innovation culture and environment of permanent improvement on the base of actual instruments for B, B-1 was launched;
- 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 encouraging 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 2018: the 22th tourist rally among the 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», «Best of the Best in HO», «Best of the Best in Branch», were held.
- For achieving of high results for the year 2018 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.

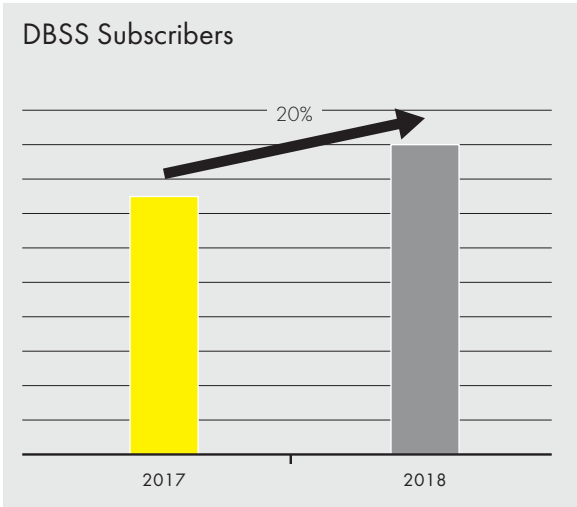
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The image features a vibrant yellow background. In the upper left, there are several concentric, light gray chevron shapes pointing towards the center. On the right side, a stylized, grayscale image of a modern building facade is visible, characterized by a grid of windows and vertical lines. Overlaid on this building image are several white, concentric chevron shapes that mirror the ones in the top left. The text 'Information Technologies' is positioned in the lower-left area of the yellow field.

Information
Technologies

Information Technologies

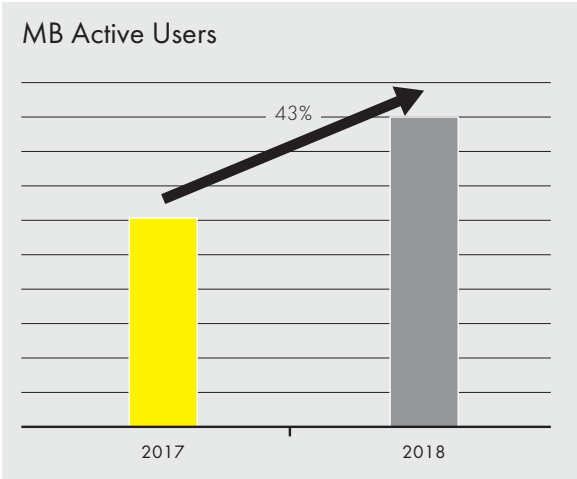
Nowadays, efficient banking system development directly depends on launch of the latest achievements of scientific and technological progress. Digital banking enjoys the increasing demand and popularity not only on the international banking services market, but also on the Belarusian banking market. The key prerequisite for Distant Banking Services System (DBSS) successful development in any country is general level of information and communication technologies development.



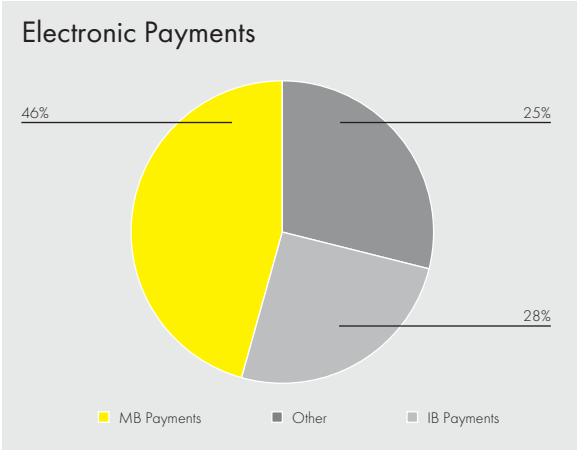
In early 2018, the number of the Internet subscribes in Belarus reached 11.8 million, having increased by 1.4 times for the previous five years. 91% of the Belarusian Internet users utilize the web daily. Among youth this indicator is even higher – 98%. From year to year the banks invest increasingly more funds in such a business model development.

Priorbank is not an exclusion and continues to remain one of the distant banking services market leader developing the most up-to-date services for its clients. Thus, the number of unique clients switched to various systems (Internet, SMS, USSD) increased by 20% vs the previous year. The Bank pays utmost attention to the development of new functionalities for mobile applications, owing to which the number of mobile bank users is rapidly growing.

Thus, the number of Mobile Bank (MB) active users increased by 43% vs the previous year. The number of Internet Bank (IB) active users remains stable.



Increasingly larger number of clients pay regular accounts via electronic channels. 75% of payments/transfers are executed via Mobile or Internet Bank. Each second payment/transfer is executed by mobile phone.



In 2018, the Bank actively developed and improved DBS electronic channels. Utmost attention was paid to the development of MB functionality and electronic products.

The Bank launched online lending process, which is based on the technology of the electronic documents signing using the M-Code. The salary payroll customers can receive the loan applying for it via their online personal account in the Internet Bank or Mobile Application.

All the lending process is fully online without the visit to the Bank.

The Bank's clients enjoy the unique service of cash transfer to the cards issued by foreign banks via their Prior Online personal account.

The Bank's clients can pay via SSIS (Single Settlement and Information Space) using QR-Code.



Since late 2018, the Bank's clients can add other banks' cards to their IB online personal account and transfer cash to Priorbank cards from them.



The Bank also added new functionalities to the mobile application Prior Online, such as convenient navigation using the lower menu – Bottom Navigation Bar; scanning of the card requisites using NFC Module; quick move to payments, transfers and exchange rates by pressing the application icon: Android Shortcuts and iOS 3D-Touch.



Dealing with external innovations in 2018 contributed to Priorbank inclusion into the several Group Network Banks, having supported the largest in Central and Eastern Europe Acceleration Program in the area of FinTech 'Elevator Lab', launched in 2017 by Raiffeisen Bank International.



On 24 April, Priorbank launched the exclusive contest Elevator Lab Challenge Belarus, enabling Belarusian FinTech Start-ups to enter international market.

Development of Service to Legal Entities and Individual Entrepreneurs

In early 2018, the Bank launched fully new Internet Bank 2.0 for LEs with modern configurable design and convenient functionality.

Internet Bank 2.0 for LEs functionalities:

- work in all the most wide-spread web browsers;
- user desktop flexible settings;
- account statements generation;
- payment documents online signing;
- 24/7 immediate online cash transfers (internal bank BYN payments);
- operations with corporate cards; acquiring; and credit operations;
- export/import of documents for integration with ERP-Systems;
- Trading Platform with beneficial exchange rates;
- NBB exchange rates;
- built-in automatically updating bank reference books;
- the Internet Bank user actions audit.

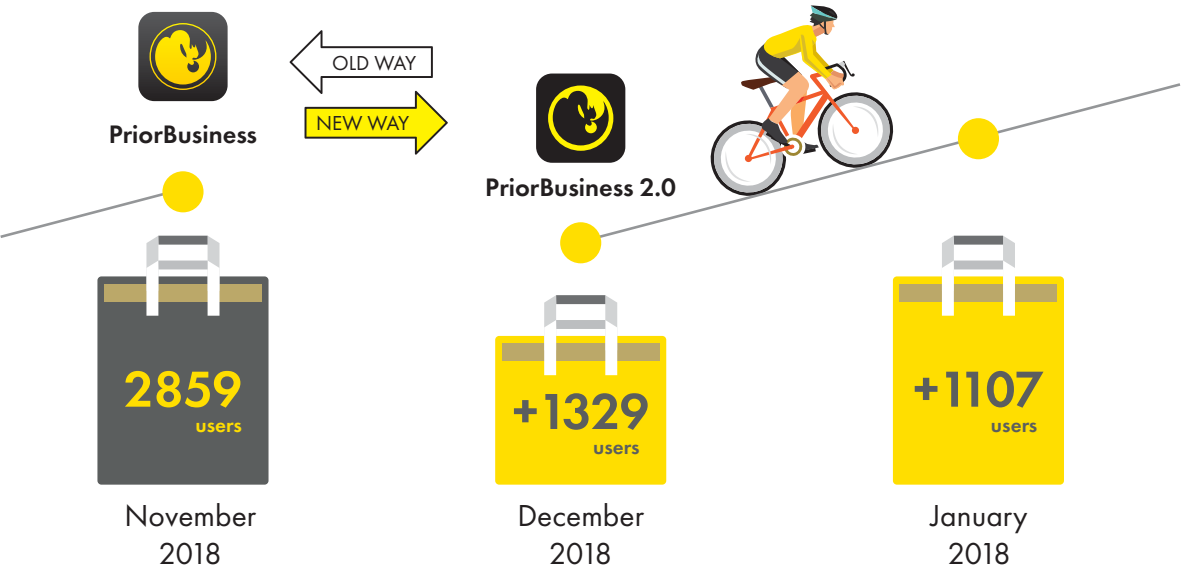
The user convenience is one of the key advantages of the Internet Bank 2.0.

Therefore, the users enjoy the new “M-Code” technology, enabling the clients to confirm all the Internet-Bank 2.0 transactions in a quick and convenient manner. In late 2018, the Bank launched a new mobile application for LEs and IEs PriorBusiness 2.0, which laid a solid foundation for distant services further development in this area.

PriorBusienss 2.0 application functionalities:

- a company’s actual account balances;
- account statement generation;
- NBB exchange rates;
- the LEs Internet Bank user actions audit;
- alternative/additional security parameters: user identification by a fingerprint, a digital smart-code or a graphic key;
- user desktop flexible settings;
- possibility to set the accounts and send accounts requisits;
- generation of a docx print document form for further saving and sending;
- payments to the budget, to a LE or a PI;
- transfers among the client’s accounts;
- account opening application;
- possibility to switch between the client’s companies;
- calls to the Bank from the mobile application.

The application is constantly developing and improving, thus, in early 2019 the Bank is planning to launch payments signature functionality in PriorBusienss 2.0 with the use of a single-time SMS-code.



In August 2018, the Bank opened to the developers the access to Priorbank API Shop, where the integration with the following API services is described:

- exchange rates;
- branches, ATMs, Cash-Ins;
- geolocation services;
- online loan application;
- accounts balances;
- accounts statements.

In late 2018, 43 users were registered on Priorbank API Portal.

The Bank also launched a new service for LEs and IEs – receiving of accounts balances and statements via closed API web-interfaces.





Financial Information

Translation from the original in Russian



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Auditor’s Report of the independent audit firm Ernst & Young LLC on the individual annual financial statements of “Priorbank” JSC for the period from 1 January 2018 through 31 December 2018

To Sergey Kostyuchenko, Chairman of the Management Board of “Priorbank” JSC

To the shareholders, Supervisory Board, Audit Committee and Management Board of “Priorbank” JSC

To the National Bank of the Republic of Belarus

Opinion

We have audited the accompanying individual annual financial statements (hereinafter, the “annual financial statements”) of “Priorbank” Joint Stock Company (hereinafter, “Priorbank” JSC” or the “Bank”, which comprise the balance sheet as at 1 January 2019 (Form 1), and the income statement (Form 2), statement of changes in equity (Form 3) and statement of cash flows for the year then ended (Form 4), and notes to the annual financial statements.

These annual financial statements were prepared by the Bank’s management in accordance with Law No. 57-Z of the Republic of Belarus On Accounting and Reporting dated 12 June 2013, Resolution No. 728 of the Board of the National Bank of the Republic of Belarus On Approval of the Instruction on Organization of Accounting and Financial Reporting in the National Bank of Republic of Belarus, in Banks and Non-Bank Credit and Financial Institutions of the Republic of Belarus, Joint-Stock Company Development Bank of the Republic of Belarus dated 12 December 2013, Resolution No. 507 of the Board of the National Bank of the Republic of Belarus On Approval of the Instruction on Preparing Individual Annual Financial Statements by Banks and Non-Bank Credit and Financial Institutions of the Republic of Belarus, Joint-Stock Company Development Bank of the Republic of Belarus and other laws and regulations of the National Bank of the Republic of Belarus governing accounting and financial reporting procedures for the banks of the Republic of Belarus (hereinafter, the “accounting and reporting legislation of the Republic of Belarus”).

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of “Priorbank” JSC as at 1 January 2019, its financial performance and changes in its financial position, including cash flows, for the year ended 31 December 2018 in accordance with the accounting and reporting legislation of the Republic of Belarus.

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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 and the national auditing rules. Our responsibilities under those requirements are further described in the Auditor’s responsibilities for the audit of the financial statements section of this report. We have complied with the principle of independence with respect to the audited entity as required by law, and the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Key audit matters

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

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 annual financial statements section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Special allowance for potential losses from loans to customers Pursuant to Resolution No. 138 of the Board of the National Bank of the Republic of Belarus On Approval of the Instruction for Banks, Development Bank of the Republic of Belarus Joint-Stock Company and Non-bank Credit and Financial Institutions for Forming and Using Specialized Allowance for Potential Losses on Assets and Transactions not Recorded on the Balance Sheet dated 28 September 2006, assessment of the special allowance for potential losses from assets and transactions not recorded on the balance sheet (hereinafter, the “special allowance”) is a key area of judgment for the Bank’s management. Assessment of credit risks involves an extensive use of professional judgment and assumptions, as well as analysis of various factors, including borrower’s financial position, realizable value of the collateral, etc. Due to the significance of loans to customers, which account for 58,1% of total assets, and the significant use of judgment, the assessment of the special allowance represents a key audit matter. The information about special allowance and the Bank’s management approach to the assessment and management of credit risk is disclosed in Notes 4.6 and 11 of the Bank’s financial statements.	 Our audit procedures were performed with regard to the process of forming of special allowances for loans to legal entities and private individuals, including testing of loan agreements, collateral agreements, analysis of methodology for forming of special allowances, assessment of financial position of customers and identification of signs on negative information. Our audit procedures included the review of allowances made for individually significant loans, as well as loans with higher credit risk. In particular but not limited to we analyzed the financial position of the customers, signs of negative information, existence of past due and prolonged exposures, expected future cash flows, sufficiency of collaterals for loans, including realizable value of the collaterals. We analyzed the consistency and relevance of management’s judgments used to classification of loans to risk groups. We performed audit procedures regarding the information of special allowances for loans to customers disclosed in the notes to the Bank’s financial statements.

Translation from the original in Russian

Other issues

Individual annual financial statements of “Priorbank” JSC as at and for the year ended 31 December 2017 were audited by another auditor, which expressed an unmodified opinion in the auditor’s report dated 15 February 2018.

Responsibilities of the audited entity for the preparation of the annual financial statements

Management of the audited entity is responsible for the preparation and fair presentation of the annual financial statements in accordance with the laws of the Republic of Belarus, and for such internal control of the audited entity as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

In preparing the annual financial statements, management of the audited entity is responsible for assessing the entity’s ability to continue as a going concern and the appropriateness of the going concern principle, as well as for properly disclosing, as applicable, matters related to going concern unless management either intends to liquidate the audited entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the preparation of the audited entity’s annual financial statements.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements of the audited entity are free from material misstatement due to error and/or fraud, and to issue an auditor’s report that includes our appropriately expressed audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Law No. 56-Z of the Republic of Belarus On Auditing Activity dated 12 July 2013 and the national auditing rules will always detect a material misstatement when it exists. Misstatements can arise from error and/or fraud 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 the annual financial statements.

As part of our audit, performed in accordance with Law No. 56-Z of the Republic of Belarus On Auditing Activity dated 12 July 2013 and the national auditing rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to the assessed risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud usually involves development of special measures aimed to conceal such misstatements.
- Obtain an understanding of internal control of the audited entity 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 internal control.
- Evaluate the appropriateness of accounting policies used by the audited entity and the reasonableness of accounting estimates and related disclosures in the annual financial statements.
- 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 audited entity’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 financial statements or, if such disclosures are lacking or inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of signing the auditor’s report. However, future events or conditions may cause the audited entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We provide those charged with governance with a statement that we have complied with all independence requirements and informed them of all relationships and other matters that may reasonably be regarded as risks that our independence might be compromised and, where applicable, related safeguards.

Among the matters communicated to those charged with governance, we identify key audit matters and disclose them in our auditor's report (unless the law prohibits the disclosure of these matters or we determine that the adverse consequences of disclosing them would outweigh the benefits of such disclosure).

Ivan Stankevich
Deputy General Director, Audit Director

Auditor's qualification certificate No. 0002137 of 2 October 2013 issued by the Ministry of Finance of the Republic of Belarus for an indefinite period of time.

Certificate of compliance with the qualification and business reputation requirements for auditors of banks, banking groups and banking holdings (No. 74 of 15 January 2014), issued for an indefinite period of time (last endorsed on 29 December 2016).

Olga Yarmakovich
Head of the Assurance Department

Auditor's qualification certificate No. 0002233 of 10 October 2014 issued by the Ministry of Finance of the Republic of Belarus for an indefinite period of time.

Certificate of compliance with the qualification and business reputation requirements for auditors of banks, banking groups and banking holdings (No. 87 of 26 November 2014), issued for an indefinite period of time (last endorsed on 16 November 2017).

February 2019

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: Republic of Belarus, 220002, Minsk, ul. V. Khoruzhey, 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: Republic of Belarus, 220004, Minsk, ul. K. Tsetkin, 51a, 15th floor.

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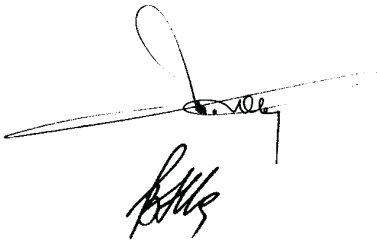
Balance Sheet

as of 01 January 2019

Priorbank Joint Stock Company
(thousand BYN)

Item		Index	Note	2018	2017
1	2	3	4	5	6
1	ASSETS				
2	Cash	1101	4.1	118,563	111,190
3	Precious metals and stones	1102		-	-
4	Assets with the National Bank	1103	4.2	341,219	294,927
5	Amounts due from banks	1104	4.3	720,934	451,000
6	Securities	1105	4.4	259,362	215,553
7	Loans to customers	1106	4.5	2,342,303	1,951,590
8	Derivative financial assets	1107	4.11	45	321
9	Long-term investments	1108	4.6	22,354	9,207
10	Fixed and intangible assets	1109	4.7	183,364	174,091
11	Income yielding investments into tangible assets	1110	4.8	1,542	1,747
12	Assets for sale	1111	4.9	4,974	14,486
13	Deferred Tax Assets	1112		-	-
14	Other assets	1113	4.10	34,757	40,968
15	TOTAL ASSETS	11		4,029,417	3,265,080
16	LIABILITIES				
17	Amounts due to the National Bank	1201		-	-
18	Amounts due to banks	1202	4.12	326,219	322,526
19	Amounts due to customers	1203	4.13	2,953,172	2,285,041
20	Securities issued by the bank	1204	4.14	67,398	52,382
21	Derivative financial liabilities	1205	4.11	175	16
22	Deferred Tax Liabilities	1206		-	-
23	Other liabilities	1207	4.10	42,769	53,512
24	TOTAL LIABILITIES	120		3,389,733	2,713,477
25	CAPITAL				
26	Authorized capital	1211	4.16	86,148	86,148
27	Paid in capital	1212		-	-
28	Reserve fund	1213	4.16	126,738	126,738
29	Balance sheet items revaluation fund	1214	4.16	90,049	91,485
30	Accrued profit	1215	4.16	336,749	247,232
31	Total capital	121	4.16	639,684	551,603
32	TOTAL LIABILITIES AND CAPITAL	12		4,029,417	3,265,080

Chairman of the Board



S. Kostyuchenko

Chief Accountant

V. Mantsivoda

Signing Date 15 February 2019

Translation from the original in Russian

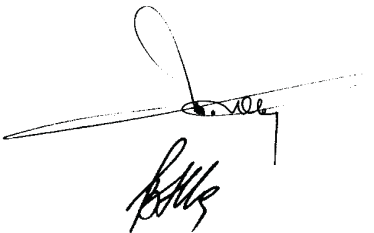
Profit and Loss Statement for 2018

Priorbank Joint Stock Company

(thousand BYN)

Item		Index	Note	2018	2017
1	2	3	4	5	6
1	Interest income	2011		237,789	241,420
2	Interest expenses	2012		56,053	37,243
3	Net interest income	201	5.1	181,736	204,177
4	Fee and commission income	2021		172,003	153,013
5	Fee and commission expenses	2022		80,848	42,780
6	Net Fee and commission income	202	5.2	91,155	110,233
7	Net precious metals and stones income	203	5.3	-	437
8	Net securities income	204	5.4	(1,236)	(213)
9	Net FOREX income	205	5.5	53,339	46,195
10	Net financial derivatives income	206	5.6	4,751	(4,255)
11	Net reserve assignments	207	5.7	(29,820)	(71,452)
12	Other income	208	5.8	14,391	29,294
13	Operational expenses	209	5.9	168,418	194,011
14	Other expenses	210		14,579	10,118
15	Profit before tax	211		190,959	253,191
16	Income tax	212		54,151	67,937
17	PROFIT	2		136,808	185,254
18	Information on a profit per share in BYN				
19	Basic profit on an ordinary share	22	4.17	1.1117	1.5054
20	Watered profit on an ordinary share	23	4.17	1.1117	1.5054

Chairman of the Board



S. Kostyuchenko

Chief Accountant

V. Mantsivoda

Signing Date 15 February 2019

Translation from the original in Russian

Statement of Capital Changes for 2018

Priorbank Joint Stock Company

(thousand BYN)

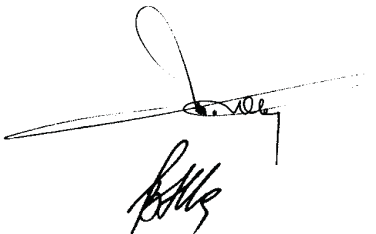
Capital Items								
Indicators		Index	Authorized Capital	Paid in Capital	Reserve Fund	Accrued Profit (Loss)	Balance Items Revaluation Fund	Total Capital
1	2	3	4	5	6	7	8	9
Section I. For the year preceding the year under report								
1	Balance as of 1 January 2017	3011	86 148	–	126 738	220 231	84 310	517 427
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	–	–	–	27 001	7 175	34 176
2.1	Thereof: gross income	30121	x	x	x	185 254	8 901	194 155
2.2	profit directed to replenishment of funds	30122	–	x	4 000	(4 000)	x	–
2.3	transactions with founders (shareholders)	30123	–	–	–	(159 979)	x	(159 979)
2.4	founders' (shareholders') contribution to authorized capital	301231	–	–	x	x	x	–
2.5	payment of shareholders' dividends	301232	x	x	x	(159 979)	x	(159 979)
2.6	transactions with own shares repurchased	301233	–	x	x	x	x	–
2.7	redistribution among equity articles	30125	–	–	–	1 726	(1 726)	–
2.8	other changes	30126	–	–	(4 000)	4 000	–	–
3	Balance as of 1 January 2018	3013	86 148	–	126 738	247 232	91 485	551 603
Section II. For the year under report								
4	Balance as of 1 January 2018	3011	86 148	–	126 738	247 232	91 485	551 603
5	Change of the equity articles	3012	–	–	–	89 517	(1 436)	88 081
5.1	Thereof: gross income	30121	x	x	x	136 808	2 631	139 439

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	–	x	–	–	x	–
5.3	transactions with founders (shareholders)	30123	–	–	–	(50 461)	x	(50 461)
5.4	founders' (shareholders') contribution to authorized capital	301231	–	–	x	x	x	–
5.5	payment of shareholders' dividends	301232	x	x	x	(50 461)	x	(50 461)
5.6	transactions with own shares repurchased	301233	–	x	x	x	x	–
5.7	redistribution among equity articles	30125	–	–	–	4 066	(4 066)	–
5.8	other changes	30126	–	–	–	(896)	(1)	(897)
6	Balance as of 1 January 2019	3013	86 148	–	126 738	336 749	90 049	639 684

Chairman of the Board

Chief Accountant



S. Kostyuchenko

V. Mantsivoda

Signing Date 15 February 2019

Translation from the original in Russian

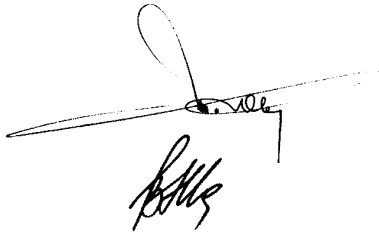
Information on Total Gross Income for 2018

Priorbank Joint Stock Company

(thousand BYN)

Item		Symbol	Note	2018	2017
1	2	3	4	5	6
1	Profit	301211	6	136,808	185,254
2	Other gross income components	301212		2,631	8,901
2.1	Thereof: fixed assets revaluation, revaluation of incomplete construction and uninstalled equipment	3012121	4.7	2,631	8,901
2.2	Intangible assets revaluation	3012122	4.7	–	–
2.3	Securities revaluation	3012123		–	–
2.4	Hedge tools revaluation	3012124		–	–
2.5	Other balance sheet items revaluation	3012125		–	–
3	TOTAL Gross Income	30121		139,439	194,155

Chairman of the Board



S. Kostyuchenko

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V. Mantsivoda

Signing Date 15 February 2019

Translation from the original in Russian

Cash Flow Statement for 2018

Priorbank Joint Stock Company

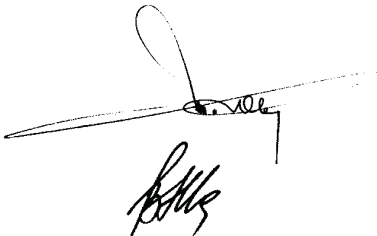
(thousand BYN)

	Item	Index	Note	2018	2017
1	2	3	4	5	6
1	OPERATIONS CASH FLOW				
2	Interest income received	70100		233,931	245,369
3	Interest expenses paid	70101		(55,304)	(37,456)
4	Fee and commission income received	70102		172,471	152,729
5	Fee and commission income paid	70103		(80,328)	(42,704)
6	Net precious metals and stones income	70104		–	437
7	Net securities income	70105		(1,236)	(213)
8	Net FOREX income	70106		52,804	10,978
9	Net financial derivatives income	70107		4,751	(4,255)
10	Other income received	70108		42,381	80,452
11	Other expenses paid	70109		(149,881)	(172,771)
12	Income tax paid	70110		(65,238)	(60,754)
13	Total profit (loss) before changes in operational assets and liabilities	701		154,351	171,812
14	Net decrease (increase) of funds with the National Bank	70200		(12,209)	(11,545)
15	Net decrease (increase) of funds due from banks	70201		(166,135)	143,666
16	Net decrease (increase) of funds in securities (except for securities retained till repayment)	70202		(95,697)	(142,560)
17	Net decrease (increase) of funds in loans disbursed to customers	70203		(330,147)	(280,035)
18	Net decrease (increase) of funds from derivative financial assets	70204		276	(159)
19	Net decrease (increase) of funds in other operational assets	70205		(26,217)	(51,250)
20	Total cash flow from change in operational assets	702		(630,129)	(341,883)
21	Net increase (decrease) of cash funds of the National Bank	70300		–	–
22	Net increase (decrease) of funds due to banks	70301		(95,077)	47,187
23	Net increase (decrease) of clients’ funds	70302		558,991	325,261
24	Net increase (decrease) of cash funds from securities issued by the bank	70303		14,976	48,220
25	Net decrease (increase) of cash funds from derivative financial liabilities	70304		159	(35)
26	Net increase (decrease) of funds in other operational liabilities	70305		79,560	(805)
27	Total cash flows from change in operational liabilities	703		558,609	419,828
28	Net operational cash flow	70		82,831	249,757

Translation from the original in Russian

Item	Index	Note	2018	2017
29	INVESTMENT CASH FLOW			
30	Purchase of fixed, intangible, and other long-term assets	71100	(28,633)	(21,096)
31	Sale of fixed, intangible, and other long-term assets	71101	(257)	(2,164)
32	Purchase of long-term financial investments to authorized capital of other legal entities	71102	(400)	(3,048)
33	Sale of long-term financial investments to authorized capital of other legal entities	71103	–	–
34	Purchase of securities retained till repayment	71104	(2,073,054)	(3,317,342)
35	Repayment (sale) of securities retained till repayment	71105	2,147,033	3,412,450
36	Net investment cash flow	71	44,689	68,800
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	(50,420)	(159,211)
42	Net financial cash flow	72	(50,420)	(159,211)
43	Influence of official exchange rate fluctuations on cash and its equivalents	73	5,489	5,664
44	Net increase (decrease) of cash and its equivalents	74	82,589	165,010
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	615,951
				x

Chairman of the Board



S. Kostyuchenko

Chief Accountant

V. Mantsivoda

Signing Date 15 February 2019

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 2018 to 31 December 2018

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

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

Opinion

We have audited the consolidated financial statements of “Priorbank” Joint-Stock Company (JSC) and its subsidiaries (hereinafter, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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

Translation from the original in Russian

the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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.

Key audit matter	How our audit addressed the key audit matter
Estimation of allowances for expected credit losses on loans to customers in accordance with IFRS 9 Financial Instruments	
The estimation of the allowance for expected credit losses on loans to customers is a key area of judgment for the Bank’s management.	Our audit procedures included the analysis of the methodology for estimating the allowance for expected credit losses on loans to individuals and legal entities, testing of controls over the customer lending process, estimates of allowances for expected credit losses, as well as procedures to identify factors of a significant increase in credit risk and indicators of loan impairment.
The identification of factors of a significant increase in credit risk, including the identification of any changes in the risk of default occurring over the remaining life of a financial instrument, as well as the estimation of probability of default and loss given default involve significant use of professional judgment and assumptions.	In respect of the assessment of the allowance for expected credit losses on loans to individuals and legal entities, we analyzed assumptions, tested input data used by the Bank, and analyzed the model for assessing the probability of default, the loss given default and macroeconomic overlay factors ratios. We verified the staging of loans by credit quality and recalculated the allowance for expected credit losses.
The use of various models and assumptions in the calculation of expected credit losses can significantly affect the level of the allowance for expected credit losses on loans to customers. Due to substantial amounts of loans to customers and an extensive use of professional judgment, the estimation of the allowance for expected credit losses is a key audit matter.	Our audit procedures also included the recalculation of the allowance for individually significant loans to legal entities and loans with higher credit risk exposure. We analyzed the financial position of customers, their credit ratings, overdue and renegotiated exposures, sufficiency of collateral.
The information on the allowance for expected credit losses on loans to customers and the Bank’s management approach to assessing and managing credit risk are described in Notes 3, 8 and 27 to the consolidated financial statements.	We analyzed consistency of management’s assumptions applied in calculating the allowance for expected credit losses.
	We analyzed the information related to the allowance for expected credit losses on loans, disclosed in the notes to the consolidated financial statements.

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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 IFRSs, 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 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, 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 auditors’ 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.

Translation from the original in Russian

- 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 Yu. S. Studinskaya.

I.V. Stankevich	O. M. Yarmakovich
Deputy General Director, Audit Director, Ernst & Young LLC, FCCA	Head of Assurance Department Ernst & Young LLC, FCCA

10 May 2019

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

Translation from the original in Russian

Consolidated statement of financial position as at 31 December 2018

(thousands of Belarusian rubles)

Item	Notes	2018	2017
Assets			
Cash and cash equivalents	6	1,148,689	858,102
Amounts due from credit institutions	7	61,602	53,428
Loans to customers	8	2,657,347	2,241,797
Investment securities	9	306,989	244,982
Investment property	10	11,840	16,929
Property and equipment	11	156,550	150,514
Intangible assets	12	33,385	32,622
Current income tax assets		296	224
Deferred income tax assets	13	2,731	-
Other assets	15	63,606	65,647
Total assets		4,443,035	3,664,245
Liabilities			
Amounts due to credit institutions	16	261,725	349,885
Amounts due to customers	17	3,028,889	2,293,720
Amounts due to international financial institutions	18	60,406	41,948
Debt securities issued	19	68,025	51,732
Current income tax liabilities		297	13,958
Deferred income tax liabilities	13	33,191	47,303
Provisions		2,111	-
Other liabilities	15	116,530	105,500
Total liabilities		3,571,174	2,904,046
Equity	20		
Share capital		341,828	341,828
Additional paid-in capital		193	193
Foreign currency translation reserve		3,517	2,994
Retained earnings		497,067	399,535
Revaluation reserve for the net pension liability		(6,437)	(10,002)
Revaluation reserve for investment securities		131	-
Total equity attributable to shareholders of the Bank		836,299	734,548
Non-controlling interest		35,562	25,651
Total equity		871,861	760,199
Total equity and liabilities		4,443,035	3,664,245

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

Andrey I. Ivankevich



Acting Chairman of the Management Board

10 May 2019

Translation from the original in Russian

Consolidated statement of profit or loss for the year ended 31 December 2018

(thousands of Belarusian rubles)

Item	Notes	2018	2017
Interest income calculated using the effective interest rate		247,188	257,517
Other interest income		27,842	26,235
Interest expense		(61,335)	(42,597)
Net interest income	22	213,695	241,155
Credit loss income / (expense)	14	12,423	(857)
Net interest income after credit loss expense		226,118	240,298
Fee and commission income		166,824	143,223
Fee and commission expense		(94,330)	(68,946)
Net fee and commission income	23	72,494	74,277
Net gains from foreign currencies:			
- dealing		59,641	19,959
- translation differences		5,557	27,986
Other income	24	17,207	24,338
Non-interest income		82,405	72,283
Personnel expenses	25	(87,751)	(90,894)
Depreciation and amortization	10, 11, 12	(24,727)	(21,838)
Other operating expenses	25	(68,251)	(62,775)
Non-interest expense		(180,729)	(175,507)
Profit before income tax expense		200,288	211,351
Income tax expense	13	(41,095)	(51,377)
Profit for the year		159,193	159,974
Attributable to:			
- shareholders of the Bank		149,896	156,289
- non-controlling interest		9,297	3,685
		159,193	159,974

Translation from the original in Russian

Consolidated statement of comprehensive income for the year ended 31 December 2018

(thousands of Belarusian rubles)

Item	Notes	2018	2017
Profit for the year		159,193	159,974
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
- Exchange differences on translation of the financial statements of a foreign subsidiary	20	830	2,064
- Net change in the fair value of debt instruments at fair value through other comprehensive income	20	67	-
- Effect of income tax	13	(17)	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		880	2,064
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
- Actuarial gain/(loss) on defined pension plan	20	4,753	(7,360)
- Gains from equity instruments measured at fair value through other comprehensive income	20	22	-
- Effect of income tax	13	(1,194)	1,840
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		3,581	(5,520)
Other comprehensive income for the year, net of tax		4,461	(3,456)
Total comprehensive income for the year		163,654	156,518
Attributable to:			
- shareholders of the Bank		154,050	152,070
- non-controlling interest		9,604	4,448
		163,654	156,518

Translation from the original in Russian

Consolidated statement of changes in equity for the year ended 31 December 2018

(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	Revaluation reserve for investment securities	Total	Non-controlling interests	Total equity
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 20)	–	–	–	(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
Effect of applying IFRS 9 (Note 3)	–	–	–	(1,903)	–	65	(1,838)	307	(1,531)
Balance as at 1 January 2018 restated in accordance with IFRS 9	341,828	193	2,994	397,632	(10,002)	65	732,710	25,958	758,668
Profit for the year	–	–	–	149,896	–	–	149,896	9,297	159,193
Other comprehensive income/(loss) for the year	–	–	523	–	3,565	66	4,154	307	4,461
Total comprehensive income for the year	–	–	523	149,896	3,565	66	154,050	9,604	163,654
Dividends declared and paid to shareholders of the Bank (Note 20)	–	–	–	(50,461)	–	–	(50,461)	–	(50,461)
At 31 December 2018	341,828	193	3,517	497,067	(6,437)	131	836,299	35,562	871,861

Translation from the original in Russian

Consolidated statement of cash flows for the year ended 31 December 2018

(thousands of Belarusian rubles)

Item	Notes	2018	2017
Cash flows from operating activities			
Interest received		268,146	284,873
Interest paid		(59,988)	(42,857)
Fees and commissions received		166,838	143,817
Fees and commissions paid		(94,297)	(68,868)
Gains less losses from foreign currencies		60,829	21,954
Other income received		12,130	26,242
Personnel expenses paid		(85,490)	(88,633)
Other operating expenses paid		(65,702)	(62,362)
Cash flows from operating activities before changes in operating assets and liabilities		202,466	214,166
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(6,648)	(10,334)
Loans to customers		(330,824)	(212,788)
Other assets		627	13,788
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(101,561)	(95,716)
Amounts due to international financial institutions		16,027	34,448
Amounts due to customers		616,301	370,284
Other liabilities		8,055	18,628
Net cash from operating activities before income tax		404,443	332,476
Income tax paid		(72,183)	(56,632)
Net cash from operating activities		332,260	275,844
Cash flows from investing activities			
Purchase of investment securities at amortized cost (previously designated as held to maturity)		(2,315,213)	(3,687,420)
Proceeds from redemption of investment securities at amortized cost (previously designated as held to maturity)		2,314,271	3,613,482
Purchase of securities at FVOCI		(36,282)	-
Proceeds from sale of property and equipment, intangible assets and investment property		25,671	2,993
Purchase of property and equipment, intangible assets and investment property	10,11,12	(40,492)	(50,498)
Net cash used in investing activities		(52,045)	(121,443)

Translation from the original in Russian

Item	Notes	2018	2017
Cash flows from financing activities			
Proceeds from issue of debt securities		57,965	52,394
Redemption of debt securities issued		(41,712)	(3,718)
Dividends paid to shareholders of the Bank		(50,461)	(159,980)
Net cash used in financing activities	31	(34,208)	(111,304)
Effect of exchange rates changes on cash and cash equivalents		44,583	15,569
Net increase in cash and cash equivalents		290,590	58,666
Cash and cash equivalents, beginning		858,102	799,436
Cash and cash equivalents, ending	6	1,148,692	858,102

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

Priorbank's Network as of January 1st, 2019



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Raiffeisen Bank International at a glance

RBI 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 13 markets across the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A.

In total, almost 47,000 RBI employees serve 16.1 million customers in more than 2,100 business outlets, the vast

majority of which are in CEE. RBI AG shares have been listed on the Vienna Stock Exchange since 2005.

At year-end 2018, RBI's total assets stood at € 140 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.

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 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.

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.

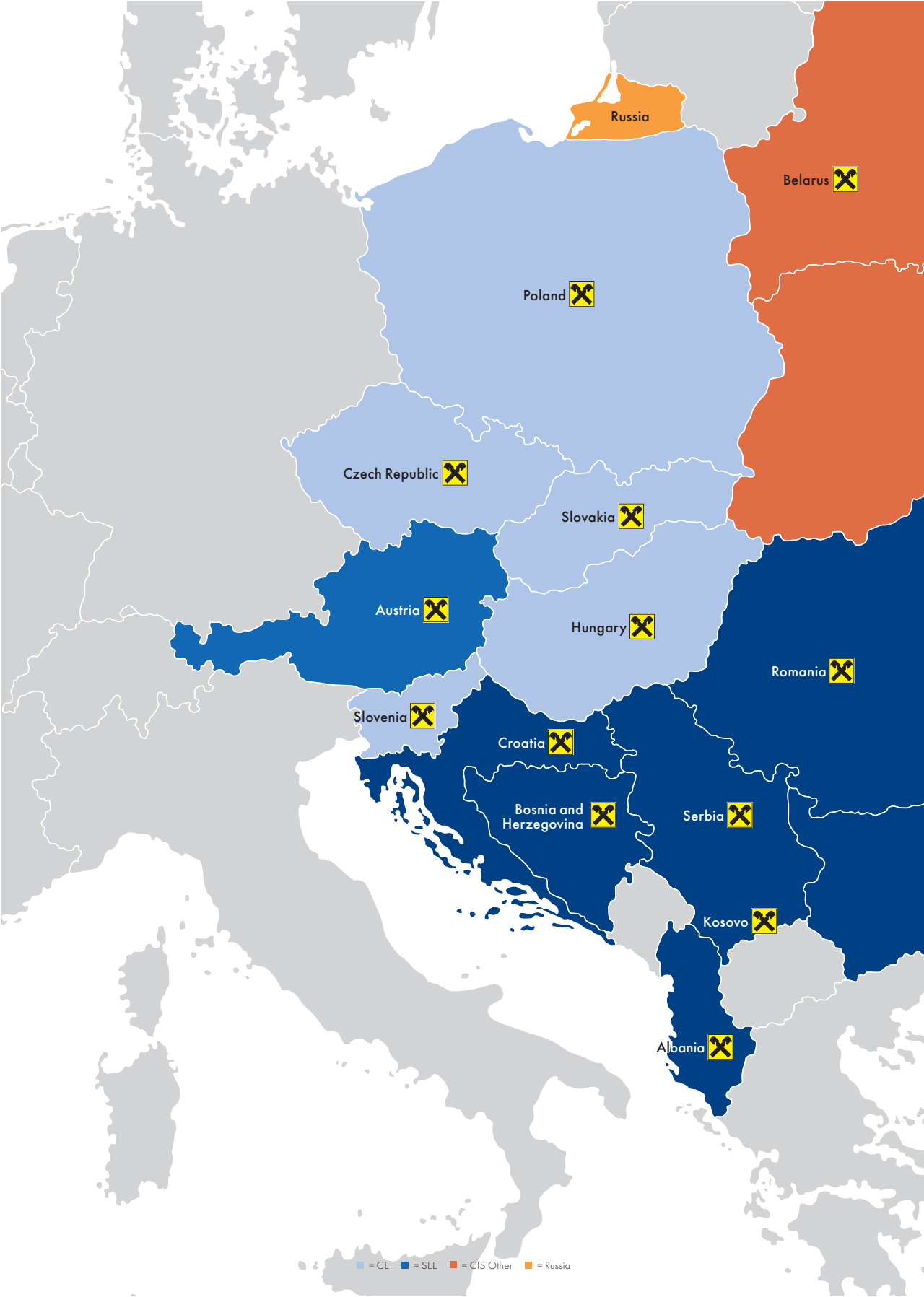
Raiffeisen Banking Group

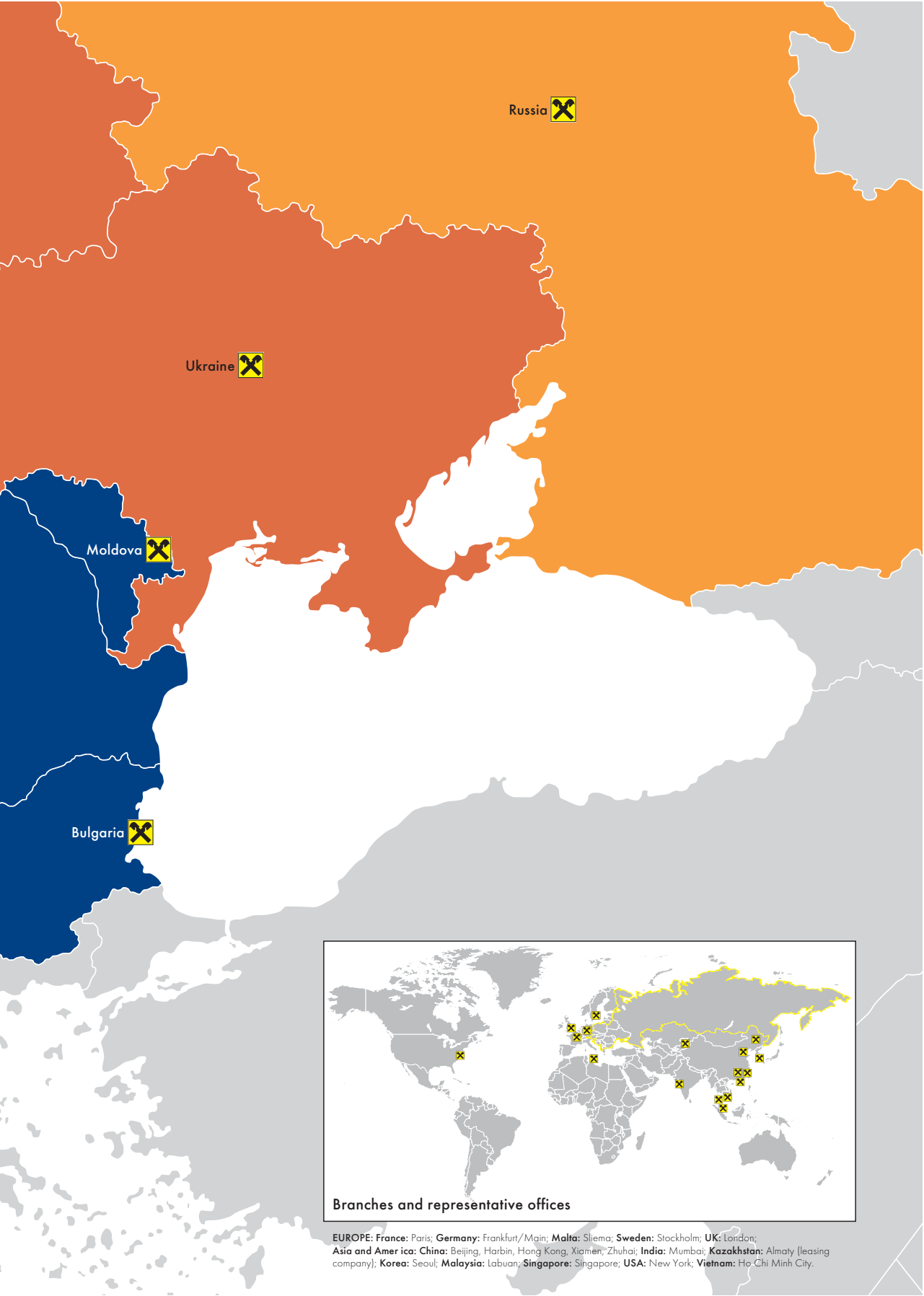
With total assets of € 285.9 billion as at 31 December 2014, RBG is Austria's largest banking group. As at this reporting date, RBG managed € 92.8 billion in domestic customer deposits (excluding building society savings), of which € 49.4 billion were held in savings deposits.

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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