



***Priorbank***  
*Member of RZB Group*



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# Foreword

# Foreword



Summarising the results for 2012, it is worth mentioning that it was a year of relative financial stability in the country and very successful for Priorbank. The well-weighted and sound policy enabled us to achieve its set objectives and perform the planned tasks.

Priorbank increased its equity capital, provided real growth of lending support to its customers, and, very importantly, retained its high loan portfolio quality. We adopted measures on services quality improvement and the simplification of customer service procedures and, developed new bank products and technologies.

Servicing large corporate clients remained the key focus of our business activities, financing working capital, investments, export-oriented projects and import-substituting programmes. As of 1 January 2013, loans to corporate clients exceeded BYR 6 trillion (EUR 569 million), having increased by 20 per cent over the year.

Priorbank further developed its export factoring solutions, of which already accounted for about 15 per cent of its total factoring operations at year-end 2012. The total factoring financing volume expanded more than threefold, and also the volume of documentary operations increased significantly.

The continuous development of our Customer Relationship Management (CRM) system, the improvement and development of new Cash Management service packages and salary payroll projects, the increase in cross-selling volume and the development of a Cash Pooling system all contributed to the growth in deposits of corporate customers by 19 per cent.

In 2012, Priorbank further developed the cooperation with small- and medium-sized enterprises (SME). The priority was set on lending and the clients' business development by rendering new services, simplification of procedures and service quality improvement.

We launched marketing campaigns promoting special cash management offers for existing and new SME clients and participated in fairs such customers. Jointly with the Bank Clients Association and our subsidiary JLLL Raiffeisen-Leasing, the programme for cargo carriers "Pool 2012" for the purchase of vehicles from manufacturers at privileged prices was implemented. These activities resulted in a growth of loans disbursed to SME by 31 per cent, and deposits by SME by 40 per cent. We attracted a more than 2,100 new clients.

In 2012, business with private individuals developed dynamically. Owing to our wide product range,

competitive pricing and regular marketing campaigns throughout the year, the loan portfolio in local currency in that customer segment grew by BYR 129 billion (EUR 5 million) or 10 per cent and deposits increased by BYR 1.4 trillion (EUR 110 million) or 44 per cent. Special attention was paid to salary payroll projects and development of pension programme. 48 per cent of the customer base was covered with these product offers. We sold 72 per cent of credit cards and 36 per cent of personal loans through the CRM system.

Our top priority in 2012 was the quality of loans. A prudent approach in lending to clients, our early warning signs system for the timely detection of potentially problematic loans and constant work with non-performing loans enabled us to maintain a high loan portfolio quality.

We adopted several measures to further improve our efficiency and quality of services rendered.

In order to improve customer service quality, we implemented the project "Customer Relationship Management for Legal Entities and Private Individuals", which enables us to accumulate up-to-date information about our clients, coordinate our employees' activities and increase our products sales. The project "Branches Lean Optimization" – focusing on the optimization of processes and services quality – was completed, while the optimization and standardization of the branches and Points of Sales continued and electronic distribution channels were developed further.

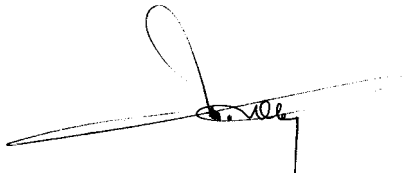
Priorbank's business activities resulted in a profit of BYR 595 billion (EUR 52,5 million) according to local standards.

In 2012, Priorbank was again awarded as "Bank of the Year 2012 in Belarus" by the well-known international magazine "The Banker". The magazine "Euromoney" also awarded Priorbank as "Best Bank in Belarus", and "Global Finance" chose us as "The Best Bank of Belarus" in the contest "The Best International Bank in Highly Developed and Emerging Markets".

In 2013, we face another year of challenging tasks. However, our financial potential, our knowledge and ambition to be the first in bringing innovative banking technologies to the Belarusian market, as well as the support of our parent company Raiffeisen Bank International will enable us to successfully achieve our objectives.

Concluding, we would like to express our sincere gratitude to our customers and partners for their trustful cooperation and business. Likewise, we do thank all our employees for their dedication and customer-oriented work that contributed to our very good results in 2012.

Chairman of the Board  
Sergey Kostyuchenko



Chairman of the Supervisory Board  
Vladimir Semashko





Ladies and Gentlemen,

from an overall economic perspective, 2012 was a challenging year in both the Eurozone and Central and Eastern Europe (CEE), but for completely different reasons. After the ongoing sovereign debt crisis, the Eurozone slid into a deep systemic crisis. This crisis extends from political disagreements over the means to overcome debt burden to the growing social unrest in the European peripheral countries. The political elite's inability at both the national and European level to communicate their decisions to the public in a transparent and comprehensible manner also contributes to the crisis.

CEE, in part, also suffers from the consequences of the euro crisis, reflected for example in declining exports due to lower demand in the West. While countries in CEE also faced declines in real GDP growth, they were still significantly over the average of the ones recorded in the Eurozone. However, with only few exceptions the countries in the CEE region have done their homework: they are less dependent on external financing due to relatively low balance of payments deficits, their productivity has improved thanks to moderate wage increases, and, with the exception of Hungary, the region has considerably less debt than Western Europe. Moreover, the region continues to benefit from the catching-up process, which remains the engine for economic development and thus the development for entire Europe.

Despite a year dominated by renewed economic decline and tighter capital regulations, the RBI Group can be proud of posting a profit before tax of €1.032 billion. However, I have to mention the significant one-off effects that were recorded in the first quarter: Among other things, we sold high-quality securities to achieve the capital ratio required by the European Banking Authority (EBA). While the sale cost us a portion of our net interest income in subsequent quarters, it also resulted in significant net proceeds. I am very pleased that we succeeded in fulfilling the higher capital ratio requirements with a core tier 1 ratio of well over 10 per cent, which makes us even more resilient to adverse economic conditions.

Herbert Stepic

Chairman of the Board of Raiffeisen Bank  
International AG (RBI)  
Member of the Supervisory Board Of Priorbank



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 August 28, 2008.

## The major shareholders as of 01.01.2013:

| Shareholder                                       | Share in the Authorized Capital |
|---|---------------------------------|
| Raiffeisen International Bank Holding AG, Austria | 87.74%                          |
| State sector, enterprises                         | 5.03%                           |
| Private individuals                               | 4.7%                            |
| Other legal entities                              | 2.53%                           |

## Correspondent banks as of 01.01.2013:

in the Republic of Belarus – 17  
abroad – 55

## Employees as of 01.01.2013:

2,475

## Customers as of 01.01.2013:

Corporate Clients – 1,634  
Active SMEs – 25,815  
Private Individuals – 664,247

## Membership in Interbank Unions, Exchanges, Associations:

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

## Information and Telecommunication Systems:

Internet;  
REUTERS;  
SWIFT;  
DEALING 3000;  
VisaNET via VSAT;  
EPS NET via X.25.

## External Auditor:

“Ernst and Young (CIS) Limited”

## Awards

- «Euromoney» marked Priorbank as «The Best Bank in 2012».
- «The Banker» awards Priorbank as «The Bank of the year» in 2011 and in 2012.
- «Global Finance» recognized Priorbank as «The best bank in Belarus in 2011».
- European Bank for Reconstruction and Development was awarded «Priorbank» JSC as «The most active bank in the financing of foreign trade in Belarus» in 2011. International Charitable Foundation for Children «Chance» is also honoured Priorbank with an award «For commitment to the charity».
- RBBY special award «For the successful project portfolio management in 2012».
- RBBY special award «Outstanding Recovery Performance in 2012».
- Recognition of Outstanding Effort to RBI Recovery Target in 2012.



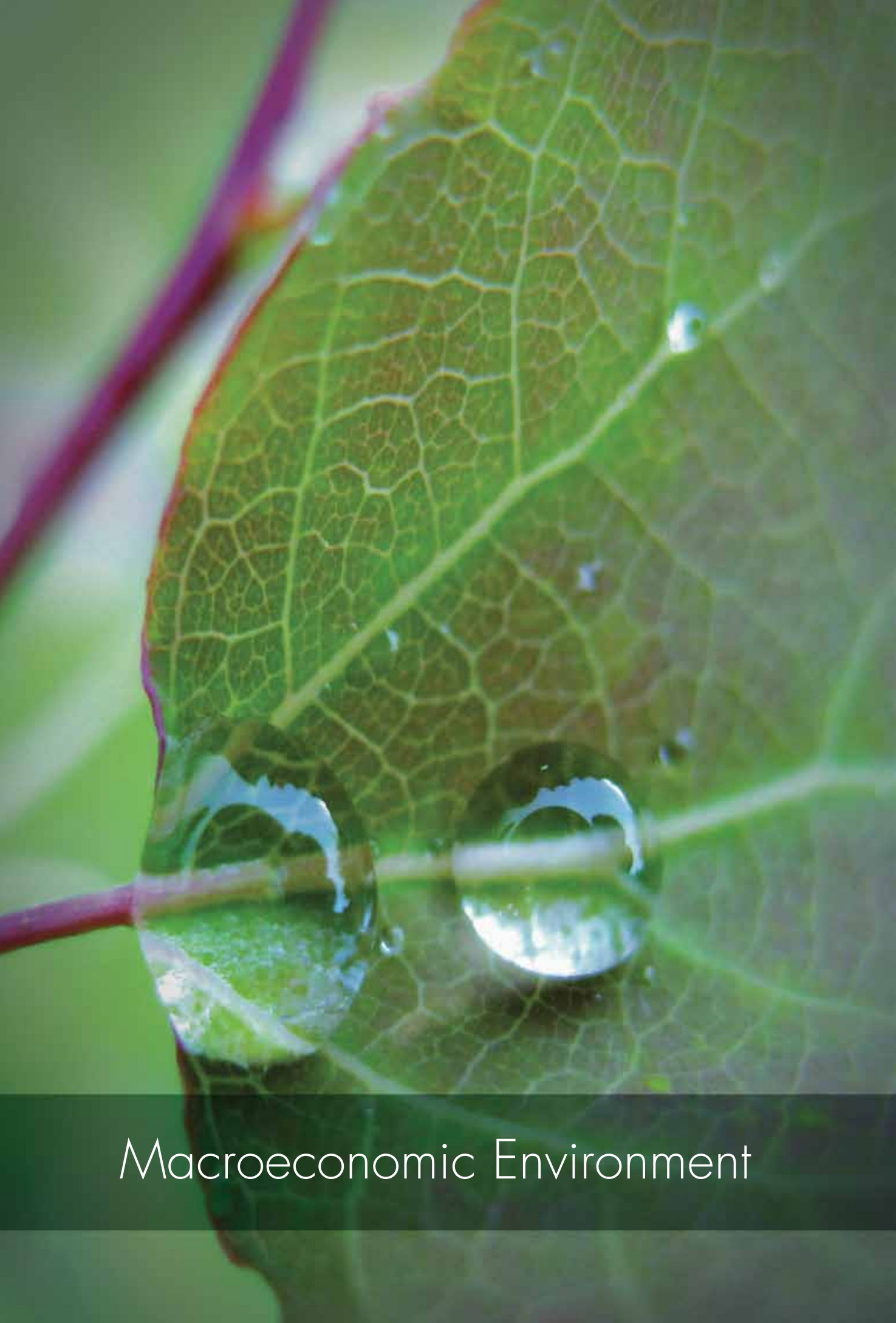
Supervisory Board

# Supervisory Board

- |    |                   |  |
|----|-------------------|--|
| 1. | Peter Bazil       | Executive Director, Raiffeisen Bank International AG         |
| 2. | Gennadi Yerokhin  | Senior Manager, Raiffeisen Bank International AG             |
| 3. | Alexander Lyakhov | Director General, RUE PU Belorusneft                         |
| 4. | Anatoly Savenok   | Director General, OJSC BMZ – Managing Company of BMK Holding |
| 5. | Vladimir Semashko | First Deputy Prime Minister of the Republic of Belarus       |
| 6. | Sergey Sosnovsky  | General Director, JSC Gomeltransneft Druzhiba                |
| 7. | Herbert Stepic    | Chairman of the Board, Raiffeisen Bank International AG      |
| 8. | Heinz Hödl        | Chief Advisor, Raiffeisen Bank International AG              |
| 9. | Andreas Engels    | Vice President, Raiffeisen Bank International AG             |

## Management Board

- |                     |                       |
|---------------------|-----------------------|
| Sergey Kostyuchenko | Chairman of the Board |
| Vladimir Dedioul    |                       |
| Igor Likhogrud      |                       |
| Vadim Matyushkin    |                       |
| Bernd Rosenberg     |                       |
| Sergey Shishov      |                       |



Macroeconomic Environment

# Macroeconomic Environment

## Monetary and Credit Policy and FOREX Rates

The priority tasks of the monetary and credit policy in 2012 were implementation of measures aimed at maintenance of stability in the monetary and credit segment, protection of BYR savings from inflation with a gradual decrease of the general interest rates level in the economy.

In 2012 annual inflation significantly dropped: from 108.7% as of December 2011 to 21.8% as of December 2012. Services tariffs grew faster (136.1%) than prices for food products (125.1%) and non-food products (110.3%). At the same time, the Consumer Prices Index (CPI) grew mainly due to food products group (the share in CPI growth is 57%). Prices for industrial, agricultural products, cargo transportation tariffs grew slower.

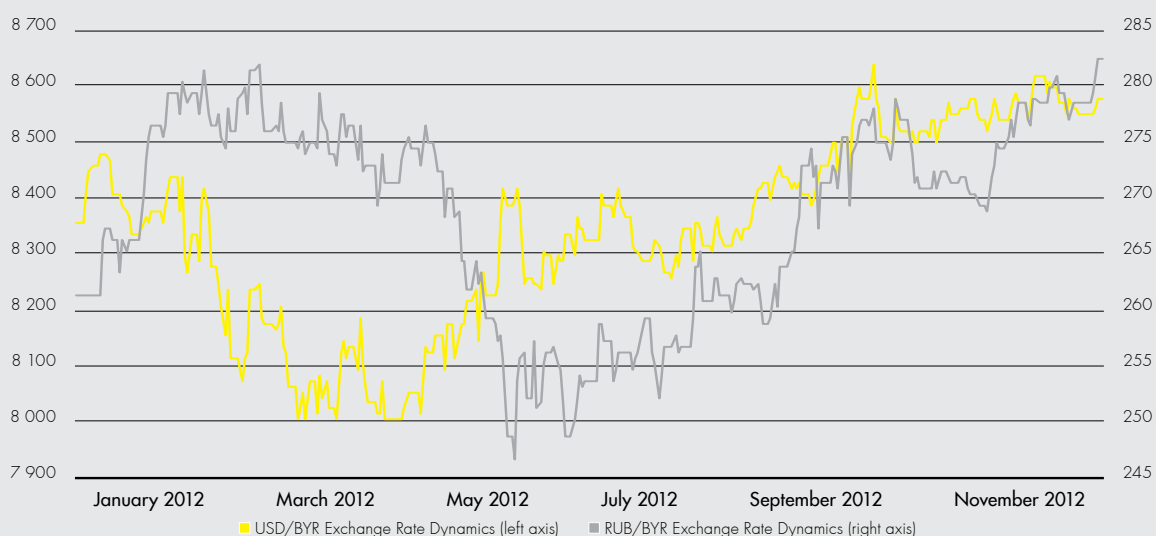
Due to the conditions of the inflation slow down the National Bank gradually decreased interest rates. Throughout 2012 the refinancing rate was decreased 8 times from 45% in early 2012 to 30% per annum (as of 12 September 2012). The rates on the liquidity provision instruments fell from 70 to 50% per annum, on the withdrawal instruments – from 30 to 19% per annum. In October 2012 the refinancing rate decrease was suspended due to the anti-inflation policy pursued by the National Bank. This decision favourably affected FOREX and money markets.

In 2012 BYR exchange rate against EUR fell by 5% to EUR/BYR 11,340 BYR, against RUB – by 8% to RUB/BYR 282 BYR, and against USD – by 2.6% to USD/BYR 8,570 BYR.

In 2012 in the local FOREX market foreign currency (FCY) supply exceeded its demand. Enterprises sold foreign currency to an equivalent of USD 23.5 billion (a 37.5% increase against 2011), bought – USD 21.8 billion (a 20.4% increase). Finally in 2012 the net sale of FCY by enterprises amounted to USD 1.6 billion. The major FCY volume was spent by enterprises on loan repayments (USD 5.6 billion), payment for fuel and energy resources (USD 4.7 billion), purchasing of raw material and components (USD 3.7 billion), purchasing of equipment and spare parts (USD 2.7 billion).

FCY supply from the population increased by 38.6% against 2011 to USD 6.8 billion, while the demand increased by 56.9% to USD 7.5 billion. Thus, the balance was negative to the amount of USD 684.5 million due to population income growth and increased devaluation expectations in the 2<sup>nd</sup> half of 2012.

### Exchange Rate Dynamics



Source: National Bank of Belarus (NBB)

## Foreign Trade

In 2012 the foreign trade balance was positive (USD 2.9 billion; 4.6% of GDP), which is one of the best figures in Belarusian history. The positive result was formed due to the trade of both goods (USD 0.5 billion) and services (USD 2.4 billion).

Export of goods and services grew by 11.2% against 2011 to USD 51.8 billion, thereof export of goods USD 45.5 billion (an 11.2% growth). The key products were mineral products (36.1% of the goods export), petro-chemical products (16.6%), agricultural and food products (10.6%). The principal market was Russia with 35.4% of the total export volume, thereof 36.7% were deliveries of vehicles, machinery and equipment, 24.4% – agricultural and food products; 38.2% of the total goods export volume was delivered to the EU countries, while the share of mineral products in the total export to these countries accounted for 62.7%.

Import of goods and services increased insignificantly (by 2.3%) to USD 48.8 billion, thereof import of goods – USD 45 billion (a 1.4% growth). At the same time, import prices dropped by 7.3%, physical volume increased by 9.4%. The key supplier of goods remained the Russian Federation (59.4% of the goods import), deliveries from EU countries accounted for 20% of the total import.

Foreign trade turnover of goods and services amounted to USD 100.6 having increased by 6.7%. Export-Import Coverage Ratio made up 106% (in 2011 – 97.5%).

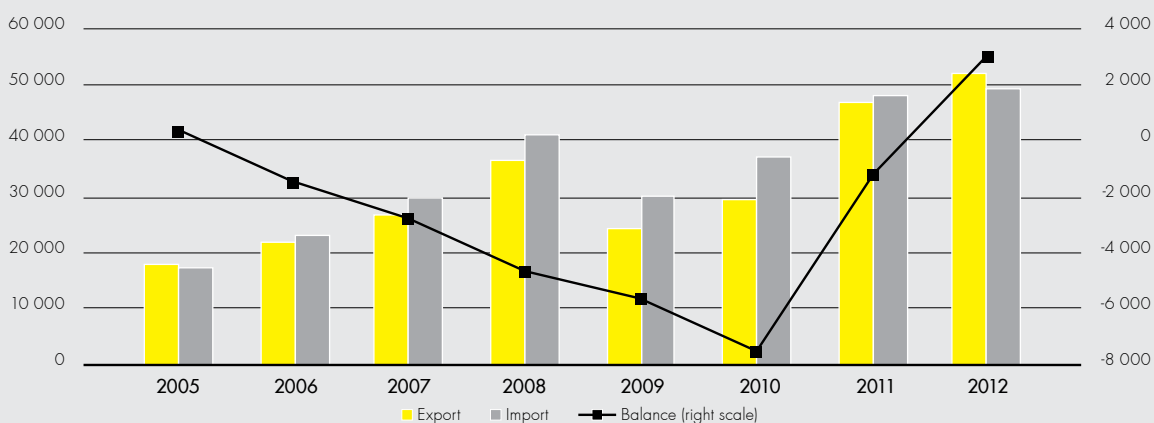
## State Finances and Foreign Debt

In 2012 consolidated budget income accounted for 29.9% of GDP (against 28.8% in the previous year). The budget income grew owing to an increase of receipts from taxes and collections (by 1.5% of GDP), while non-tax income reduced by 0.3% from GDP. The major contribution to the tax income increase was by income tax (an 8.8% of GDP due to an increase of the salary fund in GDP) and profit tax (increase by 0.8% of GDP due to changes in the tax payment procedure).

Budget expenses accounted for 29.4% of GDP (against 26.6% in the previous year). Budget expenses growth was mainly caused by a general state expenses increase (growth by 1.3% of GDP due to an increase of interest payments under the state debt and investment financing programmes), as well as growth of expenses for the national economy, education and healthcare, explained by fast salaries growth. In spite of all this, in 2012 the budget surplus amounted 0.5% of GDP (2.2% of GDP in 2011), which evidences a rather strict fiscal policy.

Gross Foreign Debt as of 1 January 2013 amounted to USD 34.1 billion (54% of the annual GDP), having increased by USD 93.1 million or 0.3%.

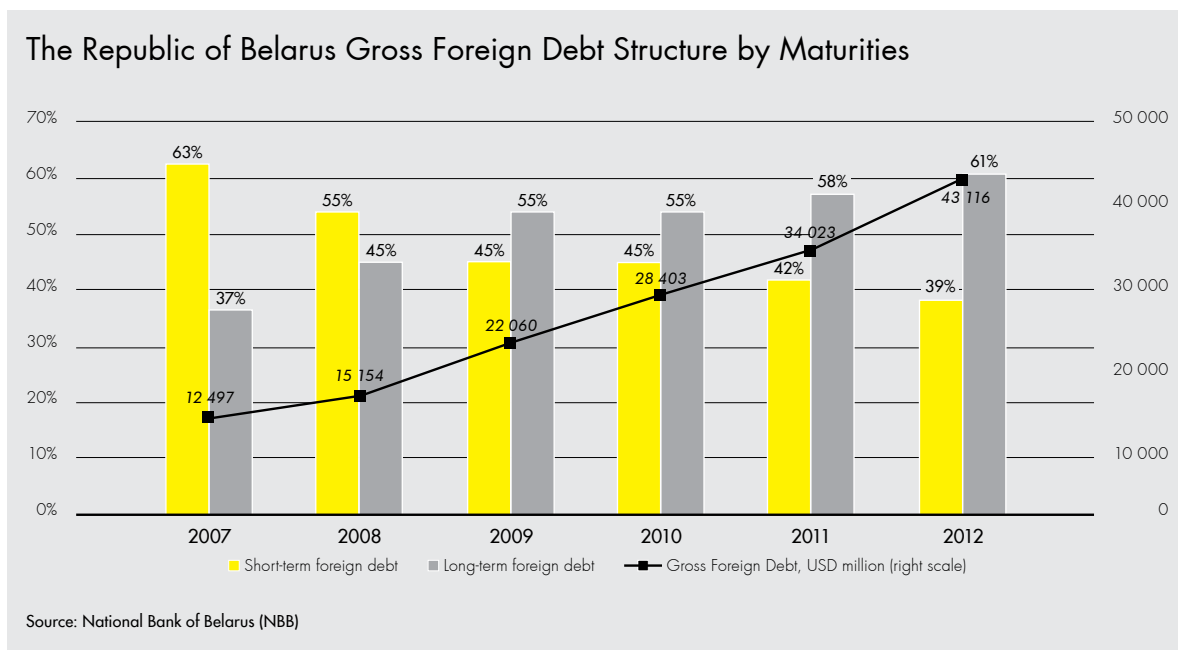
### Foreign Trade of Goods and Services, USD million



Source: National Bank of Belarus (NBB)

In the recent years, the Belarusian Gross Foreign Debt structure has been stably demonstrating a shift of the lending period from short-term towards long-term obligations. As of 1 January 2013 the total volume of the Gross Foreign Debt share of long term obligations (with a period exceeding 1 year) accounted for 61.2% or USD 20.9 billion (an increase of USD 1.3 billion or by 6.6% against 2011). Short term obligations reduced by USD 1.2 billion or by 8.3%, to USD 13.2 billion (38.8%).

The major source of long term foreign obligations was the governmental sector (60.2% of the total long term debt), where the major part of the debt belongs to long term loans and borrowings attracted by the Government of the Republic of Belarus.



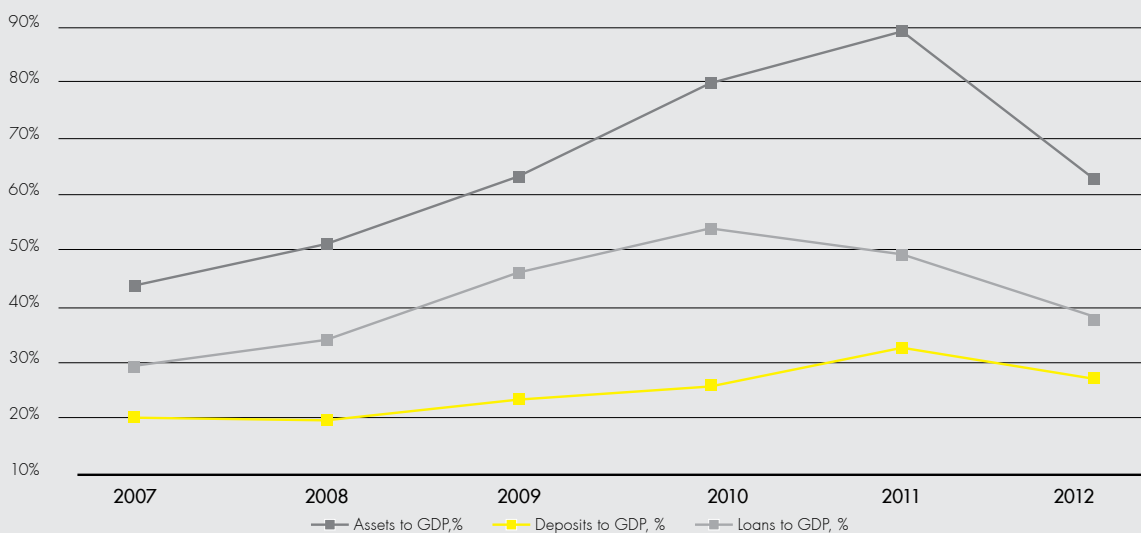
## Banking Sector

The banks' assets as of 1 January 2013 amounted to 321.2 trillion BYR, having increased by 23.8% or by 61.8 trillion BYR for the past year. In the past year in the Banks' assets structure the claims to the residents increased by 26.6% (or by 63 trillion BYR), the claims to the non-residents decreased by 29.7% (5.7 trillion BYR). In 2012 BYR assets increased by 25.5% (or by 34.8 trillion BYR) to 171.3 trillion BYR, in foreign currency – by 18.8% (or by USD 2.8 billion) to USD 17.5 billion.

The banks' claims to the economy in 2012 increased by 37% (or by 58.3 trillion BYR), thereof in foreign currency – by 55.2% (USD 4.1 trillion), in local currency – by 22.6% (21.5 trillion BYR). Outpaced increase of FCY claims to the economy was caused by higher interest rates in local currency.

In 2012 the banks aggressively effected leasing operations. The volume of funding provided by the banks in the form of the financial leasing increased by 7.8 times against 2011, in the comparable prices – to 1.4 trillion BYR.

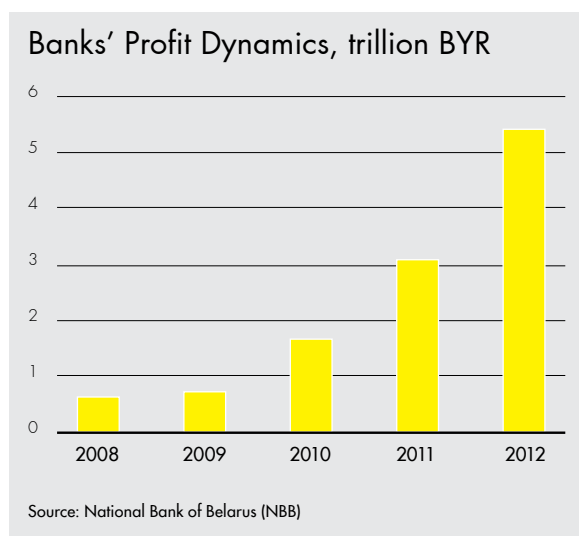
The Banks' Assets, Deposits and Loans to GDP, %



Source: National Bank of Belarus (NBB)



Change of the refinancing rate and liquidity management instruments rates, as well as a liquidity situation in the banking sector determined the deposit-loan market rates dynamics. The average new BYR term deposits rate for legal entities in December 2012 was 33.5% per annum (dropped against December 2011 by 20.1%), the average new BYR term deposits rate for private individuals was 42.4% per annum (dropped by 12.9%), the average new BYR effective loan interest rate was 39.4% (dropped by 1.8%).



In 2012 the banks increased their profit by 75% against the previous year to 5.4 trillion BYR. Return on Equity slightly decreased to 12.7% against 14.9% in 2011, Return on Assets increased from 1.82% to 1.65% in 2012.

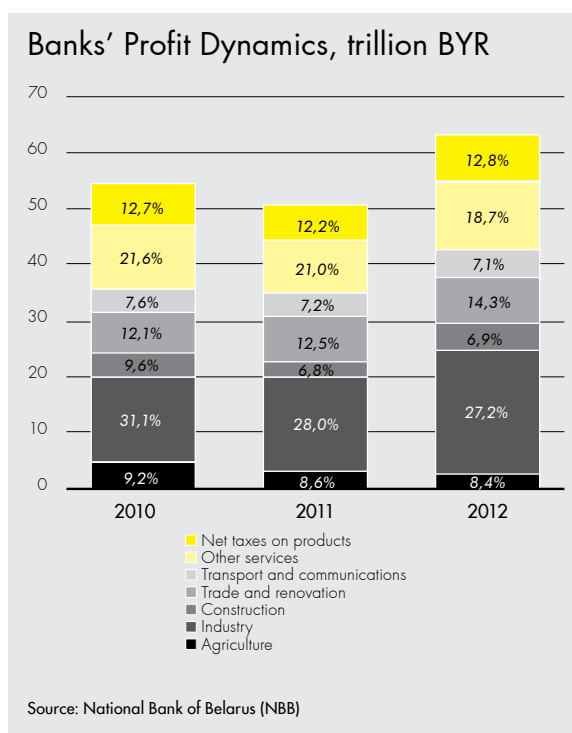
## Real Economy

GDP in 2012 amounted to USD 63.1 billion having increased in comparable prices by 1.5% against 2011. At the same time, labour efficiency increased by 3.4% and exceeded GDP growth. Moderate GDP growth in 2012 was explained by the implementation of complex measures on internal demand shrinking in order to eliminate the macroeconomic disproportions formed in recent years.

The major contributors to GDP growth were industry (+1.8%), agriculture (+0.5%), transport and

communications (+0.5%), net taxes on products (+0.4%); negative contribution was made by construction organizations (-0.6%) and trade and renovation organizations (-1.2%).

GDP energy intensity in 2012 increased by 5.3% (the forecast was a 3–4% decrease).



Industrial output growth rate accounted for 105.7%. The highest growth rate was demonstrated by chemical production (119.6%), coke, oil products and nuclear materials production (117.2%), vehicles and equipment production (114.9%).

The ratio of finished products stock at industrial enterprises' warehouses and average monthly industrial output volumes as of 1 January 2013 accounted for 56.5%, while the stock level decreased by 1.8% against 1 January 2012.

Capital Investments dynamics in 2012 were negative – 86.2% against 2011 (forecast 96-97%). The key reason was a lack of funding. Moreover, the high initial base of 2011 (117.9%) significantly affected such negative Capital Investments dynamics.



Corporate Banking. Business  
with Small and Medium  
Sized Enterprises

# Corporate Banking. Business with Small and Medium Sized Enterprises

Within the existing 'Comprehensive Business Solutions' cooperation strategy with corporate clients, the priorities of the Bank's client policy in 2012 remained maintenance and improvement of relationships with corporate clients. The Bank offers modern servicing – an excellent combination of the advantages of an individual approach with fast and convenient standard financial procedures. In 2012 corporate business strengthened its positions as the Bank's key client segment.

A well balanced tariff policy against the background of high quality services enabled an increase in clients' loyalty and expansion of the existing customer base. Among the Bank's clients are the enterprises of the following industries; petrochemical, energy, telecommunications, medicine, retail trade, metal trade, etc.

One of the products for corporate and medium-sized enterprises, which Priorbank has been actively developing for more than 2 years, is factoring. The project was launched in 2010, and in 2012 the Bank considerably augmented its factoring portfolio (more than threefold increase of the national factoring sales) and increased the number of factoring clients.

In support of the export oriented economy the Bank was actively developing and promoting export factoring products. In late 2011 the first direct export factoring transactions were concluded, and by late 2012 export factoring limits accounted for ~10-15% of the total business segment portfolio.

After joining the International Factors Group (IFG) in 2011 and Factors Chain International (FCI) in 2012 Priorbank secured an opportunity to offer, on the Belarusian market, an export bi-factor factoring. The active work resulted in the conclusion of the first bi-factor factoring transactions with risk cover (RF) in 2012.

In 2012, Priorbank continued financing priority projects in the retail segment. This resulted in active financing of the 'Hyppo' shops network.

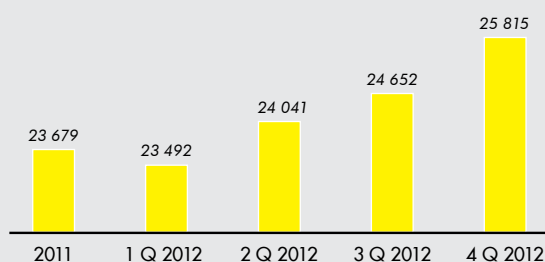
In 2012, the existing cooperation with petrochemical enterprises enabled Priorbank and RBI to finance crude oil deliveries to Belarus to the total amount of 900 million EUR at the average crude oil purchase price of USD 400 per ton.

## Business with SME

Key priority directions in the development of business with small- and medium-sized enterprises in 2012 were:

- strengthening and augmentation of the active clients base,
- increase of loan portfolio volume and maintaining its quality,
- operative management of liabilities,
- Gross Income increase.

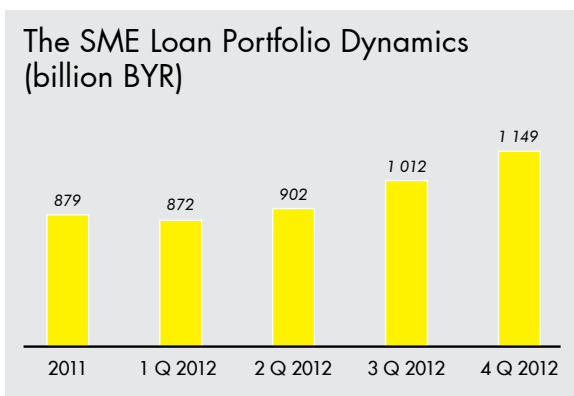
### Active Clients Base Dynamics SME (number)



In 2012 we managed to retain high clients base growth rate – net growth of active clients amounted to 2,136 clients or 9%.

In order to create competitive virtues and stimulate customer acquisition in 2012 the Bank continued its special promotion offer for new clients: '1,000 Payments for 1,000 Roubles', which provides considerable discounts for services during the 1<sup>st</sup> three months from the current account opening. Additionally between 01.09 and 31.10.2012 Priorbank arranged a promotional campaign for SMEs: each new 50<sup>th</sup> client paid only 1,000 BYR for any cash management services package throughout 2013 (896 new clients were attracted to the Bank due to the campaign).

In the conditions of the relative macroeconomic and financial stability, starting from the 2<sup>nd</sup> quarter of 2012, we actively augmented our assets. Thus, the loan portfolio grew by 270 billion BYR or 30.7% against the previous year.

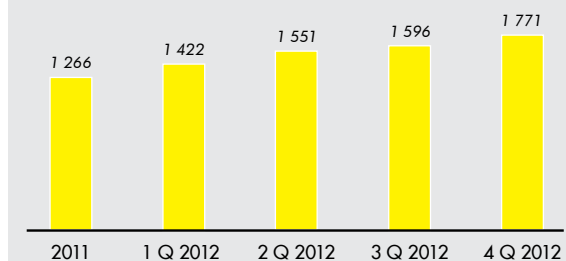


In 2012, we continued our cooperation with Minsk City and Minsk Oblast Executive Committees, Mogilev Oblast and Brest Oblast Executive Committees within the remit of the President's Decree dated 21.05.2009 N 255, 'About some measures on state support of small entrepreneurship' with privileged on-lending to small businesses out of funds from the respective Executive Committees. As of 1 January 2013 the Bank concluded 24 privileged loan agreements which amounted to more than 17.3 billion BYR.

In 2012, we managed not only to retain, but also to improve our high quality loan portfolio.

In order to maintain optimal assets and liabilities structure implementation of a series of complex measures on the liabilities management, as well as an active clients' base growth, in 2012 secured the Bank liabilities increase:

### SME Liabilities Dynamics (billion BYR)



Thus, for the past year the liabilities, formed out of the SME clients' funds on current accounts and deposits, increased by 505 billion BYR or by 40%, thereof by 64% in BYR, and by 16.7% in FCY.

In 2012, the Bank continued business processes automation, reduction of 'time to yes' period.

Priorbank arranged aggressive marketing communications – 2 advertising campaigns were launched. Moreover, Priorbank actively participated in the following events:

- the 17<sup>th</sup> exhibition of Cargo Transporters Association 'BAMAP-2012';
- the exhibition fair 'Pinskiya Targi-2012';
- 'Brest. Community-2012';
- the exhibition 'Bank. Insurance. Leasing';
- World Entrepreneurship Week.

Also, within the long-term cooperation between Priorbank and Entrepreneurs and Employers Business Union after M.S. Kunyavsky, the Bank provided financial support and actively participated in the Innovation Ideas Fair and innovative entrepreneurship development in the Republic of Belarus.

## Leasing

The year 2012 has become the most efficient year in the company's history since its foundation in 2005; the company earned 3.9 million EUR having demonstrated the best result for the past 7 years.

JLLC Raiffeisen-Leasing (RL) was acknowledged as the best among the Raiffeisen Group leasing companies in terms of crisis management, which was decorated with a special award.

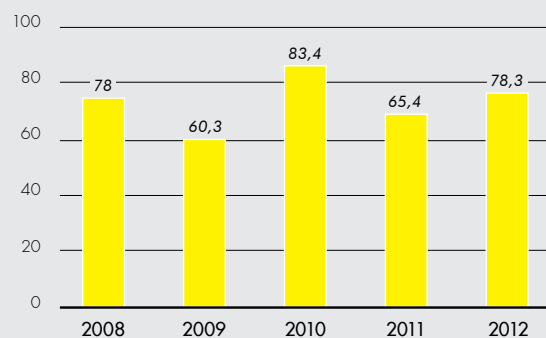
A subsidiary company in Lithuania with a permanent representative office in Belarus established by Raiffeisen-Leasing in 2011 concluded a cooperation agreement with BAMAP in early 2012. Throughout the year the company provided international leasing of more than 250 trailer trains.

The key purpose of the Lithuanian enterprise is provision of international financing to Belarusian companies, including the companies focusing on international automobile cargo transportation.

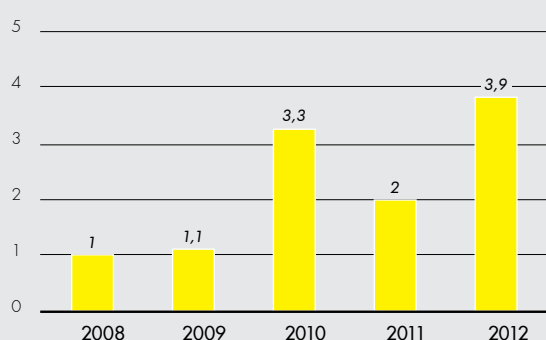
In 2012, the total assets of the company exceeded USD 140 million. The largest share in the company's industries portfolio belongs to commercial real estate and transport leasing, 50% and 32% respectively

More than 270 clients prefer Raiffeisen Leasing as a reliable long-term partner.

Active Portfolio with VAT, million EUR



Profit after Tax, million EUR



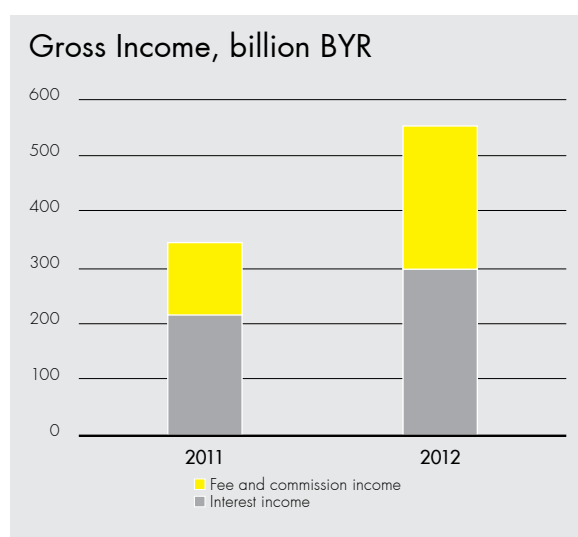


Business with Private  
Individuals

# Business with Private Individuals

## Financial Results of the Year

The year 2012 has become one of the most successful periods for business with Private Individuals (PIs). The Gross Income earned in 2012 exceeded the level of 2011 by 58%, and Net Profit before tax increased by almost fivefold against the previous year. The key sources of the income earned remained lending operations and salary payroll projects.



## CRM – Cooperation with the Existing Clients

Priorbank actively attracts new customers. For existing clients the Bank offers various loyalty programmes. Thus, under these programmes Priorbank effected more than 660,000 contacts with its clients through Banking Services Centres, Call Centre, SMS, direct mail, e-mail, the Internet-Banking System. Our clients received beneficial offers on the most popular banking products and services. Each client who subscribed to Internet-Banking received Birthday and holidays felicitations from Priorbank.

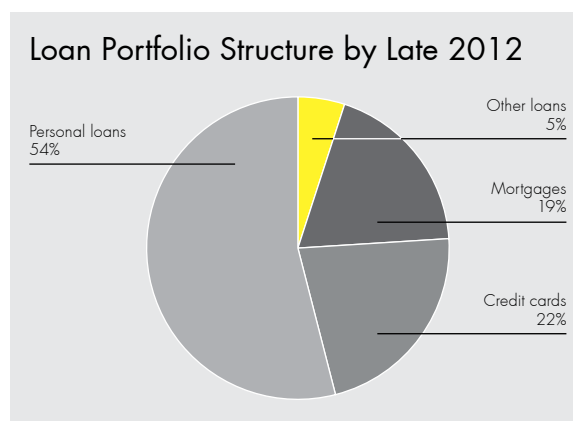
## Deposits

In 2012, much attention was paid to liabilities raising. Competitive product line, aggressive marketing, improvement of existing deposit products enabled an increase of funds raised from PIs by 1,406.3 billion BYR or by 43.6%.

In 2012, the Bank continued to develop services packages for various client categories. Throughout 2012 Priorbank sold more than 17,000 'Pension' packages, having exceeded the previous year's result by 2.5 times. More than 29,600 clients opened Pension Accounts.

## Loans

In 2012, demand for loans grew due to interest rates decreases. The Bank increased its BYR loan portfolio by more than 10%, mainly due to the most popular personal loans and credit cards. The share of consumer loans in the total loan portfolio reached 81% by early 2013. The Bank also continues active promotion of targeted consumer lending.



## Tariff Policy

In the economic conditions of 2012 the Bank's Pls tariff policy was oriented at the common banking services market development trends in the Republic of Belarus, prices for the analogous services of the peers and the Bank cost, taking into account the quality level of offered services and the necessity to retain the Bank's clients loyalty.

The Bank continued to actively develop complex package servicing of Pls. The existing services packages were filled with new offers and special conditions under the existing services and products, also the packages line was expanded. Thus, in 2012, the possibility to use complex servicing was provided based on each individual client's needs: from an accurately chosen set in the 'Economy' service package to the expanded opportunities of the premium segment packages and oriented at individual interests of the clients of 'Pension' and 'Traveller' packages.

With the purpose of expanding the rendered services complex, the Bank also developed and launched new banking products with individual tariffs under special conditions.

In order to develop the relations with existing Bank clients, special loyalty programmes were arranged. Within such programmes special tariffs and rates were applied for these clients.

## Plastic Bank Cards

By late 2012, Priorbank issued a total of 670,000 plastic bank cards for the payment systems: Visa International, MasterCard Worldwide and BelCard, with a market share of 6.5% in the Republic of Belarus.

Priorbank remains one of the leaders in terms of issued debit cards. Throughout the year the Bank issued more than 170,000 debit cards for new customers.

Also, in 2012, Priorbank occupied the leading position on the credit card market maintaining a market

share of 26%. The Bank issued more than 14,000 new credit cards.

In July 2012 Priorbank started to issue cards in russian roubles of the payment system Visa International. Throughout 2012 Priorbank, supported by the payment system Visa International, arranged and launched 4 advertising campaigns focused on the promotion of banking products based on the Visa payment cards. This is the largest number of joint marketing campaigns launched within 1 year for the whole cooperation period:

- "Visit 2012 London Olympic Games with a Visa Card Issued by Priorbank"
- "Priorbank Salary Card"
- "Visa to the Prizes Country"
- "Open the World of Privileges with Visa".

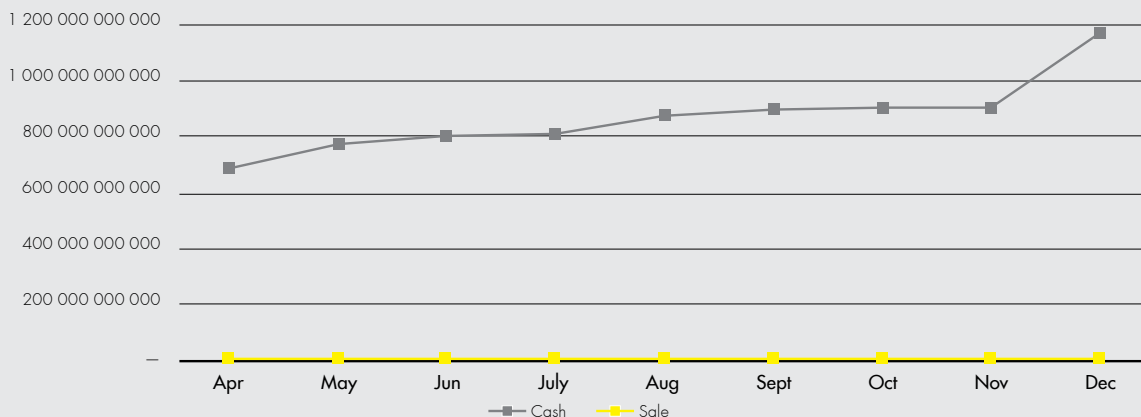
In December 2012, on Christmas Day and New Year's Eve Priorbank gladdened its clients with an opportunity to win a prepaid Gift Maestro Card from the MasterCard Worldwide payment system.

Gross turnover on Priorbank plastic cards in 2012 demonstrated a twofold increase against 2011 and amounted to 1.4 billion EUR (thereof 290 million EUR of cashless payments for goods and services; 1.13 billion EUR of cash withdrawal transactions). The total number of transactions exceeded 50 million (thereof 32 million transactions of cashless payments for goods and services; 17 million of cash withdrawal transactions).

## Acquiring

In 2012 Priorbank successfully underwent certification of the VISA International Payment System for acceptance of chipped cards; certification of the Payment System BELCARD for servicing of the BELCARD cards with a magnetic strip. The Bank updated ATMs software for the implementation of the project on ATMs distant monitoring and servicing, which will enable the Bank to secure a higher level of ATMs network accessibility and reduce maintenance expenses. In the year under report Priorbank installed 35 new ATMs. Monthly cash withdrawal amounts through ATMs exceeded 1 trillion BYR.

### ATMs Turnover





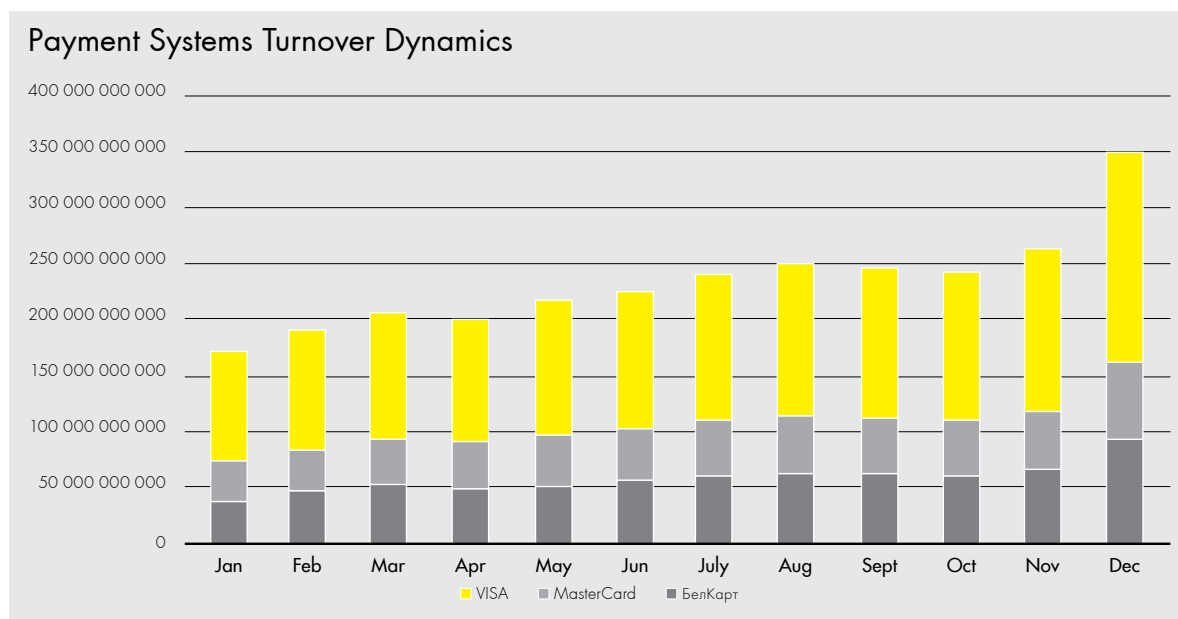
In 2012, the Bank actively attracted new commercial and service companies for acquiring. Throughout the year Priorbank concluded 371 new acquiring agreements and installed 526 Point of Sale (POS) terminals (+21% growth).

The total number of installed electronic payment terminals (POS terminals) reached 3,037. The gross cashless card turnover processed in the Priorbank network in 2012 amounted to an equivalent of 243.5 million EUR. More than 18 million transactions were executed in commercial POSs. Acquiring turnover in commercial POSs in BYR increased by 200%

In 2012 Priorbank:

1. implemented Acquiring Risk Management Policy;
2. launched self-service kiosk for fuel sales at the filling stations;
3. launched RUB payments and cash withdrawals in Priorbank terminals and ATMs.

In the year under report, Priorbank concluded 110 Internet-Acquiring Agreements. Internet-shops acquiring turnover amounted to 67.7 billion BYR.



## Premium Banking for PIs

As of late 2012, 9 Priorbank Banking Services Centres render Premium Banking services, 7 of which are situated in Minsk and 2 in the Oblast capitals. Priorbank continued to develop and offer new products and services for the Bank's premium clients. They enjoy an opportunity to invest their money in mutual investment funds under the management of the company Raiffeisen Kapitalanlage-Gesellschaft m.b.H. (Austria) or to form their own individual securities portfolio within the product – Individual Trust Management. In 2012, the Bank signed an agreement with the company Priority Pass Ltd., under which Visa Platinum cardholders enjoy the opportunity to visit VIP lounges at the airports in more than 100 countries in the world.

## Distant Services for PIs Development

Priorbank created high quality services for its clients, enabling them to manage their funds on-line: the Internet-Bank Prior Online, SMS-Bank Prior Mobile and USSD-Bank Prior Mobile+.

In 2012 Priorbank offered its clients updated special versions of the Internet-Bank Prior Online for mobile devices based on the operational systems Android and Apple iOS.

The applications can be installed on a mobile device through the application shops Market Play and App Store respectively. The software requires Internet access through a mobile device and subscription to the Internet-Bank Prior Online: the client will have their own login and password to enter its personal cabinet, as well as an authorisation code to execute transactions.

The applications are very convenient and have excellent usability. Developing key functionalities, Priorbank considered its clients' wishes and needs. The number of applications' users exceeded 25,000 people.

The most up-to-date function – geolocation – enjoys popularity. Using GPS, the software detects the user's location and shows the location of the nearest Priorbank ATMs and BSCs on a smartphone or tablet display.

Quick communication with the Bank is accessible in the 'Information' menu. It contains 4 tabs:

- 'Contact Bank'
- 'Bank's Call-Centre'
- 'Information'
- 'About Bank'

Using the tab the 'Bank's Call-Centre' a client can quickly contact a Call-Centre operator regarding any question of interest (card blocking, ATM, Internet, SMS-, USSD-Bank transactions, etc.).

FOREX rates and the Bank news are daily updated for clients.

The functional part of the mobile versions is practically identical to the full version of the Internet-Bank.

A client can:

- view the balance and receive account statements (current, deposit, loan, card accounts);
- repay Priorbank loans;
- top up Priorbank deposits;
- transfer cash funds from one client's debit card to another client's debit card in seconds;
- pay services:
  - mobile and home phones, internet-providers and cable TV;
  - insurance and security services, utilities payments all over the Republic of Belarus using the system of Common Settlement Information Space 'Settlement' (ERIP).

'One Button Payment' function was launched in the applications. A client can pay for several services using one button ticking the services from the 'Own Payments' list, having preliminarily indicated the amounts. Now, it is also possible to name your plastic cards, agreements, current accounts.

Priorbank is constantly on the move. New directions of functional opportunities development have been identified. In the short term we will offer our clients:

- unspecified payment execution on one page;
- search of services suppliers by the settlement tree;
- list of agreements and account balance in one field;
- standing order – opportunity to independently determine the service, payment amount and periodicity of the funds write-off;
- information on overdrafts.

At present, 140,000 clients use the distant banking servicing system (DBSS). In 2012, 37,500 users joined us; the volume of payments and transfers amounted to 1.32 trillion BYR.

### DBSS Number of Clients and Average Monthly Turnover, by Quarters

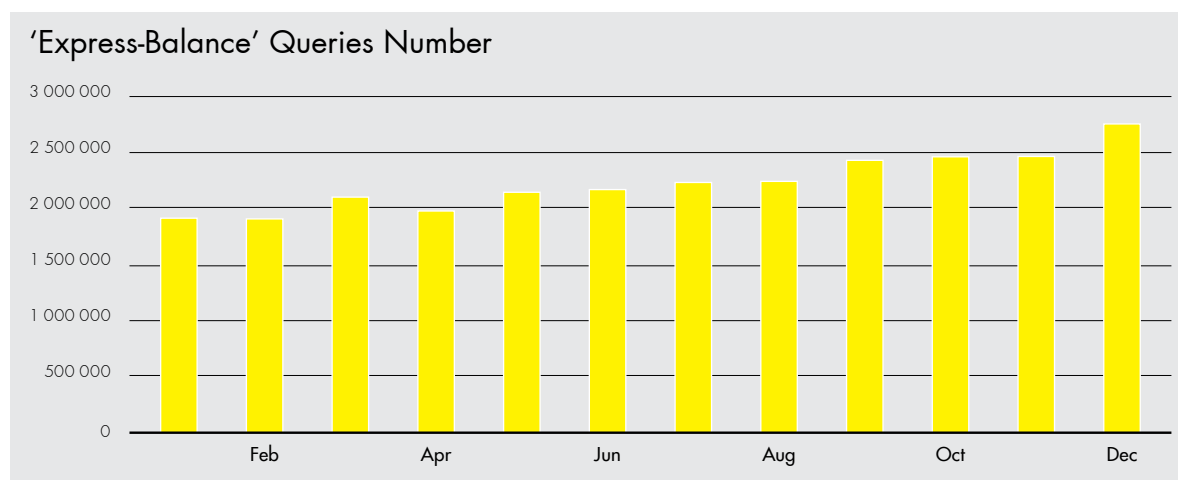


Priorbank clients do not have to call the Bank's Call-Centre or queue at the ATM to find out a bank card balance. A bank card balance can be checked by a simple USSD query from a mobile phone. The 'Express Balance' service is available for all Priorbank's card holders without preliminary subscription.

The Bank's clients worthily praised such service convenience. In 2012, the queries number exceeded

27 million. The service is provided free of charge, a client pays only for mobile operator services.

In 2013, the Bank is planning to further develop Pls DBSS, augment its client base and the system turnover, to launch sending SMS upon cards activation, to deliver information on credit cards amounts outstanding using the 'Express Balance' service, etc.



## Call Centre

The Call Centre is Priorbank's strategic asset in the retail business segment. In 2012, the Call Centre serviced clients through the traditional telephone channel as well as electronic mail; the Call Centre received more than 1,100,000 telephone calls and more than 6,300 e-mail inquiries.

The Call Centre provides clients with services and information on a wide range of issues: consultations regarding loans and deposits, 24 hours support for plastic bank card holders in regard to blocking and unblocking of card, cards activation, change of card limits upon the request of card holders abroad, information about cards status.

In 2012, the number of the clients' inquiries regarding the use of DBSS instruments grew: the Internet-Bank, SMS-Bank and USSD Bank; their number entered the top 5 most popular clients' inquiries.

In June 2012 the Call Centre launched the 'Call Back' service for bank card holders (the telephone line +375 17 289 92 92). Now, a client, using his/her mobile phone, can leave a voice call back inquiry, and within an hour a card support operator will call him/her back. This service enabled reduction

the number of clients, who failed to reach an operator because of the long queuing time, and improve customer service quality.

In 2012, the Bank also launched a voice message system informing its clients about the Bank's systems failures (payment systems, ATMs and Cash-Ins, as well as DBSS). Now, a client, in case of rejection of a card transaction execution caused by a system failure, can dial 487 and hear a voice message informing them about the problems in servicing and the expected time of solution. So, clients, not having to wait for the operators answer, will find out that the Bank is aware of the problem and is trying to solve it.

In 2012, the Call Centre sales group continued to inform the Bank's clients about special offers regarding credit cards and personal loans. More than 75,000 clients were informed about the offers; more than 4,000 clients received Bank loans.

In 2013, the Call Centre will continue to expand its range of services. It is planned to launch a chat with an opportunity for a client jointly with an operator to look through the banks' web sites and order a call back service from Priorbank web-site page. These innovations will help our clients navigate faster through the sites, to fill in various application forms and use the operator's on-line help.



# Treasury Operations

# Treasury Operations.

## Foreign Market Operations

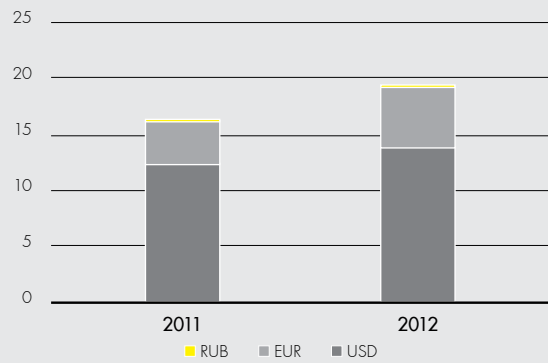
### Money Market

In 2012, inter-bank deposits (IBD) allocation dominated in the foreign money market operations structure. Their volume against 2011 increased by 15.6% to 19.47 billion EUR, and their share grew from 99.04% to 99.82%. Liabilities raising was episodic; its volume amounted to only 35.4 million EUR.

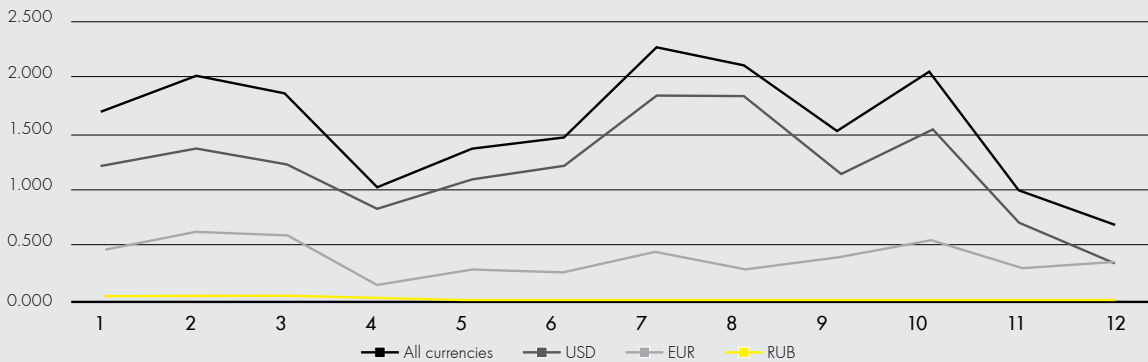
In spite of the operations volume growth, their profitability dropped from 357.8 ths. EUR in 2011 to 333.2 ths. EUR in 2012 as a consequence of significant EUR rates fall (to 0.01% per annum).

Throughout 2012, due to the Bank's balance sheet structure optimization, average monthly IBD allocation volumes were falling – by almost 2.5 times as of late 2012.

IBD Allocation Structure on the Foreign Money Market by Currencies in 2011-2012 (billion EUR)



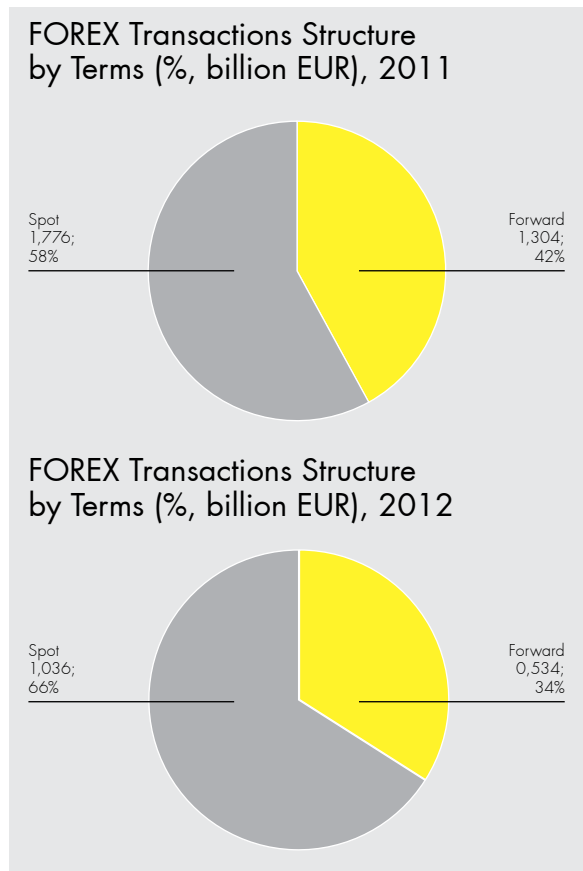
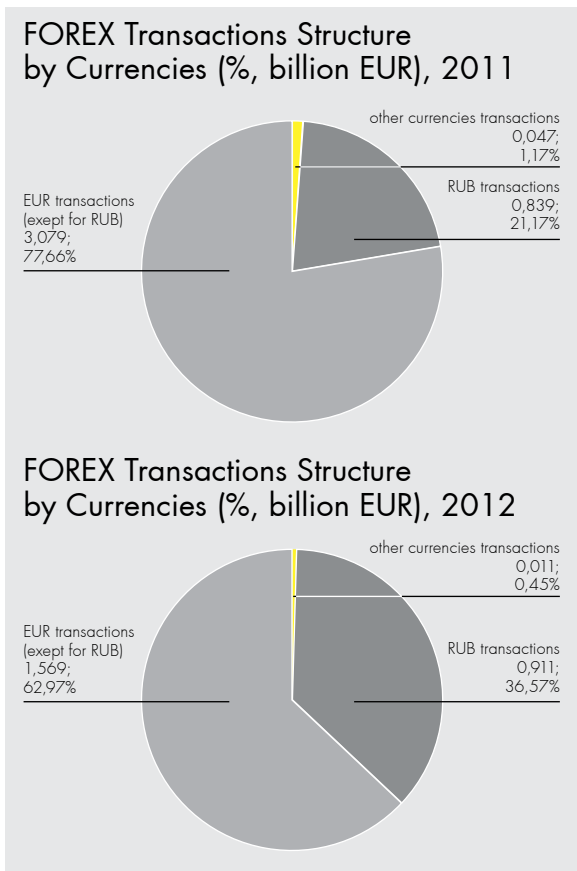
IBD Monthly Dynamics in 2012 (billion EUR)



## FOREX Operations

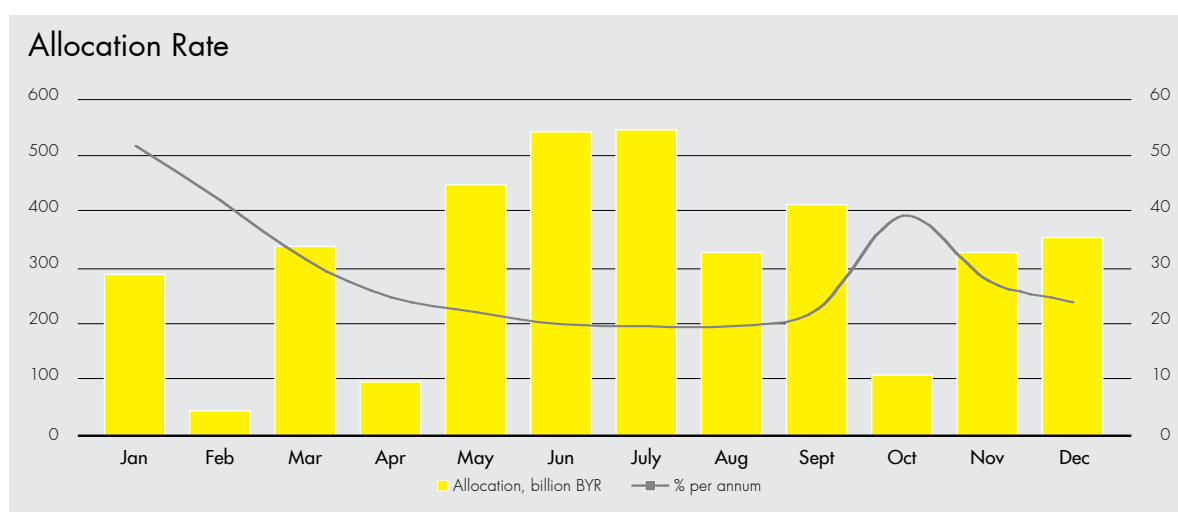
Traditionally, Russian Rouble (RUB), USD and EUR have been the main FX transactions currencies; while the RUB transactions share increased from 21 to 37% in 2012.

Forward operations still occupy the significant share of the total transactions volume – 34%. However, in 2012, their volume and share dropped as a consequence of the fall of clients' demand for FOREX risks hedging.



# Local Money Market Operations

Throughout 2012, Priorbank was a net seller of inter-bank BYR resources being among the first five largest inter-bank loans market operators. The allocated funds amount changed depending on the total BYR liquidity available in the banking system of the Republic of Belarus, and, in particular, Priorbank's liquidity situation.



Significant FCY volume sold by the companies and private individuals in the 1<sup>st</sup>–2<sup>nd</sup> quarters of the year under report, considerably increased the abundant BYR liquidity in the banking system, which gave rise to a drastic drop in BYR interest rates on the market, and, consequently, warmed up demand for loans from both legal entities and private individuals. Alongside this with the increase of the deductions to the Obligatory Provisions Fund from 10 to 12 %, as well as outflow of LCY funds from the market for FCY buying on the background of devaluation expectations, by the end of the 3<sup>rd</sup> quarter the banking system faced liquidity deficit on the market.

Throughout the year, Priorbank pursued a flexible assets-liabilities management policy in order to minimize abundant liquidity in the 1<sup>st</sup>–3<sup>rd</sup> quarters and to satisfy the increased BYR demand in the 4<sup>th</sup> quarter.

As a result, in 2012 income from BYR inter-bank loans (IBL) and deposits amounted to 84.9 billion BYR at the average lending rate of 26.2%. At the same time, the Bank paid interest to the amount of 3.7 billion BYR on raised inter-bank loans and deposits at an average borrowing rate of 55.4%. Against the previous year, IBL income increased by 48.8 billion BYR, and cost decreased by 0.1 billion BYR.

# Treasury Operations with Clients

## Securities

In 2012, Priorbank arranged 5 new issues of its own bonds to the total value of 400 billion BYR, USD 12 million, 12 million EUR, and 500 million RUB. The Bank's investment offer in RUB with a market profitability became unique for the Republic of Belarus. Return on these bonds is determined by MosPrime Rate (Moscow Prime Offered Rate), which precisely reflect RUB deposits market interest rates.

In 2012, Priorbank was ranked the 4<sup>th</sup> in terms of volume and number of bonds selling and buying on the over the counter market in the leading issuers rating with a market share of 4.82% and 4.42% respectively.

The past year was characterised by the positive dynamics of brokerage services with corporate securities. The volume of Priorbank transactions with legal entities' securities under clients' instructions grew by 1.8 times to 31.4 billion BYR, with a market share of 4.2%.

## FOREX Transactions

In 2012, Priorbank occupied the 3<sup>rd</sup> position among Belarusian banks in terms of FOREX transactions volume at the Belarusian Currency Stock Exchange, having increased its share from 10.2% to 11.6% in this market segment. Priorbank FOREX transactions volume at the

Belarusian Currency Stock Exchange increased by almost threefold to an equivalent of 58,070.9 billion BYR.

As a result of local legislation change the over the counter FOREX market was represented mainly by conversion operations, of which its share in the total over the counter FX transactions accounted for 92.2%, having increased by 12.2% against the previous year.

In the past year our clients used Priorbank Internet Trading Platform more actively for FOREX operations. The share of transactions concluded by the customers with the Bank through the Internet in 2012 increased by 4.6% and reached 11.7% of the total of over the counter FOREX transactions.

## Financial Derivatives

Throughout 2012, Priorbank actively promoted FOREX risk hedging instruments on the local financial market. The number of clients actively dealing with forward contracts increased threefold during the past year.

In 2012, Priorbank enriched its product line with FCY SWAP transactions, as well as FX transactions of various types with settlements under the conditions of netting the counter obligations of the Bank and the Client, which enabled clients to significantly mitigate FX risk, optimize assets and liabilities operations structure, as well as reduce demand in cash for settlements with the Bank.



# Liquidity Management

The world financial crisis of 2011 and the striving of the largest banks to improve their liquidity position, as well as regulator requirements for European banks to increase capital adequacy standards led to Priorbank FCY to have an abundant liquidity in early 2012. During the year, using various internal assets-liabilities management systems, the Bank optimized its balance sheet structure due to the constrained growth of liabilities determined by the moderately growing loan portfolio in the respective currencies. Thus, by late 2012 the Bank approached the end of the year with an assets-liabilities ratio comfortable from the point of view of liquidity and appropriate from the point of view of profit.

Within further liquidity management system improvement, the Bank jointly with RBI optimized liquidity position assessment systems and procedures, developed a liquidity forecast mechanism taking into account the planned new business, which enables one to preliminarily assess the required Bank's liquidity level given the chosen development strategy.

## Custody Services

In 2012, Priorbank's Custody Division offered the services for forming and keeping registers of shareholders, safekeeping and settlement of securities, payment of dividends, informed about corporate actions of the issuers and rendered other custody services.

The Banks shareholders comprise of 503 legal entities owning 95.3% of shares and 15,171 private individuals owning 4.7% of shares. The majority share in the authorised capital of the Bank belongs to Raiffeisen CIS Region Holding GmbH (associated company of Raiffeisen Bank International AG). Priorbank's subsidiaries do not own the Bank's shares.

The number of Priorbank's ordinary shares is 123,058,441, and privileged shares are 10,000. The nominal value of a share is 3,350 BYR. The dividends size on the privileged shares made up 50% from the nominal value (1,675 BYR), on the ordinary shares – 1,450 BYR.



International Activities

# International Activities

## Correspondent Banking

Global presence of Raiffeisen Banking Group, especially the excellent coverage on its home market - CEE&CIS and extensive expertise on perspective Asia markets makes us the first choice for those customers that look for best quality services both globally and locally. We support our customers in a very clear and professional way, making the payments straight and swift.

Priorbank benefits include long-term relationships with major global clearing banks, full integration into the European clearing systems, and access to powerful settlement tool called Inhouse Clearing. Our customer uses RBI or Raiffeisen Network Bank as the single entry point to reach the hundreds of loro correspondents of RBI to deliver its money to the beneficiary within one working day.

## Trade Finance

Trade finance is the business where we are the recognized expert on the market. Plain vanilla is that the everybody can do; complex deals require the experience and professionals.

Documentary business is the business where the bank's financial performance and reputation are the key factors. Our excellent risk profile and performance are highly regarded by our correspondent banks, moreover, the Raiffeisen brand recognition does the job. We have enough limits established in our favor, and we could structure the deal offering our customer different solutions.

Our expectations to the development of this business segment in Priorbank are quite positive. Trade is the leverage that fosters the national economy, and we continue to support our customers in Priorbank and in Raiffeisen Group.

## Foreign Funding

We are able to provide our customers with the full range of loan facilities, starting from self-liquidating short-term trade-related facilities to long-term investment loans. Perfect understanding of the customers' needs make us able to offer the customer the funding that does not just increase unnecessarily its debt burden, but rather pushes its business forward.

We explore to our customers different possibilities of foreign financing, introducing the customer to the foreign lenders, making it closer to the best international practices we have been able to provide the very exact type of financing that the customer really needs. Some time ago we pioneered the direct financing of Belarusian companies by RBI Vienna, today the volumes of such financing prove the strong demand for this type of lending from the Belarusian entities.

We are the only one Western bank in the country, and making the foreign funding available for the national economy is one of our priorities.

## Payments

The service level rendered by Priorbank while effecting international and domestic payments is comparable to the level of first class foreign banks. As of 01.01.2013, Priorbank maintained the following correspondent accounts: 'nostro' accounts – 41 correspondent accounts in foreign currencies with non-resident banks, 16 correspondent accounts in foreign currencies with resident banks; 'loro' accounts – 40 correspondent accounts in local currency for non-resident banks, 7 correspondent accounts in foreign currencies for non-resident banks, and 51 accounts in foreign currencies for resident-banks.

The main correspondent banks for Priorbank in 2012 were: for EUR payments – Raiffeisen Bank

International AG, Vienna, Commerzbank, Frankfurt; for RUB payments – Sberbank of Russia, Raiffeisenbank Austria, Moscow; for USD payments – Standard Chartered Bank, NY, Wells Fargo Bank, NY; for Chinese Yuan (CNY) – Industrial and Commercial Bank of China.

In 2012, the number of BISS payments increased by 3% against 2011, FCY payments transferred to correspondent banks increased by 9%.

The largest number of payments in 2012 was sent in favour of the banks of Russia, Germany, Austria, Poland, Latvia, Lithuania, and the Ukraine. Most of the payments were nominated in EUR – 43%; RUB – 32%; USD – 21%.

| List of main correspondent banks |                              |  |            |             |            |
|----------------------------------|------------------------------|--|------------|-------------|------------|
| Currency                         | Account                      | Correspondent                                | City       | Country     | SWIFT Code |
| CHF                              | 02300000069025050000K        | UBS AG                                       | Zurich     | Switzerland | UBSW CH ZH |
| CNY                              | 0101000111902569094          | INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD. | Beijing    | China       | ICBK CN BJ |
| DKK                              | 500 000 6760                 | NORDEA BANK DANM ARK AS                      | Copenhagen | Denmark     | NDEA DK KK |
| EUR                              | 55.045.512                   | RAIFFEISEN BANK INTERNATIONAL AG             | Vienna     | Austria     | RZBA AT WW |
| EUR                              | 400886630301EUR              | COMMERZBANK                                  | Frankfurt  | Germany     | COBA DE FF |
| EUR                              | 0000034999                   | DZ BANK                                      | Frankfurt  | Germany     | GENO DE FF |
| GBP                              | 83-55.045.512                | RAIFFEISEN BANK INTERNATIONAL AG             | Vienna     | Austria     | RZBA AT WW |
| JPY                              | 653-0428213                  | THE BANK OF TOKYO-MITSUBISHI                 | Tokyo      | Japan       | BOTK JP JT |
| KZT                              | KZ459260001000302000         | KAZKOMMERTSBANK                              | Almaty     | Kazakhstan  | KZKO KZ KX |
| LTL                              | LT617044060000000164         | AB SEB BANKAS                                | Vilnius    | Lithuania   | CBVI LT 2X |
| LVL                              | 22000161049                  | AS SEB BANKA                                 | Riga       | Latvia      | UNLA LV 2X |
| PLN                              | PL15175000090000000002886448 | RAIFFEISEN BANK POLSKA SA                    | Warsaw     | Poland      | RCBW PL PW |
| RUB                              | 30111810700000110023         | RAIFFEISENBANK ZAO                           | Moscow     | Russia      | RZBM RU MM |
| RUB                              | 30111810855550000010         | JSC VTB BANK                                 | Moscow     | Russia      | VTBR RU MM |
| RUB                              | 30111810600013168183         | ZAO UNICREDIT BANK                           | Moscow     | Russia      | IMBK RU MM |
| RUB                              | 30111810200000000136         | SAVINGS BANK 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 |
| USD                              | 3582023207001                | STANDARD CHARTERED BANK                      | New York   | USA         | SCBL US 33 |



Risk Management.  
The Banks Loan Portfolio

# Risk Management. The Banks Loan Portfolio

## Risk Management Organization in the Bank

Priorbank JSC implemented an efficient risk management system including credit, interest, FX, liquidity and operational risk management, which is constantly improving in compliance with international requirements and standards. The risk management organisation comprises of credit analysis, credit administration, risk management, as well as problem loans and collateral management.

In the Republic of Belarus the principal share in the commercial banks' assets operations, and, respectively, in the income structure, belongs to lending operations. Given this fact, credit risk management plays an important role in determining the Bank's assets quality, making decisions aimed at stable Bank functioning, as well as directly influencing the Bank's financial result in the period under report.

Credit risk management is executed by the Bank's risk management separately for each client segment by developing jointly with business divisions of the Lending Policy, developing standardized credit products, performance of independent financial analysis of the enterprises and market analysis for corporate clients, independent risk assessment on each individual client's limit, establishment of requirements on collateral structure and its value, limit compliance control and control over the performance of the set financing conditions and covenants, problem loans collection and collateral realization if necessary, loan portfolio analysis, including the Bank's exposure to credit risk by stress testing of the credit risk level.

Interest risk is managed and controlled based on the various sensibility analysis methods, stress testing and assessment of interest rates changes influence on the Bank's income. The Bank also controls FX risk by limiting the positions under local and international standards, stress testing.

The Bank manages assets taking into account the liquidity; daily monitors future cash flow and liquidity. In order to assess the actual Banks needs in liquid funds, the Bank's specialists monitor the liquidity with the help of 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.

In order to minimize operational losses, as well as improve the 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 its corporate culture of understanding the operational risks and methods of operational losses prevention.

## Credit Risk Management Development in 2012

Taking into account the economic situation stabilization in 2012 and, at the same time, remaining macroeconomic risks, Priorbank continuously adopted its underwriting criteria for lending. It is worth mentioning, that the credit risk management applies different approaches to assess the risks of corporate, medium- and small-sized clients, private individuals and other counter-agents, therefore underwriting criteria were individually determined for each client segment.

In 2012, Priorbank continued to improve its risk management system. Maintenance of the Bank's high quality loan portfolio in 2012 was secured, but not limited to, improvement of Early Warning Signs (EWS) system, targeted at detecting of potentially problem clients. Much attention was paid to the development and implementation of an Credit Fraud Prevention Policy applicable for legal entities and private individuals.

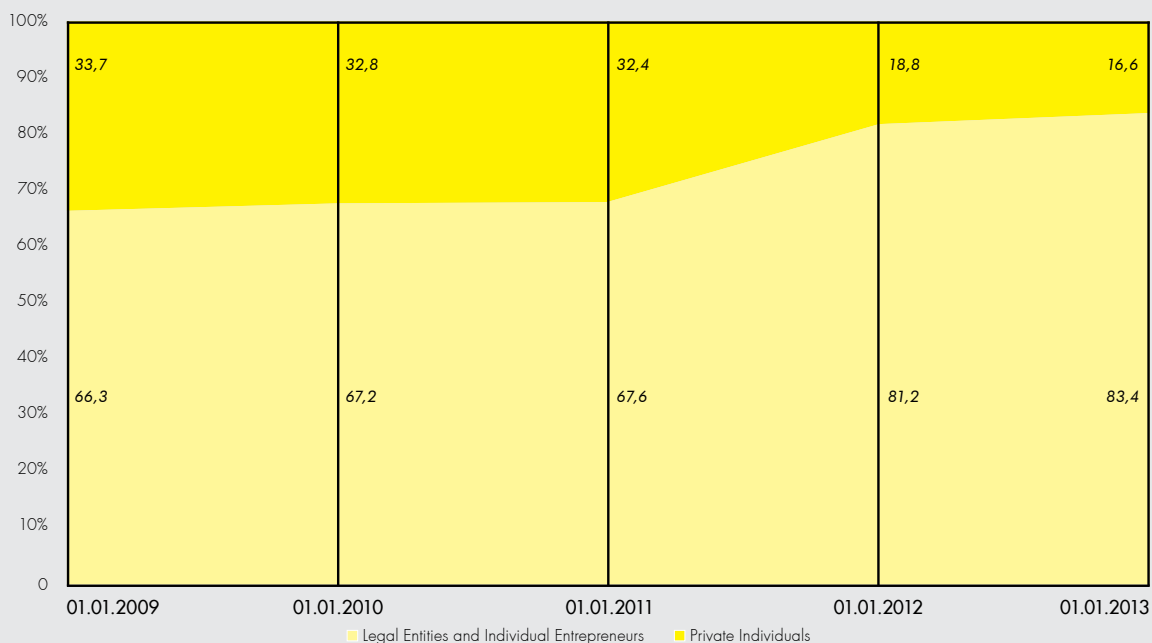
## Loan Portfolio by Customer Categories

| Customer Category                           | 01.01.2012          |              | 01.01.2013          |              |
|---|---------------------|--------------|---------------------|--------------|
|   | Amount, billion BYR | Share, %     | Amount, billion BYR | Share, %     |
| Legal Entities and Individual Entrepreneurs | 6,292.9             | 81.2         | 7,484.29            | 83.4         |
| Private Individuals                         | 1,455.4             | 18.8         | 1,491.61            | 16.6         |
| <b>TOTAL loan portfolio</b>                 | <b>7,748.3</b>      | <b>100.0</b> | <b>8,975.90</b>     | <b>100.0</b> |

In 2012, the Bank's loan portfolio increased by 15.8%, mainly due to the loan portfolio of legal entities and individual entrepreneurs (+18.9%). At the same time, the priority in lending to legal entities in 2012 was the strengthening of cooperation with the Bank's strategic clients, while applying a conservative approach to new clients.

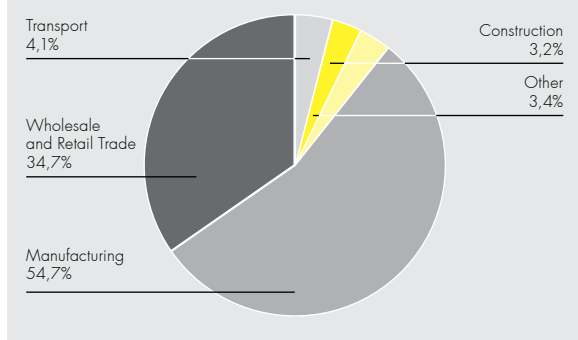
For the past 5 years the share of PIs loans in the Prior-bank loan portfolio structure had been decreasing, and as of 01.01.2013 accounted for 16.6%, reflecting the current situation of the Belarusian retail banking market, which is first of all characterised by high local currency loan prices.

### Changes of Counter-Agents Share in the Loan Portfolio in 2009-2012





## Legal Entities and Individual Entrepreneurs Financing by Industries



The loan portfolio structure of industries did not significantly change. In the loan portfolio of legal entities and individual entrepreneurs in early 2013 the dominating shares belong to manufacturing (54.7% of the loan portfolio) and wholesale and retail trade (34.7%).

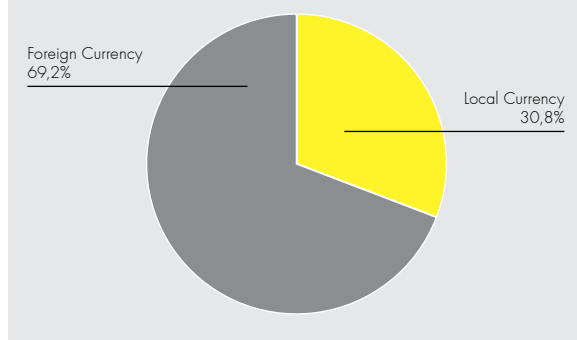
Priority financing in manufacturing are as follows:

- Oil Processing 9.7% of the total loan portfolio of legal entities and individual entrepreneurs;
- Manufacturing of metal parts and structures 7.2%;
- Manufacture of Railway Locomotives and Rolling Stock 3.1%;
- Manufacture of Furniture 3.1%.

Priority financing in the retail and wholesale trade segments are as follows:

- Specialized Wholesale Trade (solid, liquid and gas fuel, metal and metallic ore, timber, etc.) 10.1% in the total loan portfolio of legal entities and individual entrepreneurs.
- Retail trade of food, beverages and cigarettes 9.6%.

## Loan Portfolio by Currencies



The share of FCY financing is stably high – about 70%, therefore special attention in 2012 was paid to FX risk level assessment and compliance of financed clients within target financing industries. As a rule, financing preference was given to export oriented clients and companies active in import substitution.

In 2012, the share of Problem Loans practically did not change, and as of 01.01.2013 amounted to 0.96% of the Bank's loan portfolio under local standards.

Improvement of criteria, procedures and risks management systems enabled the Bank to secure a stably low level of problem loans. One of the key factors of this success is the high efficiency of Priorbank's credit risk management system. Its further development is the most important priority of the Bank's activities.



Personnel

# Personnel

Key HR priorities in 2012 were:

- Talent pool management through the process of detecting talented staff, evaluation and development of their potential, and preparation of the pool to fill key positions;
- development of professional and leadership skills through organization of rotations and programmes of international traineeships;
- quality improvement and optimization of personnel recruitment through assessment and development centers delivery;
- clients service quality increase by improving coaching tools, as well as development of incentive schemes;
- Lean ideology promotion through trainings and motivation of the employees' innovation activities;
- increasing the Bank's employees awareness regarding issues on anti-money laundering (AML), conflict of interests;
- further development of the Performance Management system as a key instrument of personnel motivation and development focusing on the quality of objectives setting;
- design of new incentive schemes and updating the existing ones, based on employees' individual performance.

As of 01.01.2013, Priorbank's total headcount amounted to 2,475 employees; thereof 263 employees are on maternity leave. The share of male employees accounts for 21% and female employees – 79%. 80% of the Bank's employees have higher education. Personnel turnover under the employees' initiative made up 10%. The average age of the Bank's employees in 2012 was 37 years.

In 2012, Priorbank hired 303 employees, thereof 159 – former students from the special pool of the most talented university graduates, students who were on traineeships in the Bank, as well as 11 students trained at Prior School.

Throughout 2012, based on high individual performance 304 employees were promoted (14% of the active headcount), 141 employees were rotated (6.5% of the active headcount), including 4 managers from head office and BSCs.

In 2012, the Training and Development Team main activities were :

- Organisation in the Republic of Belarus and overseas of 315 training events (in class training, seminars, tests, courses, contests, on the job trainings). The number of employees participating in the training events amounted to 1,740;
- Design of 20 e-learning courses, 2,216 employees enrolled on the courses;
- Organisation of 46 on-line seminars.

In 2012, the Bank continued the implementation of the project 'International Young Potentials', which is aimed at the preparation and development of young talented loyal employees on a group level, ready to work in any RZB Group Network Bank. The participants of the programme will have traineeships in different Group

network banks in Hungary, Austria, Romania, Czech Republic, Albania and Russia, and will have opportunities to exchange best practices.

In 2012, development assessment centres for the personnel selection for mass functions were developed and arranged.

In the year under report, with the purpose of further implementation of labour management and motivation methodology 'Performance Management', the Training Centre developed a multi-media electronic course for the managers, attended by 254 employees.

In order to support further implementation of the Lean Project in the Bank, the purpose of which is optimization and increase in efficiency of business processes, obligatory on-site and distant familiarizing trainings for all the Bank's employees were prepared and arranged. In 2012, within the 'Branches Lean Optimization' Project the HR Compensation and Benefits team arranged the contest – 'The Best Lean Idea', aimed at motivating employees' innovation activities in all Bank's business directions. Also, within the Lean Project the team developed and implemented an incentive system for multi-functional employees of the Operations Department, who are prepared to execute operations in several structural divisions of the department.

In order to strengthen motivation base directed at labour efficiency increase and natural optimization of headcount, incentive systems for Pls tellers and cashiers were upgraded.

In 2012, changes to the Collective Agreement were introduced with the purpose to secure stable social and economic situation of the Bank, efficient employees' occupation, as well as safe labour conditions. For separate employee categories additional guarantees and compensations were stipulated.

Within the social package development, the Bank arranged events, aimed at the development of employees' creative potential: vocal and instrumental group, and dancing group. In order to promote a healthy lifestyle, as well as attract the Bank's employees to regular physical training and sport events, in 2012 the Bank arranged the 1<sup>st</sup> table tennis tournament among employees, founded a fishing tournament, approved sport events programme for 2013, which reflected a mass sports initiative.

## Branch Network Development

As of 01.01.2013 Priorbank branch network consisted of 98 POS, including 34 Banking Services Centres (BSCs) and 64 BSCs outlets.

In 2012, the Bank continued to implement RBI Group projects focused on the BSCs business efficiency and service quality improvement.



Information Technologies

# Information Technologies

The year 2012 was rather saturated in terms of information technology developments, the same as the previous years. Traditionally big efforts were made on the improvement of business processes using up-to-date IT technology. The software, supporting the Bank's work, was significantly changed, existing functionality was developed further, and new functionality was created.

World IT development trends significantly affect banking business means and methods, customer relationship organization. If previously, to be up-to-date it was enough to provide the clients with an opportunity to distantly work with the bank either from home or from office, then today, a client prefers to be serviced by the bank, which provides him/her an opportunity to execute transactions 24 hours a day with the help of mobile devices using specially designed mobile applications. In 2012, the Bank provided its clients an opportunity to use all the advantages of mobile technology having launched a specialized mobile application with a very simple and convenient user interface, as well as with geo-location function and an opportunity to call the Bank directly from the application.

In the previous years, the Bank paid much attention to the optimization of operational activities, launch of credit workflow system, payments straight through processing (STP) technologies, development of internal electronic workflow systems. Having experienced the convenience and effectiveness of these activities for the Bank's internal purposes, Priorbank, in 2012,

significantly improved the 'Bank-Client' system for legal entities, having considerably expanded the list of tasks, which a client can distantly execute, being integrated directly into the Bank's workflow systems.

In 2012, the Bank successfully implemented the most complicated and ambitious IT Project in the Bank's history – migration of centralized automated banking system for corporate business from SYBASE to ORACLE Platform. Implementation of this project enabled a significant increase in the system's productivity and laid the groundwork for its future development due to the constantly increasing productivity requirements and growing data volume to be processed.

In order to increase the IT cost management quality, the Bank implemented another interesting project; outsourcing of office printing, including transfer of all the respective equipment to the service provider. Application of the per copy payment principle, enabled the Bank to reduce office printing cost, primarily due to a decrease printing volume by more than 20%.

In the area of IT infrastructure, the Bank continued to actively develop virtualization topic, and, after implementation in 2011 of the project on virtualization of the servers of the main data processing centre, in 2012, the Bank built a geographically distributed platform, which enabled to place in the virtual environment bank information systems with high requirements to accessibility and disaster tolerance.

## Development of Services to Legal Entities and Individual Entrepreneurs

Priorbank is one of the leaders in the distant bank servicing market, and is continuing to develop the most up to date service technologies for its clients. At present the Bank offers two distant service systems for legal entities and individual entrepreneurs: 'Internet Bank' and 'Client Bank'.

The electronic payment system 'Client Bank' is the most complete and developed service system. The service uses an electronic digital signature and allows customers to make a wide range of banking operations, such as payments in local and foreign currencies; FOREX operations; transfer of cash funds to the accounts of the enterprises' employees; establishment of cash desk balance limits; viewing the state of accounts and payment documents entering the Bank; filling in and sending of various applications and many others.

Automatic update and change of software, as well as versions support are implemented in the system. The system has a module structure and is easily expanded. The software enables updates to be automatically installed, this is offered to the client during the communication session.

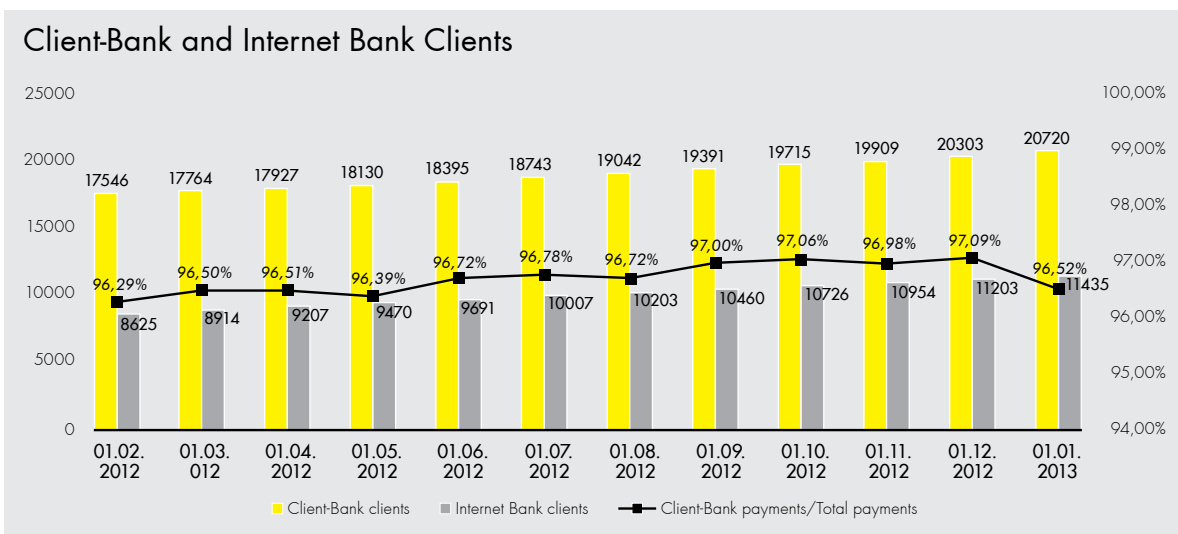
Functional opportunities of the system meet the most sophisticated demands of the users. The system performs preliminary control at the stage of the payment document creation, and control at each stage of the document processing in the Bank. Several users can work in the system simultaneously. The software provides an opportunity to register several users with different access rights depending on the individual users' authorities.

Targeted and successful work in this direction resulted in a 15.7% increase of clients connected to the 'Client Bank' as compared to 2011, with a total number of 20,303 clients, resulting in the share of payment instructions transmitted electronically to be increased from 96.52%.

Throughout 2012, the Bank continued development of the Internet Bank system for legal entities and individual entrepreneurs; the system for the distant banking servicing and accounts management via the Internet. In 2012, the number of clients using the system increased by 32.4% to 11,435 clients.

At present the principal system functions are as follows: receiving operative information about actual accounts balance and account statements; work with corporate cards – view the balance and contract/account statements; execution of payments in BYR/foreign currency; RUB transfers, international transfers; execution of salary and other accounts crediting: creation of salary payroll lists, forming payment instructions in any FCY, getting online FOREX rates, distant conclusion of transactions at the effective FOREX rates; execution of online over the counter FOREX transactions; making of POS-terminals statements.

In 2013, it is planned to further develop the 'Client-Bank' system opportunities regarding submission to the Bank of various documents, expanding opportunities of work with guarantees, LCs, factoring, as well as to develop new interface. It is also planned to add 'Internet Bank' system with about 30 document types; separate saved/sent requests; set statements receiving upon event, with periodicity, etc.







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# Auditor's report to annual financial statement of Priorbank JSC for the period 01 January to 31 December 2012

## Legal entity to be audited:

### **Priorbank Joint Stock Company (Priorbank JSC);**

Legal address: 31A V. Khoruzhey Street, 220002 Minsk;

State registration: registered by the National Bank of the Republic of Belarus 12.07.1991, registration number 12. UNP (Payer's Identification Number) 100220190

## Auditing company:

### **Auditing Limited Liability Company AUDITEL (ALLC Auditel);**

Legal address: 220090, Logoisky Trakt, 22a, off 46, r. 410 Minsk;

State registration: certificate on the state registration of a commercial organization issued by Minsk City Executive Committee, Resolution N 1097 dated 28.09.2000.

UNP (Payer's Identification Number) 100591487.

We have audited the attached annual financial reporting of Priorbank JSC, consisting of:

Balance Sheet as of 01.01.2013;

Profit And Loss Statement, Statement of capital changes for 2012;

Explanatory Memorandum,

as well as statements compiled based on the annual report of Priorbank JSC under the forms 2801 'Standard Capital Adequacy Calculation', 2807 'Report on Provisions for Covering of Possible Losses from Off-Balance Assets and Operations', 2809 'Liquidity Calculation'.

Priorbank JSC management bears liability for preparation and submission of the annual financial reporting in compliance with the legislation of the Republic of Belarus regulating accounting and reporting. This liability is extended to the development, launch and maintenance of the due internal control system functioning, which shall secure preparation of the credible annual financial reporting without significant distortions caused by mistakes or careless actions; to the choice and application of the due accounting policy, as well as reasoned accounting estimates.

We bear liability for our expressed opinion on the credibility of this annual financial reporting and compliance of the banking and other operations executed by the Bank with the legislation, based on the conducted audit results.



We have conducted the audit in compliance with the legislation of the Republic of Belarus 'On Audit Activities' and Republican Audit Activities Rules. These Rules oblige us to observe the Professional Ethics Code, to plan and conduct the audit in such a way that to secure a sufficient confidence regarding the presence or absence of the significant distortions in the submitted annual financial reports.

In the course of the audit we have performed the auditing procedures for obtaining the auditing evidence, confirming the figures and disclosure of the information in the annual financial reports. The auditing procedures were selected based on the professional judgment taking into account assessment of the risk of the annual financial reporting significant distortion caused by mistakes or careless actions. Upon assessment of the risk of the annual financial reporting, we examined Priobank JSC internal control system in order to plan further auditing procedures depending on the assessed risks, but not with the purpose to express our opinion regarding its efficiency. The audit also included the assessment of the applied accounting policy appropriateness, accounting estimates soundness, and annual financial reporting general overview.

We opine, that in the course of the audit we have obtained sufficient and due audit evidence, which can form the basis for the audit opinion expression.

In our opinion, Priobank JSC annual financial reporting, prepared in compliance with the legislation of the Republic of Belarus regulating accounting and reporting, reflects the Bank's financial situation as of 1 January 2013, and its business activities' results for 2012 credibly in all material respects. At the same time, banking and other operations executed by the Bank comply with the legislation in all material respects. The existing Priobank JSC internal control system complies with the character, scope and conditions of the Bank's activities. In the year under report, we note a number of cases of non-performance by the Bank of maximum credit risk size per debtor (group of connected debtors) and FOREX risk restriction standard (Resolutions of the National Bank of the Republic of Belarus are in place).

We confirm the credibility of the information, included in the reporting under the forms 2801 'Standard Capital Adequacy Calculation', 2807 'Report on Provisions for Covering of Possible Losses from Off-Balance Assets and Operations', 2809 'Liquidity Calculation'.

Director of ALLC AUDITEL



A.I. Papkovsky

Audit Director



S.S. Shmarlovskaya

15 February 2013

The audit report received by:  
a.i. Priobank JSC Chairman of the Board



V. Dedioul

The audit report received on: 15 February 2013

# Balance Sheet

as of January 1, 2013

## Priorbank Joint Stock Company

(million Belarusian Roubles – BYR)

| Item      | Index                                | Note       | 2012   | 2011                |                     |
|-----------|--------------------------------------|------------|--------|---------------------|---------------------|
| 1         | 2                                    | 3          | 4      | 5                   |                     |
| <b>1</b>  | <b>ASSETS</b>                        |            |        |                     |                     |
| 2         | Cash                                 | 1101       | 3.1    | 880,217.5           | 743,877.0           |
| 3         | Precious metals and stones           | 1102       | 3.2    | 6,338.7             | 9,323.5             |
| 4         | Assets with the National Bank        | 1103       | 3.3    | 1,307,998.8         | 471,843.3           |
| 5         | Loans and advances to banks          | 1104       | 3.4    | 1,377,207.5         | 1,853,161.0         |
| 6         | Securities                           | 1105       | 3.5    | 1,895.2             | 1,895.2             |
| 7         | Loans to customers                   | 1106       | 3.6    | 8,975,901.0         | 7,748,319.0         |
| 8         | Derivative financial assets          | 1107       | 3.11   | 1,210,301.4         | 1,112,743.6         |
| 9         | Long-term investments                | 1108       | 3.7    | 27,873.9            | 21,164.4            |
| 10        | Fixed and intangible assets          | 1109       | 3.8    | 981,360.8           | 655,450.8           |
| 11        | Assets for sale                      | 1110       | 3.9    | 975.9               | 2,582.5             |
| 12        | Other assets                         | 1111       | 3.10   | 177,265.4           | 157,501.9           |
| <b>13</b> | <b>TOTAL ASSETS</b>                  | <b>11</b>  |        | <b>14,947,336.1</b> | <b>12,777,862.2</b> |
| <b>14</b> | <b>LIABILITIES</b>                   |            |        |                     |                     |
| 15        | Amounts due to the National Bank     | 1201       | 3.12   | 3,193.5             | 12,227.4            |
| 16        | Loans and other amounts due to banks | 1202       | 3.13   | 2,306,627.4         | 2,814,340.1         |
| 17        | Amounts due to customers             | 1203       | 3.14   | 9,877,460.1         | 7,616,391.9         |
| 18        | Securities issued by the bank        | 1204       | 3.15   | 265,060.1           | 452,890.6           |
| 19        | Derivative financial liabilities     | 1205       | 3.11   | 29,032.7            | 3,153.8             |
| 20        | Other liabilities                    | 1206       | 3.10   | 175,703.3           | 205,430.6           |
| <b>21</b> | <b>TOTAL LIABILITIES</b>             | <b>120</b> |        | <b>12,657,077.1</b> | <b>11,104,434.4</b> |
| <b>22</b> | <b>CAPITAL</b>                       |            |        |                     |                     |
| 23        | Authorized capital                   | 1211       |        | 412,279.3           | 412,279.3           |
| 24        | Paid in capital                      | 1212       |        | —                   | —                   |
| 25        | Reserve fund                         | 1213       | 3.16.2 | 437,806.3           | 151,149.1           |
| 26        | Balance sheet items revaluation fund | 1214       |        | 576,136.5           | 403,225.9           |
| 27        | Accrued profit                       | 1215       |        | 864,036.9           | 706,773.5           |
| 28        | Total capital                        | 121        | 3.16.1 | 2,290,259.0         | 1,673,427.8         |
| <b>29</b> | <b>TOTAL LIABILITIES AND CAPITAL</b> | <b>12</b>  |        | <b>14,947,336.1</b> | <b>12,777,862.2</b> |

a.i. Chairman of the Board

V. Dedioul

Chief Accountant

V. Mantsivoda

Director of ALLC AUDITEL

A.I. Papkovsky

# Cash Flow Statement for 2012

## Priobank Joint Stock Company

(million Belarusian Roubles – BYR)

| Item  | Index      | Note | 2012               | 2011               |
|---|------------|------|--------------------|--------------------|
| 1 2   | 3          | 4    | 5                  | 6                  |
| <b>1 OPERATIONS CASH FLOWS</b>  |            |      |                    |                    |
| 2 Interest income received  | 70100      |      | 1,277,043.2        | 881,133.1          |
| 3 Interest expenses paid  | 70101      |      | (874,343.4)        | (539,898.3)        |
| 4 Fee and commission income received  | 70102      |      | 890,573.2          | 600,349.6          |
| 5 Fee and commission income paid  | 70103      |      | (120,808.8)        | (102,784.8)        |
| 6 Net precious metals and stones income   | 70104      |      | 3,112.3            | 2,594.7            |
| 7 Net securities income   | 70105      |      | 1,669.1            | 182.2              |
| 8 Net FOREX income  | 70106      |      | 116,874.4          | 345,941.4          |
| 9 Net financial derivatives income  | 70107      |      | 35,231.1           | —                  |
| 10 Other income received  | 70108      |      | 180,558.7          | 76,594.5           |
| 11 Other expenses paid  | 70109      |      | (646,349.1)        | (379,259.8)        |
| 12 Income tax paid  | 70110      |      | (147,425.9)        | (190,341.7)        |
| <b>13 Total profit (loss) before changes in assets and liabilities</b>                            | <b>701</b> |      | <b>716,134.8</b>   | <b>694,510.9</b>   |
| 14 Net decrease (increase) of funds with the National Bank  | 70200      |      | (44,107.9)         | (41,465.0)         |
| 15 Net decrease (increase) of loans and other funds with banks                                    | 70201      |      | 995,252.0          | (586,247.9)        |
| 16 Net decrease (increase) of funds in securities (except for securities retained till repayment) | 70202      |      | 0.0                | (1,754.8)          |
| 17 Net decrease (increase) of loans disbursed to clients  | 70203      |      | (996,899.1)        | 4,216.0            |
| 18 Net decrease (increase) of cash funds from financial derivatives                               | 70204      |      | (97,557.7)         | —                  |
| 19 Net decrease (increase) of funds invested in other assets                                      | 70205      |      | (289,270.1)        | 81,834.4           |
| <b>20 Total cash flows from change in assets</b>  | <b>702</b> |      | <b>(432,582.8)</b> | <b>(543,417.3)</b> |
| 21 Net increase (decrease) of cash funds of the National Bank                                     | 70300      |      | (9,616.2)          | (110,250.3)        |
| 22 Net increase (decrease) of loans and other banks' cash funds                                   | 70301      |      | (908,865.6)        | (467,916.6)        |
| 23 Net increase (decrease) of clients' funds  | 70302      |      | 1,907,951.8        | 388,787.1          |
| 24 Net increase (decrease) of cash funds from securities issued by the bank                       | 70303      |      | (178,896.6)        | 207,178.6          |
| 25 Net decrease (increase) of cash funds from financial derivatives                               | 70304      |      | 25,878.9           | —                  |
| 26 Net increase (decrease) of funds in other liabilities  | 70305      |      | 331,730.4          | 132,440.7          |
| <b>27 Total cash flows from change in liabilities</b>   | <b>703</b> |      | <b>1,168,182.7</b> | <b>150,239.5</b>   |
| 28 Net operational cash flow  | 70         |      | 1,451,734.7        | 301,333.1          |

(million Belarusian Roubles – BYR)

| Item   | Index      | Note        | 2012               | 2011               |
|--|------------|-------------|--------------------|--------------------|
| <b>29 INVESTMENT CASH FLOWS</b>  |            |             |                    |                    |
| 30 Purchase of fixed, intangible, and other long-term assets                                   | 71100      |             | (250,605.7)        | (122,867.8)        |
| 31 Sale of fixed, intangible, and other long-term assets                                       | 71101      |             | 19,177.2           | 16,151.7           |
| 32 Purchase of long-term financial investments to authorized capital of other legal entities   | 71102      |             | (21,509.5)         | (8,199.4)          |
| 33 Sale of long-term financial investments to authorized capital of other legal entities       | 71103      |             | 14,800.0           | —                  |
| 34 Purchase of securities retained till repayment  | 71104      |             | —                  | —                  |
| 35 Repayment (sale) of securities retained till repayment                                      | 71105      |             | —                  | —                  |
| <b>36 Net investment cash flows</b>  | <b>71</b>  |             | <b>(238,138.0)</b> | <b>(114,915.5)</b> |
| <b>37 FINANCIAL CASH FLOWS</b>   |            |             |                    |                    |
| 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      |             | (150,680.6)        | (96,528.0)         |
| <b>42 Net financial cash flows</b>   | <b>72</b>  |             | <b>(150,680.6)</b> | <b>(96,528.0)</b>  |
| <b>43 Influence of official exchange rate fluctuations on cash funds and their equivalents</b> | <b>73</b>  | <b>3.21</b> | <b>19,772.0</b>    | <b>474,378.6</b>   |
| <b>44 Net increase (decrease) of cash funds and their equivalents</b>                          | <b>74</b>  |             | <b>1,082,688.1</b> | <b>564,268.2</b>   |
| <b>45 Cash funds and their equivalents as of the beginning of the period under report</b>      | <b>740</b> |             | <b>x</b>           | <b>1,556,655.4</b> |
| <b>46 Cash funds and their equivalents as of the end of the period under report</b>            | <b>741</b> | <b>3.1</b>  | <b>2,639,343.5</b> | <b>x</b>           |

a.i. Chairman of the Board

V. Dedioul

Chief Accountant

V. Mantsivoda

Director of ALLC AUDITEL

A.I. Papkovsky

# Information on Total Gross Income for 2012

## Priorbank Joint Stock Company

(million Belarusian Roubles – BYR)

| Item     | Index   | Note         | 2012             | 2011             |
|----------|---|--------------|------------------|------------------|
| 1        | 2   | 3            | 4                | 5                |
| 1        | Profit  | 301211       | 594 930.2        | 532 668.9        |
| 2        | Other gross income components                                       | 301212       | 172 910.6        | 286 445.4        |
| 2,1      | Including:<br>fixed assets revaluation                              | 3012121      | 167 143.7        | 270 182.7        |
| 2,2      | revaluation of incomplete construction<br>and uninstalled equipment | 3012122      | 5,766.9          | 16,122.3         |
| 2,3      | securities revaluation  | 3012123      | —                | 140.4            |
| 2,4      | hedge tools revaluation   | 3012124      | —                | —                |
| 2,5      | other balance sheet items revaluation                               | 3012125      | —                | —                |
| <b>3</b> | <b>TOTAL Gross Income</b>   | <b>30121</b> | <b>767 840.8</b> | <b>819 114.3</b> |

a.i. Chairman of the Board

V. Dedioul

Chief Accountant

V. Mantsivoda

Director of ALLC AUDITEL

A.I. Papkovsky

# Statement of Capital Changes for 2012

## Priorbank Joint Stock Company

(million Belarusian Roubles – BYR)

|   |   | 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 |   |                    |                  |              |                       |                                |                  |                    |  |
| <b>1</b>  | <b>Balance as of 1 January 2011</b>   | <b>3011</b>        | <b>412,279.3</b> | <b>—</b>     | <b>107,616.0</b>      | <b>314,378.3</b>               | <b>116,780.5</b> | <b>951,054.1</b>   |  |
| 1,1   | Thereof: the result from changes in the accounting policy and(or) correction of the material mistakes | 30111              | —                | —            | —                     | —                              | —                | —                  |  |
| <b>2</b>  | <b>Change of the equity articles</b>  | <b>3012</b>        | <b>—</b>         | <b>—</b>     | <b>43,533.1</b>       | <b>392,395.2</b>               | <b>286,445.4</b> | <b>722,373.7</b>   |  |
| 2,1   | Thereof: gross income   | 30121              | x                | x            | x                     | 532,668.9                      | 286,445.4        | 819,114.3          |  |
| 2,2   | profit directed to replenishment of funds   | 30122              | —                | x            | 43,533.1              | (43,533.1)                     | x                | —                  |  |
| 2,3   | transactions with founders (shareholders):  | 30123              | —                | —            | x                     | (96,740.6)                     | x                | (96,740.6)         |  |
| 2,4   | founders' (shareholders') contribution to authorized capital  | 301231             | —                | —            | x                     | x                              | x                | —                  |  |
| 2,5   | payment of shareholders' dividends  | 301232             | x                | x            | x                     | (96,740.6)                     | x                | x                  |  |
| 2,6   | transactions with own shares repurchased  | 301233             | —                | x            | x                     | x                              | x                | —                  |  |
| 2,7   | redistribution among equity articles  | 30125              | —                | —            | —                     | —                              | —                | —                  |  |
| 2,8   | other changes   | 30126              | —                | —            | —                     | —                              | —                | 0,0                |  |
| <b>3</b>  | <b>Balance as of 1 January 2012</b>   | <b>3013</b>        | <b>412,279.3</b> | <b>—</b>     | <b>151,149.1</b>      | <b>706,773.5</b>               | <b>403,225.9</b> | <b>1,673,427.8</b> |  |
| Section II. For the year under report                   |   |                    |                  |              |                       |                                |                  |                    |  |
| <b>4</b>  | <b>Balance as of 1 January 2012</b>   | <b>3011</b>        | <b>412,279.3</b> | <b>0.0</b>   | <b>151,149.1</b>      | <b>706,773.5</b>               | <b>403,225.9</b> | <b>1,673,427.8</b> |  |
| 5   | Change of the equity articles   | 3012               | —                | —            | 286,657.2             | 157,263.4                      | 172,910.6        | 616,831.2          |  |
| 5,1   | Thereof: gross income   | 30121              | x                | x            | x                     | 594,930.2                      | 172,910.6        | 767,840.8          |  |

|            |  | Capital Items      |                  |              |                       |                                |                  |                    |
|------------|--|--------------------|------------------|--------------|-----------------------|--------------------------------|------------------|--------------------|
| Indicators | Index  | Authorized capital | Paid in capital  | Reserve fund | Accrued profit (loss) | Balance items revaluation fund | Total capital    |                    |
| 5,2        | profit directed to replenishment of funds                    | 30122              | —                | x            | 286,657.2             | (286,657.2)                    | x                | —                  |
| 5,3        | transactions with founders (shareholders):                   | 30123              | —                | —            | x                     | (151,009.6)                    | x                | (151,009.6)        |
| 5,4        | founders' (shareholders') contribution to authorized capital | 301231             | —                | —            | x                     | x                              | x                | —                  |
| 5,5        | payment of shareholders' dividends                           | 301232             | x                | x            | x                     | (151,009.6)                    | x                | (151,009.6)        |
| 5,6        | transactions with own shares repurchased                     | 301233             | —                | x            | x                     | x                              | x                | —                  |
| 5,7        | redistribution among equity articles                         | 30125              | —                | —            | —                     | —                              | —                | —                  |
| 5,8        | other changes  | 30126              | —                | —            | —                     | —                              | —                | —                  |
| <b>6</b>   | <b>Balance as of 1 January 2013</b>                          | <b>3013</b>        | <b>412,279.3</b> | <b>—</b>     | <b>437,806.3</b>      | <b>864,036.9</b>               | <b>576,136.5</b> | <b>2,290,259.0</b> |

a.i. Chairman of the Board

V. Dedioul

Chief Accountant

V. Mantsivoda

Director of ALLC AUDITEL

A.I. Papkovsky

# Profit And Loss Statement for 2012

## Priorbank Joint Stock Company

(million Belarusian Roubles – BYR)

| Item   | Index     | Note          | 2012             | 2011             |
|--|-----------|---------------|------------------|------------------|
| 1 2  | 3         | 4             | 5                | 6                |
| 1 Interest income                                  | 2011      |               | 1,273,411.7      | 940,641.0        |
| 2 Interest expenses                                | 2012      |               | 870,401.3        | 553,604.4        |
| 3 Net interest income                              | 201       | 3,18          | 403,010.4        | 387,036.6        |
| 4 Fee and commission income                        | 2021      |               | 900,242.0        | 607,065.6        |
| 5 Fee and commission expenses                      | 2022      |               | 123,340.3        | 103,764.8        |
| 6 Net Fee and commission income                    | 202       | 3.19          | 776,901.7        | 503,300.8        |
| 7 Net precious metals and stones income            | 203       |               | 3,112.3          | 2,594.7          |
| 8 Net securities income                            | 204       | 3.20          | 1,669.1          | 182.2            |
| 9 Net FOREX income                                 | 205       | 3.21          | 204,371.1        | (971,895.1)      |
| 10 Net financial derivatives income                | 206       | 3.22          | 35,231.1         | 1,535,551.1      |
| 11 Net reserve assignments                         | 207       | 3.23          | 97,183.0         | 408,172.5        |
| 12 Other income                                    | 208       | 3.24          | 197,388.6        | 114,600.5        |
| 13 Operational expenses                            | 209       | 3.25          | 628,898.1        | 372,183.5        |
| 14 Other expenses                                  | 210       |               | 138,866.5        | 76,834.4         |
| 15 Profit before tax                               |           |               | 756,736.7        | 714,180.4        |
| 16 Income tax                                      | 211       |               | 161,806.5        | 181,511.5        |
| <b>17 PROFIT</b>                                   | <b>2</b>  |               | <b>594,930.2</b> | <b>532,668.9</b> |
| <b>18 Information on a profit per share in BYR</b> |           |               |                  |                  |
| <b>19 Basic profit on an ordinary share</b>        | <b>22</b> | <b>3.16.6</b> | <b>4,834</b>     | <b>4,329</b>     |
| <b>20 Watered profit on an ordinary share</b>      | <b>23</b> | <b>3.16.6</b> | <b>4,834</b>     | <b>4,329</b>     |

a.i. Chairman of the Board

V. Dedioul

Chief Accountant

V. Mantsivoda

Director of ALLC AUDITEL

A.I. Papkovsky



Translation from the original in Russian



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# Independent auditor's report on the summary consolidated financial statements

## To the Shareholders, Supervisory Board and Executive Committee of "Priorbank" JSC

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position, the summary consolidated income statement, summary consolidated statements of comprehensive income, of changes in equity and summary consolidated cash flow statement for the year then ended, are derived from the complete audited consolidated financial statements of "Priorbank" JSC and its subsidiaries (hereafter referred to as "Bank") for the year ended 31 December 2012. We expressed an unmodified audit opinion on those consolidated financial statements in our auditors' report dated 22 April 2013.

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards applied in the preparation of the complete audited consolidated financial statements of the Bank. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the complete audited consolidated financial statements of the Bank.

## Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the related information in the complete audited consolidated financial statements.

## Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

## Opinion

In our opinion, the summary consolidated financial statements derived from the complete audited consolidated financial statements of the Bank as at and for the year ended 31 December 2012 are consistent, in all material respects, with those consolidated financial statements,

*Ernst & Young LLC*

22 April 2013

Translation from the original in Russian

## Summary consolidated statement of financial position as at 31 December 2012

(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2012)

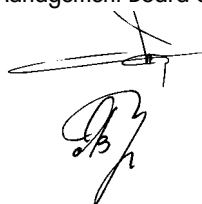
|  | 2012              | 2011              |
|--|-------------------|-------------------|
| <b>Assets</b>  |                   |                   |
| Cash and cash equivalents                                    | 3,147,648         | 3,982,169         |
| Precious metals  | 6,339             | 11,347            |
| Amounts due from credit institutions                         | 286,964           | 120,038           |
| Derivative financial assets                                  | 1,290,092         | 1,375,120         |
| Loans to customers   | 9,559,522         | 9,469,491         |
| Investment securities available-for-sale                     | 25,251            | 20,055            |
| Property and equipment                                       | 856,995           | 768,814           |
| Intangible assets  | 134,717           | 106,038           |
| Current income tax assets                                    | 19,484            | —                 |
| Other assets   | 412,642           | 224,309           |
| <b>Total assets</b>  | <b>15,739,654</b> | <b>16,077,381</b> |
| <b>Liabilities</b>   |                   |                   |
| Amounts due to the National Bank of the Republic of Belarus  | 2,279             | 14,880            |
| Amounts due to credit institutions                           | 2,527,964         | 3,877,248         |
| Derivative financial liabilities                             | 29,033            | 3,838             |
| Amounts due to customers                                     | 9,849,006         | 8,729,749         |
| Amounts due to international financial institutions          | 101,610           | 200,529           |
| Debt securities issued                                       | 265,060           | 557,415           |
| Current income tax liabilities                               | 5,416             | 125,485           |
| Deferred tax liabilities                                     | 115,312           | 63,048            |
| Provisions   | 21,212            | 58,919            |
| Other liabilities  | 159,698           | 139,361           |
| <b>Total liabilities</b>                                     | <b>13,076,590</b> | <b>13,770,472</b> |
| <b>Equity</b>  |                   |                   |
| Share capital  | 2,189,493         | 2,189,493         |
| Additional paid-in capital                                   | 1,423             | 1,423             |
| Retained earnings  | 423,117           | 83,635            |
| Other reserves   | 9,567             | 5,305             |
| <b>Total equity attributable to shareholders of the Bank</b> | <b>2,623,600</b>  | <b>2,279,856</b>  |
| <b>Non-controlling interests</b>                             | <b>39,464</b>     | <b>27,053</b>     |
| <b>Total equity</b>  | <b>2,663,064</b>  | <b>2,306,909</b>  |
| <b>Total equity and liabilities</b>                          | <b>15,739,654</b> | <b>16,077,381</b> |

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

Sergey A. Kostyuchenko

Zoya P. Yarmosh

22 April 2013



Chairman of the Board

Executive Director

A complete set of audited consolidated financial statements prepared in accordance with International Financial Reporting Standards is available at request from the Bank.

Translation from the original in Russian

## Summary consolidated income statement for the year ended 31 December 2012

(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2012)

|  | 2012             | 2011             |
|--|------------------|------------------|
| <b>Interest income</b>   |                  |                  |
| Loans to customers   | 1,575,475        | 1,747,976        |
| Cash and cash equivalents                                      | 106,359          | 75,103           |
| Amounts due from credit institutions                           | 21,948           | 7,132            |
|  | <b>1,703,782</b> | <b>1,830,211</b> |
| Securities designated at fair value through profit or loss     | 26,814           | 151              |
|  | <b>1,730,596</b> | <b>1,830,362</b> |
| <b>Interest expense</b>  |                  |                  |
| Amounts due to customers                                       | (749,593)        | (600,658)        |
| Amounts due to credit institutions                             | (161,260)        | (191,927)        |
| Debt securities issued   | (54,501)         | (80,306)         |
| Amounts due to international financial institutions            | (9,939)          | (18,614)         |
| Amounts due to the National Bank of the Republic of Belarus    | (18)             | (324)            |
|  | <b>(975,311)</b> | <b>(891,829)</b> |
| <b>Net interest income</b>                                     | <b>755,285</b>   | <b>938,533</b>   |
| Allowance for loan impairment                                  | 168,774          | (466,622)        |
| <b>Net interest income after allowance for loan impairment</b> | <b>924,059</b>   | <b>471,911</b>   |
| Fee and commission income                                      | 739,103          | 690,467          |
| Fee and commission expense                                     | (201,248)        | (257,016)        |
| <b>Net fee and commission income</b>                           | <b>537,855</b>   | <b>433,451</b>   |
| Net gains from foreign currencies:                             |                  |                  |
| - dealing  | 174,791          | 108,111          |
| - translation differences                                      | 135,501          | 1,262,877        |
| Other income   | 63,970           | 57,960           |
| <b>Non-interest income</b>                                     | <b>374,262</b>   | <b>1,428,948</b> |
| Personnel expenses   | (363,964)        | (341,253)        |
| Depreciation and amortization                                  | (97,798)         | (84,287)         |
| Net loss on investment securities available-for-sale           | —                | (956)            |
| Other operating expenses                                       | (371,634)        | (342,420)        |
| Taxes other than income tax                                    | (6,918)          | (6,741)          |
| Reversal / (charge) of provisions                              | 27,200           | (29,661)         |
| <b>Non-interest expenses</b>                                   | <b>(813,114)</b> | <b>(805,318)</b> |
| Loss on net monetary position                                  | (239,930)        | (1,070,003)      |
| <b>Profit before income tax expense</b>                        | <b>783,132</b>   | <b>458,989</b>   |
| Income tax expense   | (247,467)        | (368,269)        |
| <b>Profit for the year</b>                                     | <b>535,665</b>   | <b>90,720</b>    |
| Attributable to:   |                  |                  |
| - shareholders of the Bank                                     | 523,254          | 82,726           |
| - non-controlling interests                                    | 12,411           | 7,994            |
|  | <b>535,665</b>   | <b>90,720</b>    |

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Translation from the original in Russian

## Summary consolidated statement of comprehensive income for the year ended 31 December 2012

(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2012)

|   | 2012           | 2011          |
|---|----------------|---------------|
| <b>Profit for the year</b>  | <b>535,665</b> | <b>90,720</b> |
| Other comprehensive income  |                |               |
| Unrealized gains on investment securities available-for-sale                                    | 5,197          | 9,631         |
| Realized gains on investment securities available-for-sale reclassified to the income statement | —              | 956           |
| Income tax related to components of other comprehensive income                                  | (935)          | (2,153)       |
| <b>Other comprehensive income for the year, net of tax</b>                                      | <b>4,262</b>   | <b>8,434</b>  |
| <b>Total comprehensive income for the year</b>  | <b>539,927</b> | <b>99,154</b> |
| Attributable to:  |                |               |
| - shareholders of the Bank  | 527,516        | 91,160        |
| - non-controlling interests   | 12,411         | 7,994         |
|   | <b>539,927</b> | <b>99,154</b> |

A complete set of audited consolidated financial statements prepared in accordance with International Financial Reporting Standards is available at request from the Bank.

## Summary consolidated statement of changes in equity for the year ended 31 December 2012

(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2012)

|   | Attributable to shareholders of the Bank |                            |                   |                |                  |               | Non-controlling interests | Total equity |
|---|--|----------------------------|-------------------|----------------|------------------|---------------|---------------------------|--------------|
|   | Share capital                            | Additional paid-in capital | Retained earnings | Other reserves | Total            |               |                           |              |
| <b>At 31 December 2010</b>              | <b>2,189,493</b>                         | <b>1,423</b>               | <b>246,598</b>    | <b>(3,129)</b> | <b>2,434,385</b> | <b>19,009</b> | <b>2,453,394</b>          |              |
| Profit for the year                     | —  | —                          | 82,726            | —              | 82,726           | 7,994         | 90,720                    |              |
| Other comprehensive income for the year | —  | —                          | —                 | 8,424          | 8,434            | —             | 8,434                     |              |
| Total comprehensive income for the year | —  | —                          | 82,726            | 8,434          | 91,160           | 7,994         | 99,154                    |              |
| Dividends to shareholders of the Bank   | —  | —                          | (245,689)         | —              | (245,689)        | —             | (245,689)                 |              |
| Establishment of subsidiaries           |  |                            |                   |                |                  | 50            | 50                        |              |
| <b>At 31 December 2011</b>              | <b>2,189,493</b>                         | <b>1,423</b>               | <b>83,635</b>     | <b>5,305</b>   | <b>2,279,856</b> | <b>27,053</b> | <b>2,306,909</b>          |              |
| Profit for the year                     | —  | —                          | 523,254           | —              | 523,254          | 12,411        | 535,665                   |              |
| Other comprehensive income for the year | —  | —                          | —                 | 4,262          | 4,262            | —             | 4,262                     |              |
| Total comprehensive income for the year | —  | —                          | 523,254           | 4,262          | 527,516          | 12,411        | 539,927                   |              |
| Dividends to shareholders of the Bank   | —  | —                          | (183,772)         | —              | (183,772)        | —             | (183,772)                 |              |
| <b>At 31 December 2012</b>              | <b>2,189,493</b>                         | <b>1,423</b>               | <b>423,117</b>    | <b>9,567</b>   | <b>2,623,600</b> | <b>39,464</b> | <b>2,663,064</b>          |              |

A complete set of audited consolidated financial statements prepared in accordance with International Financial Reporting Standards is available at request from the Bank.

Translation from the original in Russian

## Summary consolidated statement of cash flows for the year ended 31 December 2012

(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2012)

|  | 2012             | 2011             |
|--|------------------|------------------|
| <b>Cash flows from operating activities</b>  |                  |                  |
| Interest received  | 1,742,793        | 1,724,592        |
| Interest paid  | (978,600)        | (844,472)        |
| Fees and commissions received  | 723,605          | 668,733          |
| Fees and commissions paid  | (198,277)        | (255,456)        |
| Gains less losses from dealing in foreign currencies   | 197,367          | 752,052          |
| Other income received  | 63,907           | 56,273           |
| Personnel expenses paid  | (341,427)        | (322,600)        |
| Other operating expenses paid  | (332,776)        | (313,403)        |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> | <b>876,592</b>   | <b>1,465,719</b> |
| <b>Net (increase)/decrease in operating assets</b>   |                  |                  |
| Amounts due from credit institutions   | (188,330)        | (77,716)         |
| Loans to customers   | (1,381,788)      | (1,147,222)      |
| Precious metals and other assets   | (212,801)        | 42,887           |
| <b>Net increase/(decrease) in operating liabilities</b>  |                  |                  |
| Amounts due to the National Bank of the Republic of Belarus                                    | (9,936)          | 10,520           |
| Amounts due to credit institutions   | (745,873)        | 575,180          |
| Amounts due to international financial institutions  | (65,470)         | (120,513)        |
| Amounts due to customers   | 2,442,581        | 924,559          |
| Other liabilities  | 10,613           | 35,545           |
| <b>Net cash flows from operating activities before income tax</b>                              | <b>725,588</b>   | <b>1,708,959</b> |
| Income tax paid  | (302,074)        | (192,845)        |
| <b>Net cash from operating activities</b>  | <b>423,514</b>   | <b>1,516,114</b> |
| <b>Cash flows from investing activities</b>  |                  |                  |
| Acquisitions of subsidiaries, net of cash acquired   | —                | (5)              |
| Proceeds from sale of property and equipment and intangible assets                             | 7,805            | 12,900           |
| Purchase of property and equipment and intangible assets                                       | (259,322)        | (240,841)        |
| <b>Net cash used in investing activities</b>   | <b>(251,517)</b> | <b>(227,946)</b> |
| <b>Cash flows from financing activities</b>  |                  |                  |
| Establishment of subsidiaries  | —                | 50               |
| Proceeds from issue of debt securities   | 137,058          | 497,275          |
| Redemption of debt securities  | (293,068)        | (195,969)        |
| Dividends paid to shareholders of the Bank   | (175,052)        | (231,615)        |
| <b>Net cash from financing activities</b>  | <b>(331,062)</b> | <b>69,741</b>    |
| Effect of exchange rate changes on cash and cash equivalents                                   | 62,919           | 1,460,048        |
| <b>Net increase in cash and cash equivalents</b>   | <b>(96,146)</b>  | <b>2,817,957</b> |
| Effect of inflation on monetary items  | (738,375)        | (2,257,096)      |
| <b>Cash and cash equivalents as at 1 January</b>   | <b>3,982,169</b> | <b>3,421,308</b> |
| <b>Cash and cash equivalents as at 31 December</b>   | <b>3,147,648</b> | <b>3,982,169</b> |

A complete set of audited consolidated financial statements prepared in accordance with International Financial Reporting Standards is available at request from the Bank.

# Priorbank's Network as of January 1st, 2013



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# Raiffeisen Bank International at a glance

## A leading bank in Central and Eastern Europe, including Austria

Priobank JSC is a subsidiary of Raiffeisen Bank International AG (RBI), which regards Central and Eastern Europe (including Austria), as its home market. For more than 25 years, RBI has been operating in the Central and Eastern Europe (CEE) region, where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 markets. As a universal bank, RBI ranks among the leading banks in the region. The powerful role played by the bank is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. Over time, RBI has positioned itself as a fully integrated corporate and retail banking group in CEE. The bank not only has good access to retail and corporate customers, but also boasts a comprehensive product offering. At the end of 2012 around 57,000 staff served approximately 14.1 million customers in around 3,100 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international as well as major multinational clients operating in CEE. Moreover, RBI is represented in the world's financial centres and operates branches and representative offices in Asia. All in all, RBI employs about 60,000 staff and has total assets of around € 136 billion.

## RBI operates subsidiary banks in the following CEE markets:

|                        |   |
|------------------------|---|
| Albania                | Raiffeisen Bank Sh.a.                       |
| Belarus                | Priobank JSC                                |
| Bosnia and Herzegovina | Raiffeisen Bank d.d.<br>Bosna i Hercegovina |
| Bulgaria               | Raiffeisenbank (Bulgaria) EAD               |
| Croatia                | Raiffeisenbank Austria d.d.                 |
| Czech Republic         | Raiffeisenbank a.s.                         |
| Hungary                | Raiffeisen Bank Zrt.                        |

Kosovo  
Poland  
Romania  
Russia  
Serbia  
Slovakia  
Slovenia  
Ukraine

Raiffeisen Bank Kosovo J.S.C.  
Raiffeisen Bank Polska S.A.  
Raiffeisen Bank S.A.  
ZAO Raiffeisenbank  
Raiffeisen banka a.d.  
Tatra banka, a.s.  
Raiffeisen Banka d.d.  
Raiffeisen Bank Aval JSC

As the parent company of these banks, RBI's shareholding in them is at or near to 100 per cent in most cases.

## RBI's development

RBI was established in October 2010 through the merger of Raiffeisen International with the principal business areas of Raiffeisen Zentralbank Österreich AG (RZB). RBI's position as one of the leading banks in CEE (including Austria) was further reinforced by the merger. RBI has been listed on the Vienna stock exchange since 25 April 2005 (until 12 October 2010 as Raiffeisen International). It is represented in several leading national and international indices, including the ATX and EURO STOXX Banks. RZB remained the majority shareholder following the merger, holding approximately 78.5 per cent of the shares. The remaining 21.5 per cent of RBI's shares are in free float.

RZB was formed in 1927 as "Genossenschaftliche Zentralbank" (GZB). Raiffeisen gained its first foothold in Central and Eastern Europe back in 1987, when it established its first subsidiary bank in Hungary. Other own subsidiaries have since been established; from 2000 onwards, Raiffeisen's expansion in the CEE countries has mainly been achieved by acquiring existing banks, which are combined into a holding company that from 2003 until October 2010 operated under the name Raiffeisen International. Raiffeisen International listed on the stock exchange in April 2005 in order to finance its future growth as efficiently as possible. RBI was subsequently established in 2010 through the merger of Raiffeisen International with the principal business areas of RZB.

For more information please refer to [www.rbinternational.com](http://www.rbinternational.com) and [www.rzb.at](http://www.rzb.at).

# 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 (RBI) regards Central and Eastern Europe (CEE), including Austria, as its home market. In CEE, RBI operates as a universal bank through a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 markets. At the end of 2012 around 57,000 staff served approximately 14.1 million customers in

around 3,100 business outlets in CEE. In Austria, RBI is one of the top corporate and investment banks. Moreover, RBI is represented in the world's financial centres and operates branches and representative offices in Asia. All in all, RBI employs about 60,000 staff and has total assets of approximately € 136 billion.

RBI has been listed on the Vienna stock exchange since 25 April 2005 (until 12 October 2010 as Raiffeisen International). It is represented in several leading national and international indices, including the ATX and EURO STOXX Banks. RZB is the majority shareholder holding approximately 78.5 per cent of the shares. The remaining 21.5 per cent of RBI's shares are in free float. With its long-term "A" (S&P, Fitch) and "A2" (Moody's) ratings, RBI is also a regular issuer of debt securities.

## RZB

Founded in 1927, Raiffeisen Zentralbank Österreich AG (RZB) is the central institution of the Austrian Raiffeisen Banking Group (RBG) and acts as group centre for the entire RZB Group, including RBI. RZB functions as the key link between the Austrian Raiffeisen Banking Group 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.

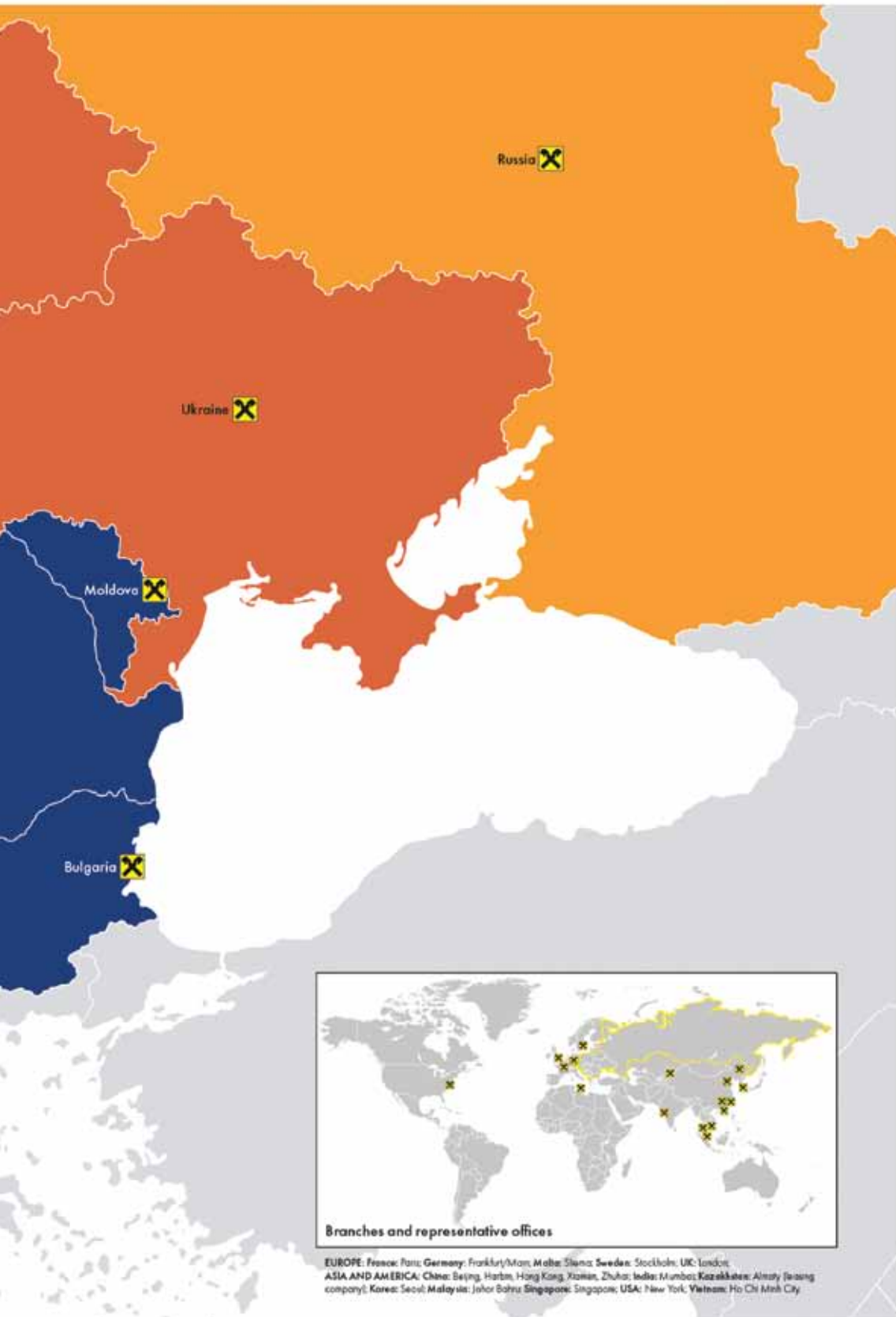
## Raiffeisen Banking Group

The Raiffeisen Banking Group (RBG) is Austria's largest banking group by total assets. As per year-end 2011, RBG's consolidated balance-sheet total amounted to more than € 269.6 billion. It represents about a quarter of all banking business in Austria and comprises the country's largest banking network with more than 2,200 business outlets and 25,000 employees. 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 general service retail 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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