

Priorbank

Member of RZB Group





Casket. 18th c.

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Set of waist plates so-called "Vitaut's Belt" Late 14th – first third of the 15th c.

Foreword

Foreword



2014 was again a successful year in Priorbank JSC development history. The Bank performed the approved budgeted parameters, retained a high quality loan portfolio, ensured high dynamics of profitability and efficiency indicators. Business processes improvement and further operations centralization contributed to the Bank's expenses optimization.

Priorbank was developing partnership relations with corporate clients by offering a service package suitable and comfortable for the specific Client's business. Combination of traditional lending and cash management bank services alongside with consulting and advisory support enabled our customers to sustainably develop their business. 227 Clients subscribed to service packages "Comprehensive Business Solutions. Corpo".

Priorbank remained the factoring competence center in the Republic of Belarus. The assigned claims under factoring transactions amounted to 3 trillion BYR having increased by 69%; the volume of financing paid to the clients amounted to 2 trillion BYR having increased by 62%. The export factoring share reached 49% in the total factoring portfolio. The International Factors Association IFG decorated Priorbank with the international award 'Best Export Business Development' as the best bank in export factoring promotion in 2014.

The Bank traditionally financed working capital, investment and export-oriented projects of large clients, executed documentary operations. All this allowed to increase the corporate business volume in 2014 to 13 trillion BYR or by 12%. The number of active corporate customers reached 1,879.

The priority in Small- and Medium-Sized Enterprises (SME) client segment was stressed on the clients' base expansion, customer service technologies and processes improvement. Utmost attention was paid to lending and loan portfolio quality.

In order to create competitive advantages, the Bank offered discount for the services package to the existing clients, if they recommend their business partners to service their accounts with Priorbank. Priorbank was actively promoting services packages and cash management services for SME clients.

Loans to SME increased by 30% and funds raised from SME – by 12%. Active client base increased by 4.6%.

Business with Private Individuals (PIs) dynamically developed. In 2014, PIs loan portfolio grew by 32%, which enabled the Bank to occupy the 2nd place among the Belarusian banks in terms of lending to PIs. The Bank managed to maintain a stable liabilities base in local and foreign currency.

Priorbank again confirmed its focus on innovation and digital service channels. Pls can register a loan application in the Internet-Bank, and enjoy new opportunities of plastic bank cards management. The Bank launched the projects on premium clients remote servicing (Premium Direct) and on investments to Bank Managed Funds (BMF). Customer Relationship Management (CRM) system further developed enabling to increase the sales of products to Pls.

In 2014, the total number of offers to Pls amounted to 1,180 ths. The number of salary payroll accounts reached 326 ths., pension accounts exceeded 125 ths. The number of Premium Banking clients increased by more than 25%. The number of issued plastic bank cards reached 861,000 enabling Priorbank to occupy the 4th place on the Belarusian plastic bank cards market in terms of number.

Control over the loans quality was one of the most important Bank's tasks in 2014. Strict credit risk approach, Early Warning Signs (EWS) System for timely detection of potentially problem loans, and constant effective work with problem loans enabled the Bank to maintain high loan portfolio quality.

Digital business was actively developing. The number of unique clients subscribed to various e-systems (Internet, SMS, USSD) reached 258 ths. having increased by almost 33% y-o-y. In 2014, the EPS 'Client-Bank' and 'Internet-Bank Prior Online' functionalities were expanded. The Bank developed and launched the mobile Android and Apple IOS applications Internet-Bank for legal entities. The number of the Internet-Bank clients – legal entities increased by 13% during the year.

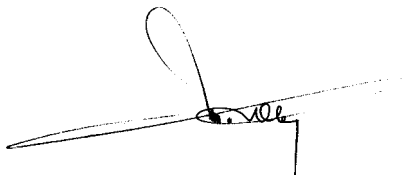
The Bank was optimizing its business processes. Launch of the project 'Small Clients Lending Process Optimization' enabled to automate the decision making process for overdraft agreements extension and standardize lending documentation. CRM Front-End system development enabled to launch a universal automated work area for (Banking Services Center) BSC and Contact center employees. Electronic workflow for operations with SME clients was implemented. The Bank continued to optimize and standardize the existing BSCs and remote points of sale (POS).

In 2014, for the 7th time Priorbank was named 'The Bank of the Year in Belarus' by the well-known international magazine 'The Banker'. Visa International awarded Priorbank with a premium 'For High Quality Services'. The European Bank for Reconstruction and Development decorated the Bank with 'The most Active Foreign Trade Financing Bank in the Republic of Belarus' award. Raiffeisen Bank International AG acknowledged Priorbank as the best among the RBI Group Network Banks in the nominations: 'Highest SE Growth in 2014', 'Best Progress in IT-transformation'. Priorbank subsidiary company JLLC 'Raiffeisen-Leasing' was the most profitable among Raiffeisen Group leasing companies.

In 2015, we face new challenging tasks. However, many years' experience accumulated by the Bank, our dedication to the innovations and banking technologies constant improvement will enable us to successfully achieve the set objectives and provide dynamic and efficient Bank's development in 2015.

In conclusion, we would like to express our sincere gratitude to the Bank's customers, partners and all Priorbank employees for their contribution to the Bank's development in 2014.

Chairman of the Board
Sergey Kostyuchenko



Chairman of the Supervisory Board
Vladimir Semashko





Ladies and Gentlemen,

At the beginning of 2014, Raiffeisen Bank International carried out a capital increase with gross proceeds of € 2.78 billion. RZB participated in the capital increase, in addition to numerous institutional and private investors, and remained the majority shareholder of RBI. The capital increase enabled RBI to fully repay the participation capital held by the Republic of Austria and private investors and significantly improve its common equity tier 1 ratio (on a Basel III fully-loaded basis). The rest of the year was mainly impacted by the geopolitical and financial situation in Ukraine and Russia, which led to higher loan loss provisions, as did defaults of individual large customers in Asia. Significant one-off charges were also booked during the year, the largest item thereof being goodwill impairments. Further one-off effects included the write-down of deferred tax assets and costs resulting from legislation changes in Hungary. These factors contributed to the € 493 million consolidated loss incurred in 2014, which was the first negative result in RBI's history. However, these one-offs had no impact on fully-loaded tier 1 common equity, and without them RBI would have reported a significantly positive net profit.

In February 2015, RBI resolved to take a number of steps to increase its capital buffer. The measures are intended to facilitate an improvement in the common equity tier 1 ratio (fully loaded) to 12 per cent by the end of 2017, compared to 10 per cent at the end of 2014. The planned steps include the sale or rescaling of units as well as reductions in total risk-weighted assets (RWA) in select markets, in particular in those which generate low returns, have high capital consumption or are of limited strategic fit. The implementation of these measures will result in an aggregate gross RWA reduction of approximately € 16 billion by the end of 2017 (total RWA as at 31 December 2014: € 68.7 billion). This reduction is expected to be partially offset by growth in other business areas.

As far as Priorbank is concerned, I am glad to state that the bank managed to achieve the set objectives and perform the planned tasks.

I would like to take this opportunity to thank all employees of Priorbank for their hard work and constant efforts to serve our customers and bring benefits to the entire Raiffeisen Group.

On behalf of the Supervisory Board,

Karl Sevelda

Chairman of the Board of Raiffeisen Bank International AG
Member of the Supervisory Board of Priorbank



Vessel. 2nd millennium BC

Highlights of Priorbank

Highlights of Priorbank

Establishment and start of activity:

January 1989

The licence of National Bank of the Republic of Belarus:

Licence No. 12 dated May 6, 2013.

The major shareholders as of 01.01.2015:

Shareholder	Share in the Authorized Capital
Raiffeisen International Bank Holding AG, Austria	87.74%
State sector, enterprises	5.02%
Private individuals	4.7%
Other legal entities	2.54%

Correspondent banks as of 01.01.2015:

in the Republic of Belarus – 17
abroad – 55

Employees as of 01.01.2015:

2,520

Customers as of 01.01.2015:

Corporate Clients – 1,879
Active SMEs – 31,582
Private Individuals – 711,000

Membership in interbank unions, exchanges, associations:

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

Information and telecommunication systems:

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

External auditor:

“Ernst and Young (CIS) Limited”

Awards

- The Banker awarded Priorbank as “The Bank of the Year in Belarus”
- The third place in the category “Best Analyst for Financial Markets” at the IV International Forum “The market capital of the Republic of Belarus”
- Commerzbank Award “For outstanding cooperation in the field of documentary operations and international trade”
- EBRD awarded Priorbank as “The Most active foreign trade financing bank in the Republic of Belarus”
- Factoring association International Factors Group awarded Priorbank as the best bank in promoting export factoring
- The international payment system VISA awarded Priorbank as the best bank in Belarus on the growth rate of corporate cards Visa Business.
- Visa Global Service Quality Performance Award “Highest International Approval Rate”



Chess piece queen. 12th c.

Supervisory Board

Supervisory Board

- | | |
|----------------------|---|
| 1. Peter Bazil | Executive Director, Raiffeisen Bank International AG |
| 2. Kurt Bruckner | Executive Director, Raiffeisen Bank International AG |
| 3. Nikolay Kadushko | Independent Director |
| 4. Alexander Lyakhov | Director General, RUE PU Belorusneft |
| 5. Anatoly Savenok | Director General, OJSC "BSW – Management company of "BMC" Holding" |
| 6. Karl Sevelda | Chief Executive Officer, Raiffeisen Bank International AG |
| 7. Vladimir Semashko | First Deputy Prime Minister of the Republic of Belarus |
| 8. Sergey Sosnovsky | Director General, JSC Gomeltransneft Druzhba |
| 9. Herbert Stepic | Chief Advisor to the Management Board of Raiffeisen Bank International AG |
| 10. Heinz Hödl | Independent Director |

Management Board

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



Pendants. 10th – 14th cc.

Macroeconomic Environment

Macroeconomic Environment

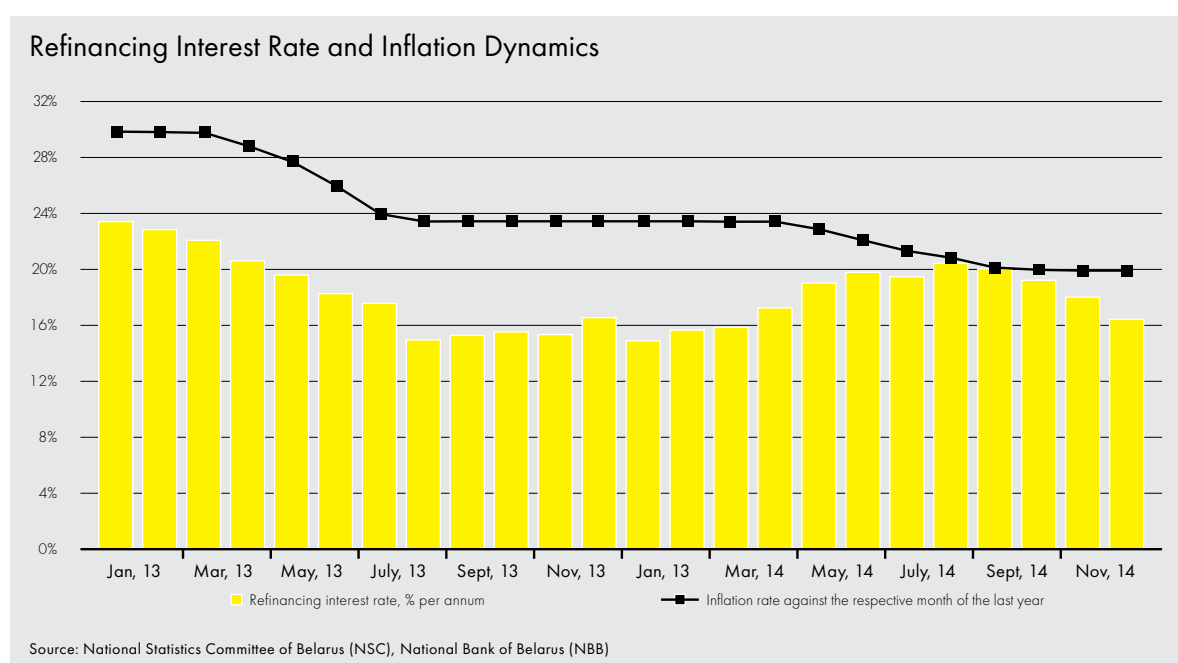
Monetary and Credit Policy and FOREX Rates

The major measures of the Monetary and Credit Policy in 2014 were aimed at decrease of inflation and local currency stability.

In January-December 2014 consumer prices grew by 16.2%, in 2013 – by 16.5%. Tariffs for services (in

January-December 2014 – by 35.2%) and food products prices (18.6%) were growing faster than non-food products prices (8.0%).

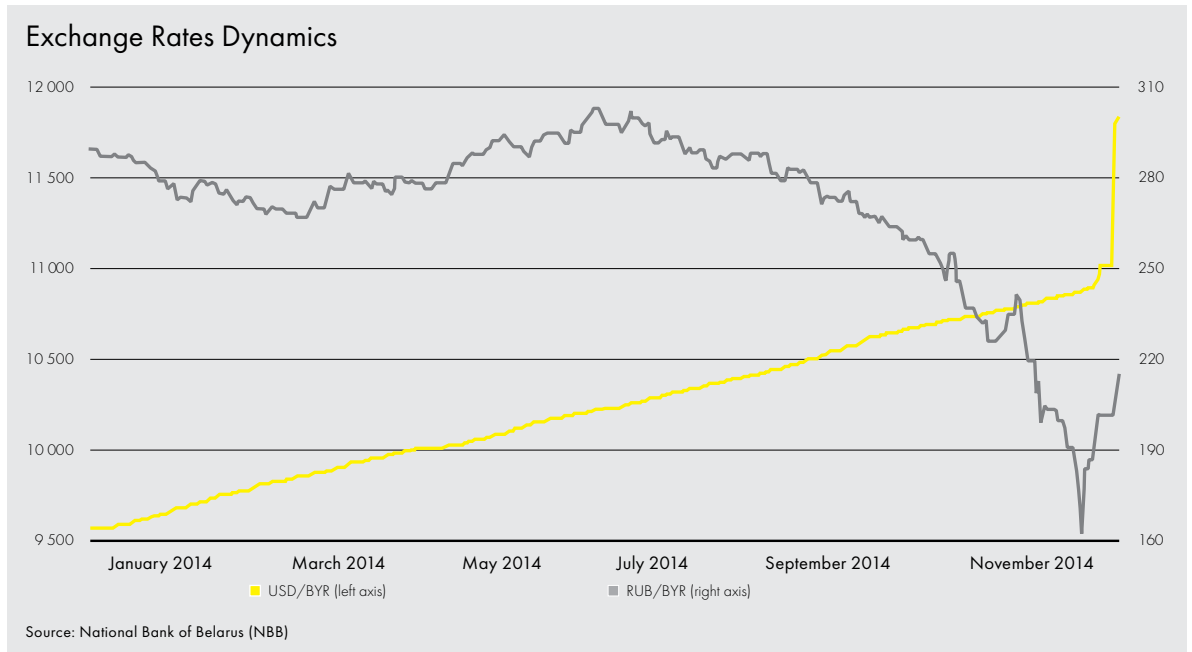
In 2014, the regulator decreased the refinancing rate 4 times from 23.5% to 20%. In January-December 2014 the average overnight interbank interest rate was 25% against 33.7% per annum in January-December 2013.



In January-December 2014, the BYR/EUR exchange rate fell by 10.1% (to EUR/BYR 14,460), BYR/USD exchange rate fell by 25% (to USD/BYR 11,900), BYR/RUB exchange rate grew by 28.6% (to RUB/BYR 207).

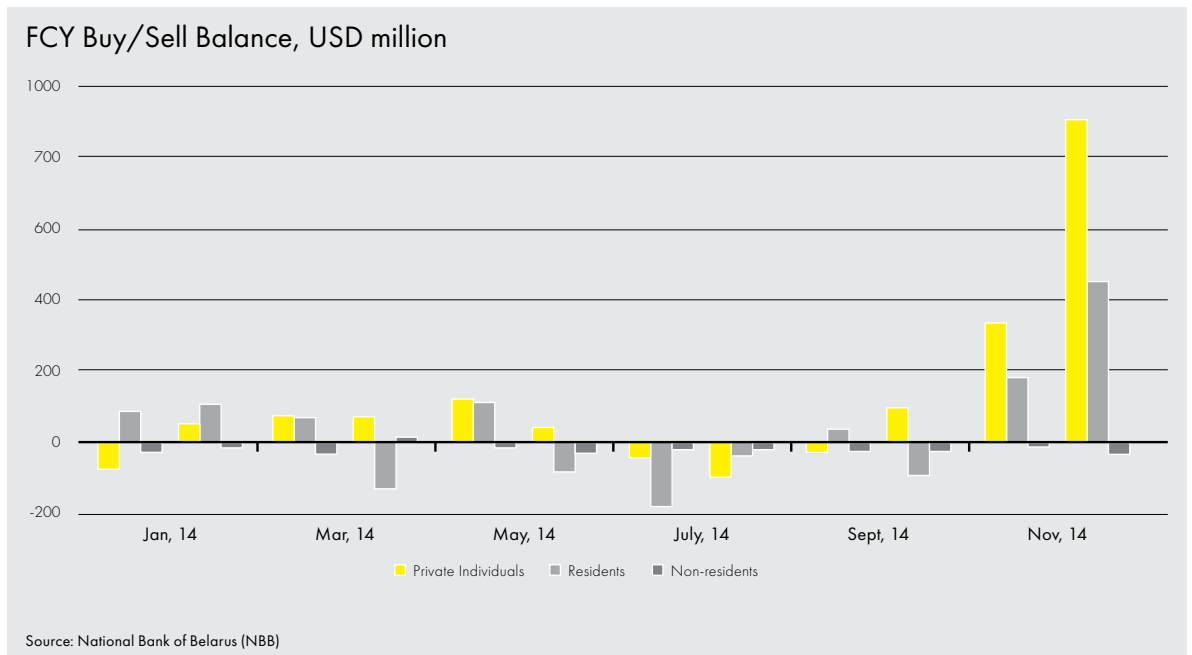
Given the big difference in BYR and RUB devaluation, price competitiveness of the Belarusian goods on the

Russian market decreased. The National Bank of the Republic of Belarus (NBB) adopted a number of administrative regulatory measures on the FOREX market in order to devalue BYR, which resulted in BYR devaluation by 26%. In early 2015 the situation on the FOREX market fully stabilized.



In 2014, on the local FOREX market foreign currency demand exceeded its supply by USD 1.6 billion. The main purposes of the foreign currency (FCY) buying by legal entities in 2014 were: repayment of FCY loans (38.5% of the bought FCY), payment for fuel and energy (14.7%), raw material (13.4%), equipment and components 10.8%.

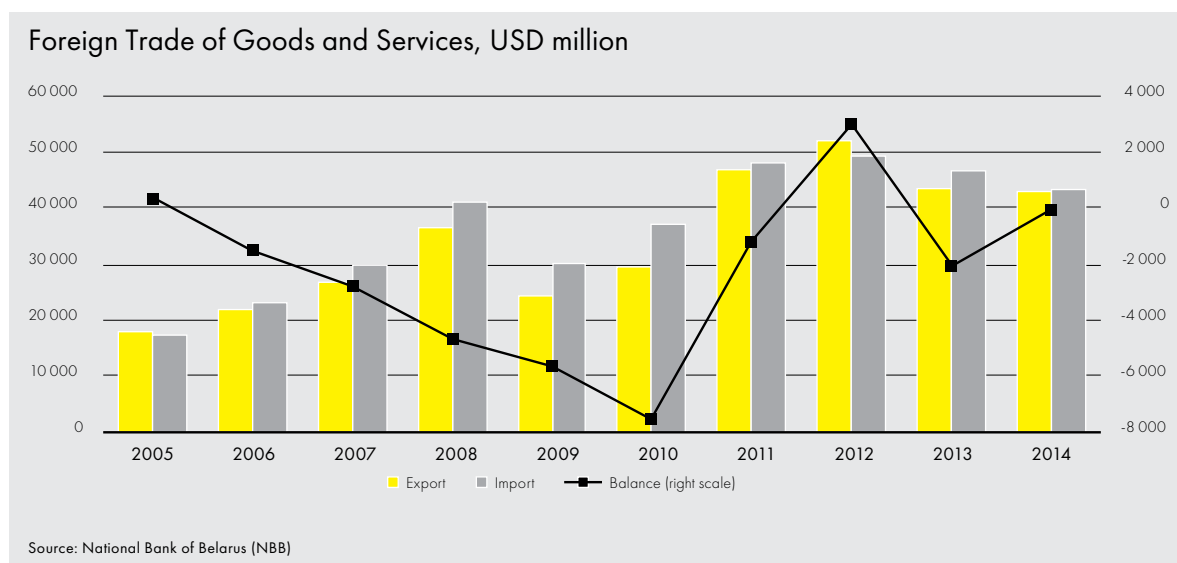
Population net demand for FCY on the local market in 2014 amounted to USD 1.4 billion against 2.4 billion in 2013. While in December the population demand for FCY sharply increased, as a result the net buying exceeded USD 0.9 billion.



Foreign Trade

In 2014, goods and services foreign trade balance was negative and amounted to USD 390 million (-0.5% of GDP). At the same time, goods foreign trade balance was negative to the amount of USD 2.6 billion, services foreign trade balance was positive to the amount of USD 2,2 billion.

Poor competitiveness of the Belarusian enterprises, unfavorable economic situation in Russia, as well as BYR strengthening towards RUB caused decrease of goods and services export by 1.1% against 2013 (to USD 43.6 billion). At the same time, import decreased by 5.3% to USD 43.9 billion, mainly due to reduction of investment goods import.



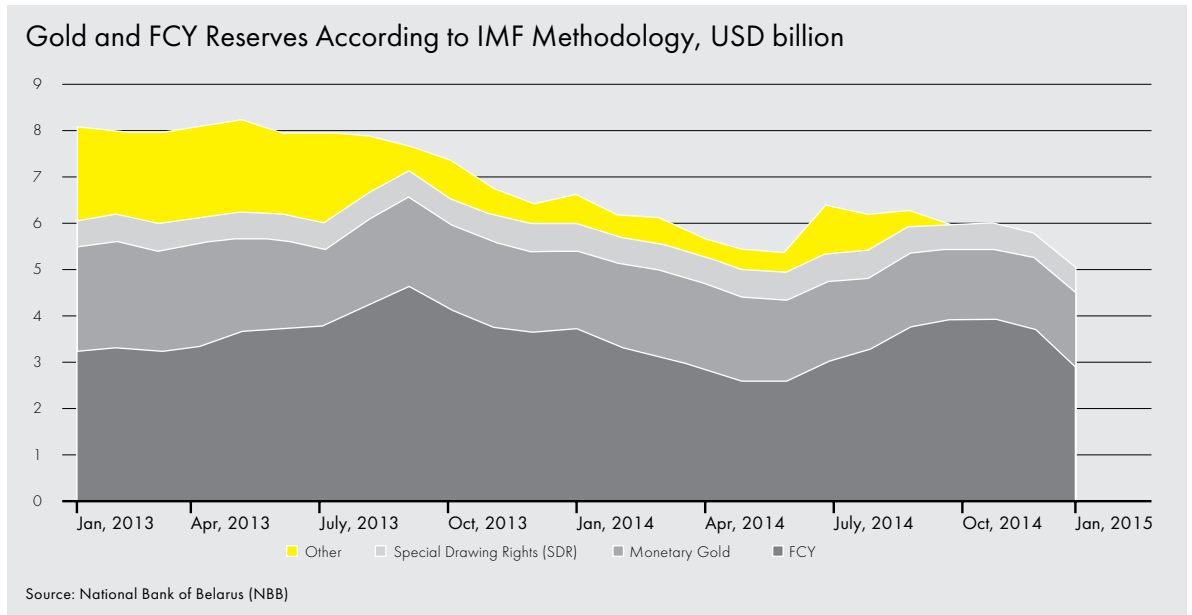
The major foreign trade partner was traditionally the Russian Federation, with a share of 42.2% in the total export volume and 54.6% in the total import volume. While Belarusian goods deliveries dropped by almost 9% against 2013 (to USD 15.34 billion). The most substantial export reduction (in physical terms) was reported in the following industries: trucks – by 27.9%, tractors and tractive units – by 22.2%, dairy products – by 16.4%, tires – by 11%, agricultural machinery – by 11.8%, metal products – by 19.6%.

Meanwhile, the export of the most liquid Belarusian goods – potash fertilizers and oil products – to EC countries increased. Thus, owing to flexible pricing policy potash fertilizers export in natural terms grew by 66.4% against 2013, oil products export in natural terms grew by 1.5%.

Drop of world prices for crude oil, as well as further economic downturn in Russia will negatively affect Belarusian foreign trade also in 2015.

Gold and Foreign Currency Reserves

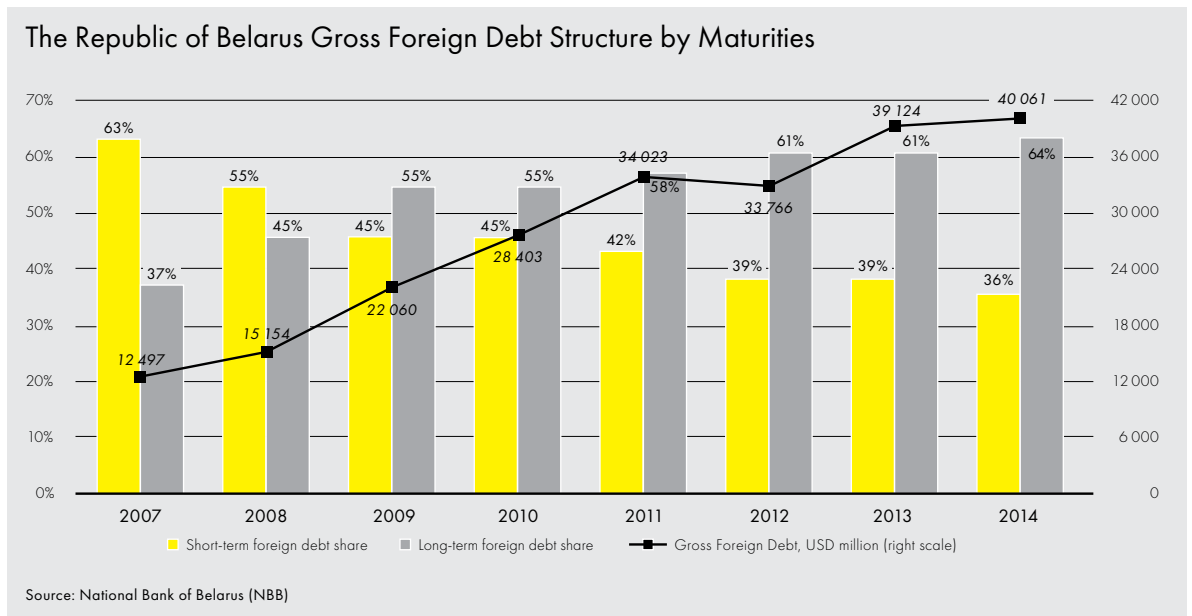
Belarusian foreign trade balance deterioration and foreign debt payment were putting material pressure on the country's Gold and FCY Reserves. In January-December 2014, Gold and FCY Reserves according to IMF methodology decreased by USD 1.6 billion (or by 23.9%) to USD 5.06 billion as at 1 January 2015.



Foreign Debt

Gross Foreign Debt as at 1 January 2015 amounted to USD 40.0 billion (52.8% of the annual GDP), having increased by 2.4%; USD 4,225.4 per capita.

Gross Foreign Debt structure: in 2014, in the total volume of the Gross Foreign Debt the share of long term obligations (with a period exceeding 1 year) increased to 63.7%, having reached USD 25.5 billion (an increase of USD 1.5 billion or by 6.4% against 2013). The share of short term



obligations decreased to 36.4% from 38.8% in 2013. Short term obligations decreased by USD 0.6 billion or by 3.9%.

In 2014, the Government spent USD 11.1 billion (14.6% of GDP or 25.4% of the goods and services export) for the foreign debt payments, thereof USD 9.6 billion – for the principal repayment; USD 1.4 billion – for the interest payment.

Belarus Government's sovereign foreign debt increased by 1.1% and as at 1 January 2015 amounted to USD 12.6 billion. In the year under review the Government raised sovereign borrowings to the amount of USD 5.2 billion (thereof USD 4.5 billion – loans of the Russian Government and banks, USD 626.3 million – loans of the Chinese banks, USD 47.3 million – loan of the World Bank, and USD 0.3 million – loan of the EBRD). In 2014, the Government spent USD 4.6 billion for the foreign sovereign debt payment.

In 2015, Belarus is planning to raise new borrowings, thereof the Government is considering Belarusian Eurobonds issue. The Government needs about

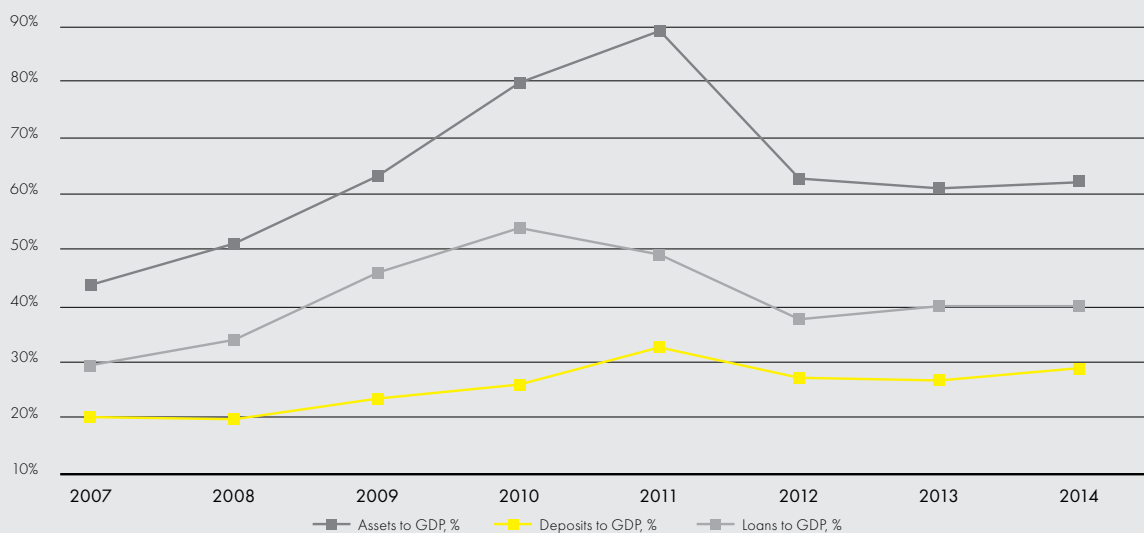
USD 2-2.5 billion to cover the payment balance financial gap, furthermore sovereign debt refinancing will require more than USD 4 billion.

Banking Sector

The banks' assets as at 1 January 2015 amounted to 481.5 trillion BYR, having increased by 21.8% for the past year. In 2014, BYR assets increased by 15.6% to 228.6 trillion BYR, in foreign currency – by 2.8% to USD 21.3 billion. In BYR equivalent FCY assets amounted to 252.9 trillion BYR. The share of FCY assets increased to 52.5% as at 1 January 2015 from 50% as at 1 January 2014.

The banks' claims to the economy in 2014 increased by 22.4% having reached 346.9 trillion BYR. High enterprises' demand for loans was mainly reasoned by the lack of working capital caused by warehouse stock increase. The banks' claims to private individuals increased by 16.8% to 64.1 trillion BYR in spite of high loan interest rates. This can be explained by the population's BYR devaluation expectations which will consequently result in the loans devaluation.

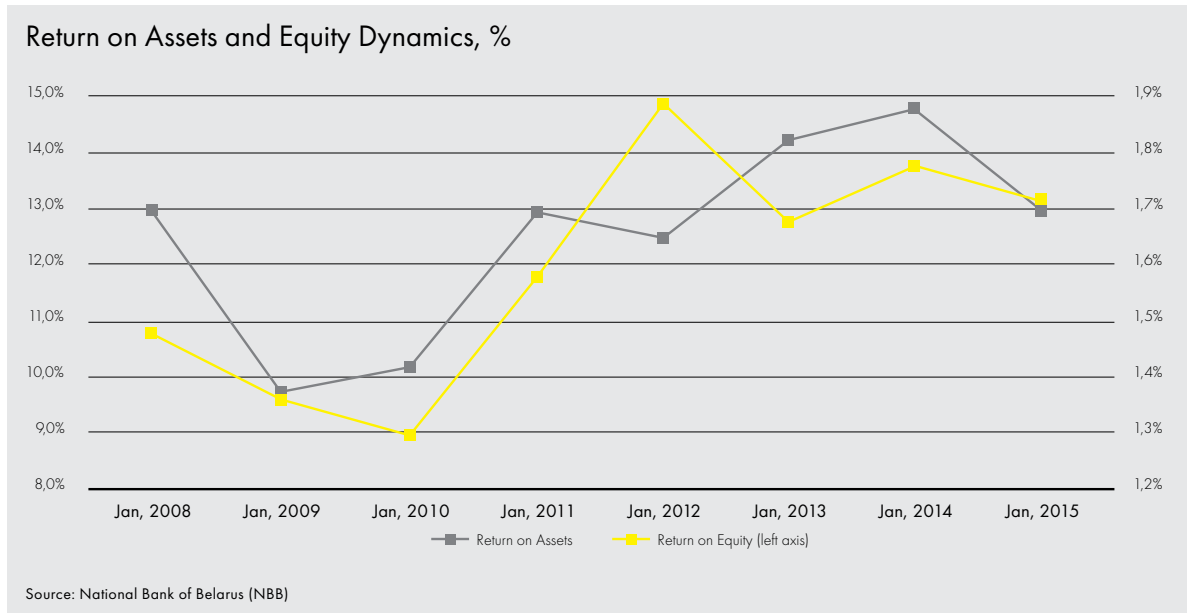
The Banks' Assets, Deposits and Loans to GDP, %



Source: National Bank of Belarus (NBB)

The average new BYR term deposits rate in December 2014 was 33.4% per annum. Meanwhile, the average new FCY term deposits rate for private individuals and legal entities was 4.9% per annum.

In 2014, the banks increased their profit by 11.3% against the previous year to 7.6 trillion BYR. Return on Equity decreased to 13.2% from 13.8% in 2013, Return on Assets decreased to 1.7% from 1.9% in 2013.



GDP

In 2014, GDP grew by 1.6% (against 1.0% in 2013), due to positive trade contribution, as well as industrial output recovery.

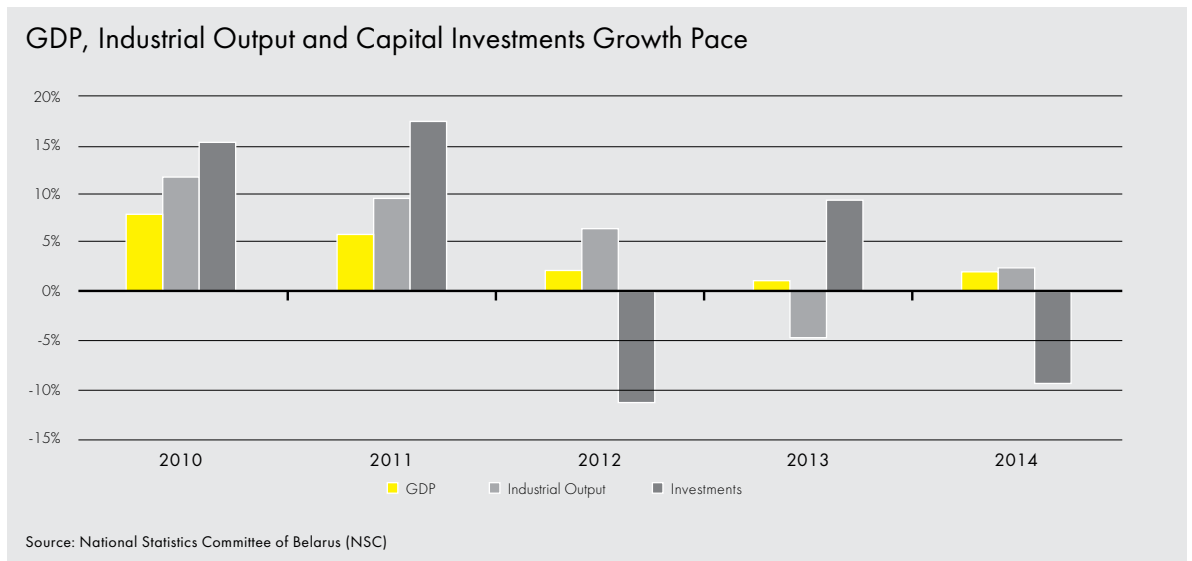
In 2014, industrial output amounted to 668.4 trillion BYR, having reduced by 1.9% against 2013 in comparable prices (in 2013 the drop of 4.9% was reported).

The highest growth against 2013 was fixed in potash fertilizers (by 1.5 times), and cheese (by 26.3%) production.

Meanwhile, trucks (by 35.8%) and tractors (by 16.8%) production dropped.

As population real income growth slacked, retail turnover growth decelerated to 6.6% against 2013, after its 18% increase in the previous year.

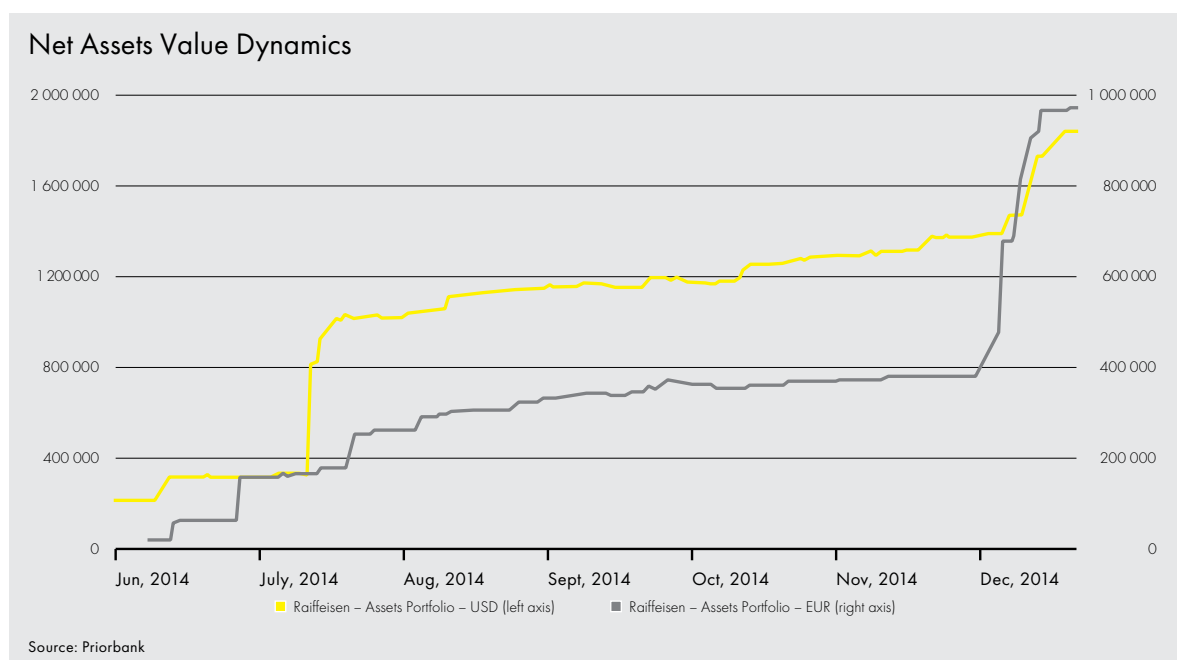
Capital Investments in 2014 amounted to BYR 213.5 trillion having decreased by 8.5% in comparable prices against 2013 (in 2013 the growth of 9.3% was reported). The share of Capital Investments in GDP dropped to 27.4% against 32.3% in 2013.



Bank Managed Funds

In 2014, Priorbank was the first in Belarus to register 3 Bank Managed Funds (BMF) in the National Bank of the Republic of Belarus. In early 2015, Priorbank is the only bank in the country to offer BMF.

The fund is a form of collective investments on the international financial markets. For the period of slightly more than half a year the value of net assets of the Fund 'Raiffeisen – Assets Portfolio – EUR' reached 970.3 ths. EUR, of the Fund 'Raiffeisen – Assets Portfolio – USD' – USD 1,849.6 ths. respectively.



Mantel clock. 18th – 19th cc.



Corporate Banking. Business
with Small- and Medium-Sized
Enterprises

Corporate Banking. Business with Small- and Medium-Sized Enterprises

In 2014, within the Comprehensive Business Solutions strategy development, the Bank was improving its partner relationships with corporate clients offering efficient comprehensive financial solutions applying an individual approach depending on the customer's business peculiarities.

A new product, unique on the Belarusian financial market, 'Service Packages. Corpo' was dynamically developing. Applying Raiffeisen Group many years' experience, up-to-date business and risk technologies, the Bank is providing a highly qualified expert opinion, as well as wide information and advisory support, enabling our corporate customers to make weighted managerial decisions for sustainable and efficient business development.

A well-balanced tariff policy on the background of high quality services based on the most up-to-date banking business technologies enabled to increase the customers loyalty and retain the existing clients. Among the Bank's clients are the enterprises of the following industries: petrochemical, energy, telecommunications, medicine, retail trade, metal trade, etc.

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The International Factors Association IFG decorated Priorbank with the international award 'Best Export Business Development' as the best bank in export factoring promotion in 2014.

The Bank traditionally financed the working capital, investment and export oriented projects of large customers, executed documentary operations. All this enabled to increase the corporate business volume in 2014.

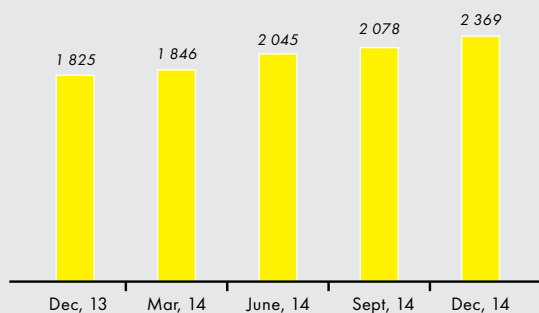
Business with Small- and Medium Sized Enterprises

In 2014, the main priority in SME business development was maintaining a leading position in the country's banking system both in terms of financial performance and customer service quality.

Key priority directions in the development of SME business were:

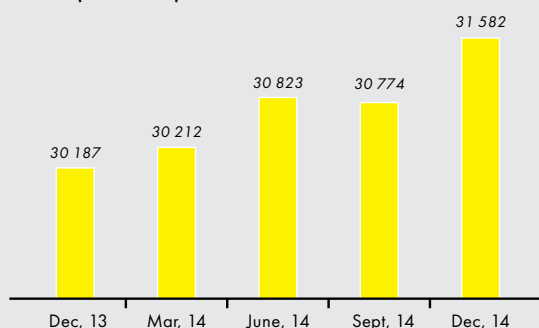
- Customer base growth;
- Loan portfolio quality and diversification;
- Customer service quality improvement;
- Technologies and processes optimization and improvement in order to increase business efficiency;
- Cost cutting.

Dynamics of SME loan portfolio growth, BYR billion



In 2014, the loan portfolio grew by 30.0% in BYR equivalent. The liabilities grew by 12.0% in BYR equivalent.

Dynamics of SME Active Customer Base (number)



The Bank attracted 5,522 customers, the active customer base increased by 4.6%.

The Bank reviewed and upgraded its service packages for legal entities. Individual Entrepreneurs (IE) were offered a new service package 'Prior-IE'.

Within the project on optimization of the legal entities lending process the Bank continued to develop its data and analytical IT systems. Thus, in 2014 the Bank launched the software enabling to extend overdraft loans for small clients without requiring a documents package for financing.

In order to increase the customers loyalty and stimulate new legal entities acquisition in 2014 Priorbank continued its special promotion offer – "Partnership Program" for existing customers, which received a discount on a service package in case of recommendation of Priorbank's service to their business partners.

In 2014, EBRD disbursed to Priorbank 2 additional tranches within the EBRD loan facility with a purpose of financing of small and medium-sized businesses.

Within the cooperation according to the Presidential Decree of 21.05.2009 N 255 "On Some Measures of State Support of Small Business" at the expense of regional and Minsk city executive committees, by late 2014 more than 40% of all the budgeted funds were disbursed to the small enterprises.

Moreover, Priorbank actively participated in the following events:

- Global Entrepreneurship Week in Belarus. Business start.
- Exhibition "Bank. Insurance. Leasing".
- Workshops for customers in Pinsk, Mogilev and Vitebsk.

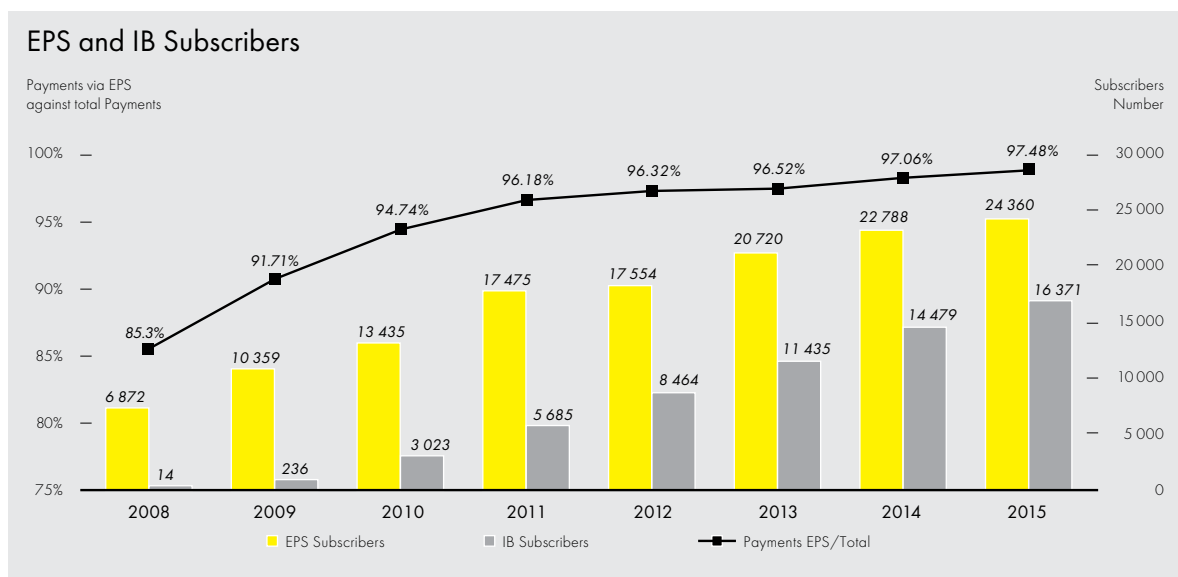
As a result of 2014 Priorbank was honorably mentioned 'Highest SE Growth 2014 in RBI' reward during the annual RBI meeting of SME heads from network units.

Development of the Internet-Service for Legal Entities and Individual Entrepreneurs

Dedicated and efficient efforts allowed to achieve the number of Electronic Payment System (EPS) 'Client-Bank' subscribers to 24,360 (+7% against early 2014).

The share of electronic documents received by the Bank exceeded 97%. The number of the Internet-Bank (IB) for legal entities subscribers reached 16,371 (+13% against early 2014).

The Bank developed and launched the 'Internet-Bank' applications for legal entities and private individuals for mobile devices based on Android and Apple iOS operation systems.



Leasing

In spite of the complicated economic situation in 2014 JLLC 'Raiffeisen-Leasing' (RL) remained one of the most profitable companies entering Raiffeisen Leasing International Holding. 4.7 million EUR earned by the Company is the 2nd result in its history since its foundation in 2005.

A subsidiary company in Lithuania established by Raiffeisen-Leasing in 2011 acting through a permanent representative office in Belarus provides international financing to Belarusian companies, including the companies focusing on international automobile cargo transportation.

General deterioration of the economic situation led to drop in sales of freight trucks, also through the interna-

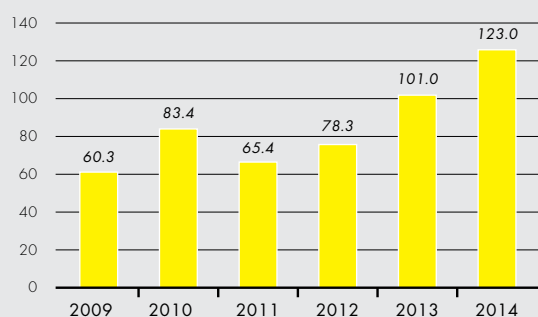
tional leasing. In 2014 the company bought and leased out about 55 articulated vehicles.

In 2014, RL financed the leasing of various objects to Belarusian enterprises, predominantly exporters, via international leasing to the amount of more than USD 10 million.

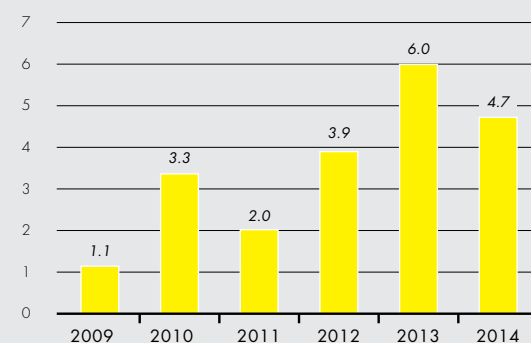
In 2014, the total assets of the company exceeded USD 175 million. The largest share in the company's industries portfolio belongs to commercial real estate and transport leasing, 52% and 28% respectively.

More than 630 clients prefer Raiffeisen Leasing as a reliable long-term partner.

Active Portfolio with VAT,
EUR million



Profit after Tax, EUR million



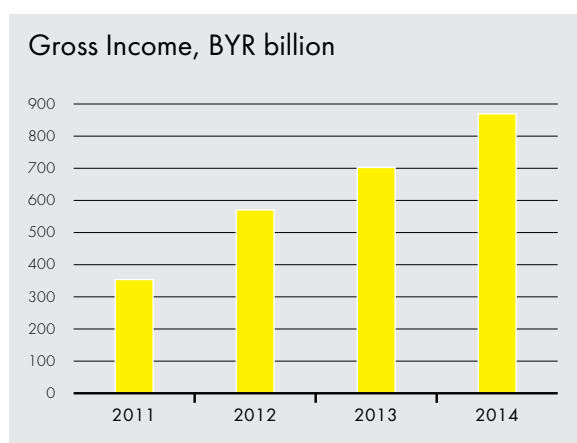
Rushnyk, 1969



Business with Private
Individuals (PIs)

Business with Private Individuals (PIs)

The key PIs business priorities in 2014 were the loan portfolio growth, as well as offering of the salary payroll projects and pension program development in order to attract new clients. Simultaneously, utmost attention was focused on remote PIs service channels by launch of new services. In 2014, the key sources of the earned income were lending operations and services rendered within the salary payroll projects. In 2014, the total number of Priorbank clients-PIs reached 711,000 having increased by 23.3 ths. or 3.4% against the previous year. The Gross Income earned in 2014 exceeded the level of 2013 by 22.8%, and the Net Profit before tax increased by 14%.



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

Development of the relationships with the existing clients continued to be one of the key business priorities of Priorbank in 2014. Launch of new products, development of digital service channels led to growth of the number of products (2.6 on the average) per 1 active client.

Digital channels development enabled to arrange fast and convenient remote filling of the applications for the bank products via the Internet-Bank System, Mobile Application or with the help of the Contact Center employees.

Launch of new marketing campaigns enabled to timely react on the prominent events in the customer's life and products stages: retirement, plastic bank card validity period termination, exceeding the lending limit, etc).

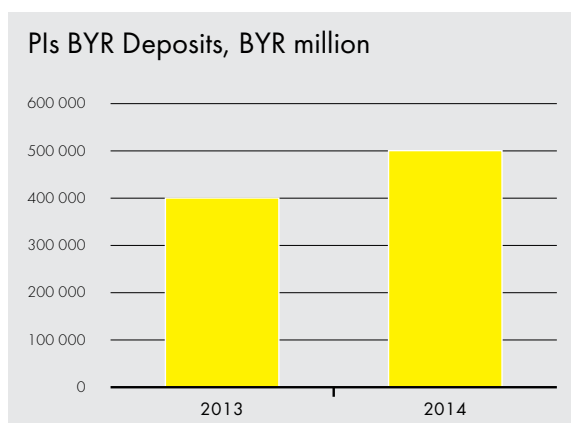
Throughout 2014, Priorbank conducted more than 300 special CRM campaigns. 370,000 active Bank's clients received more than 1,150,000 individual offers of products and services for PIs. The Bank also focused on the client base stirring up (in 2014, the Bank established more than 45,000 contacts with non-active clients) and increase of the number of campaigns promoting remote service channels utilization.

In 2014, the Bank focused on the following directions:

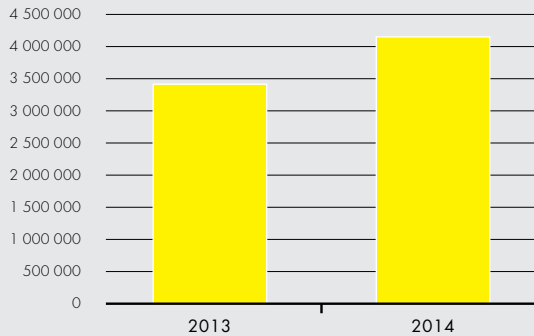
- Utilization of multi-channels when contacting with clients;
- Product upgrade;
- Attraction and retaining of salary payroll clients according to the unified standardized procedure;
- Offering of new BMF products and individual trust management for the Bank's clients;
- Clients retaining and loyalty increase.

PIs Deposits and Accounts

In 2014, FCY term deposits portfolio remained stable having increased by more than USD 5.0 million. LCY deposits after substantial growth throughout the year dropped in December and grew by 21% eop.



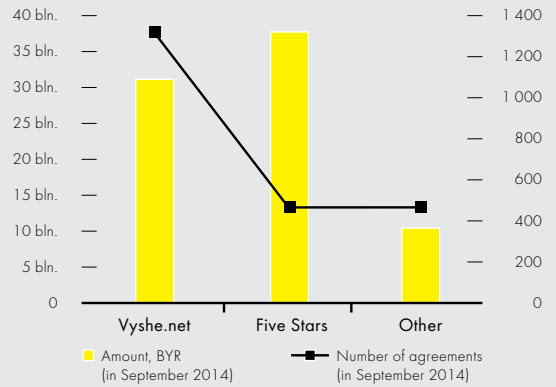
PIs FCY Deposits, BYR million equivalent



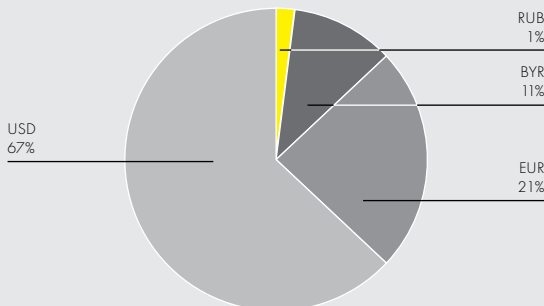
FCY deposits placement with Priorbank is traditionally connected with the clients trust in the Bank, stable interest rates level, and funds safety guarantee.

The Bank developed the electronic deposit 'Vyshe.net' and launched it on 1 September 2014. The depositors gained an opportunity to manage their funds without visiting the Bank. Only in September 1,300 deposits 'Vyshe.net' were opened.

BYR New Deposits Opened



PIs Deposits by Currencies



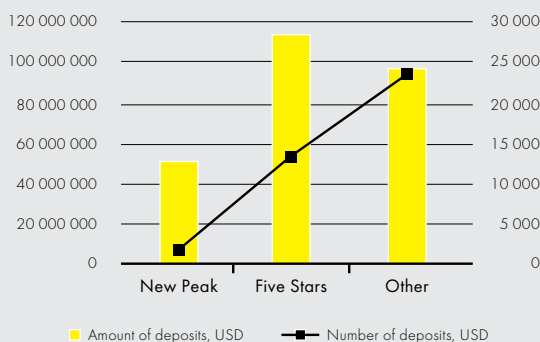
In 2014, the Bank continued its product line optimization with the orientation on long-term savings. The deposit "New Peak" was included into the main offers for PIs in 2014 and enjoyed demand for FCY savings.

Loans

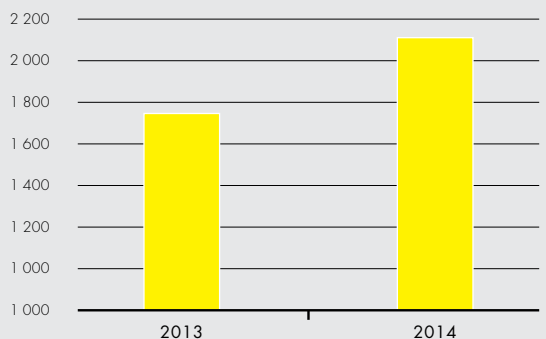
In 2014, the Bank was actively promoting the lending programs, which enabled to increase the loan portfolio by 32%. Priorbank strengthened its market position having become the 2nd bank in the Republic of Belarus in terms of lending to PIs. The most popular loans were credit cards, personal loans and overdrafts to salary and pension cards. The Bank also continued to disburse car and consumer loans.

Special focus was made on remote service channels. In 2014, each sixth loan was disbursed under the application registered via the Internet or over the phone. Alternative channels development enabled to reduce 'time to yes' (TTY) and 'time to cash' (TTC) and improve the service quality.

USD Deposit Portfolio by Products



Loans to PIs



Tariff Policy

Priorbank Tariff Policy in 2014 was aimed at comprehensive bank servicing of Pls. Taking into account the questionnaires of the existing customers, accumulated experience and cashless settlements development, Priorbank continued to expand its banking services via the bank remote servicing system, as well as included additional services and preferences for all service package users for both savings and lending products.

In 2014, Priorbank actively developed cashless settlements system always striving to make co-operation with the Bank simple and convenient for each customer. Stimulation of the customers to execute cashless settlements was reflected in the Bank's Tariff Policy. Practically all the services in the distant bank servicing system for services package users were optimized and included into the packages.

Plastic Bank Cards

By late 2014, Priorbank issued a total of more than 861,000 plastic bank cards for the payment systems: Visa International, MasterCard Worldwide and BelCard, with a market share of 7% in the Republic of Belarus.

In 2014, the Bank continued to actively develop salary payroll projects and pension program based on plastic bank cards issue: the number of active accounts increased by 39 ths. y-o-y to 323 ths. salary and 125 ths. pension accounts.

Gross turnover on Priorbank plastic cards in 2014 increased by 15% y-o-y and amounted to 2.3 billion EUR (thereof 626 million EUR of cashless payments for goods and services; 1.7 billion EUR of cash withdrawal transactions). The share of cashless payments by Priorbank cards increased to 26% against 23% in 2013. The total number of transactions amounted to 77 million (57 million in 2013), thereof 58 million transactions of cashless payments for goods and services; 19 million of cash withdrawal transactions.

In January 2014, the Bank issued a limited series of Visa Classic cards with a special Olympic design, and in April 2014 Priorbank pleased its ice hockey amateurs having issued the first prepaid card based on the payment system BelCard, devoted to the Ice Hockey World Championship held in Minsk between 9-25 May 2014. In December 2014, Priorbank started to issue MasterCard Worldwide debit cards allowing contactless payments: MasterCard Standard PayPass both in BYR and in EUR.

Throughout 2014, the Bank was constantly improving its software and service functionality of the remote banking services systems. The customers were offered: new application for tablets based on Android and iOS operation systems; the Internet-Bank functionality expansion –

blocking (unblocking) of a plastic bank card, card re-issue, services manager within the Internet-Bank system allowing to open/close the SMS and USSD-Bank, recover secret parameters to these services without visiting the Bank, bank visits calendar, transfers among the Bank's cards, as well as transfers to other banks' cards which are currently accessible in Priorbank's ATMs.

In 2014, Priorbank, supported by the International Payment Systems Visa International, MasterCard Worldwide and BelCard, arranged and launched a number of advertising campaigns on promotion of Priorbank's payment cards, as well as actively participated in local campaigns arranged by the payment systems on the Belarusian market. Among them: the promotional game 'Zanachka' ('Cushion') with the purpose to stimulate cashless payments by BelCard cards and increase financial knowledge of Pls. The promotional game 'We Believe in Victory' with the purpose to stimulate issue and utilization of BelCard pre-paid cards which issue was devoted to the Ice Hockey World Championship held in Minsk between 9-25 May 2014. The promotional game 'Too See Everything in Brazil with One's Own Eyes Together with Visa!' with the purpose to stimulate cashless payments by Visa Gold, Visa Platinum and Visa Infinite. The promotional game 'Visa without Borders' with the purpose to promote cashless payments abroad by Visa cards issued by Priorbank. The promotional game 'To Become a History's Eyewitness is Invaluable' with the purpose to promote cashless payments by MasterCard and Maestro cards issued by Priorbank. During half a year Priorbank was holding the promotional game 'Solve All the Issues Online' with the purpose to stimulate payments via the distant bank servicing systems.

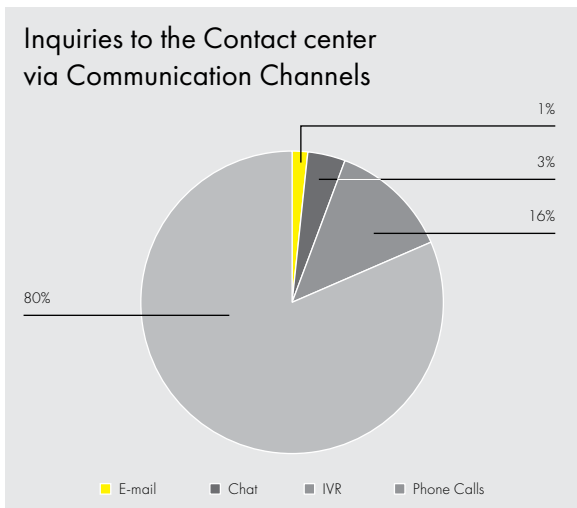
Contact center

In 2014 Contact center turned into the real multichannel contact center servicing the customers not only via traditional (telephone) channels but also via electronic channels such as chat and webcallback.

So far traditional channels – telephone and voice self-service (IVR) take the leading positions: in 2014 the contact center agents answered incoming 688,000 customers' calls on the phone, 136,626 calls were handled in voice services that makes in total 96% of all calls entered to the contact center.

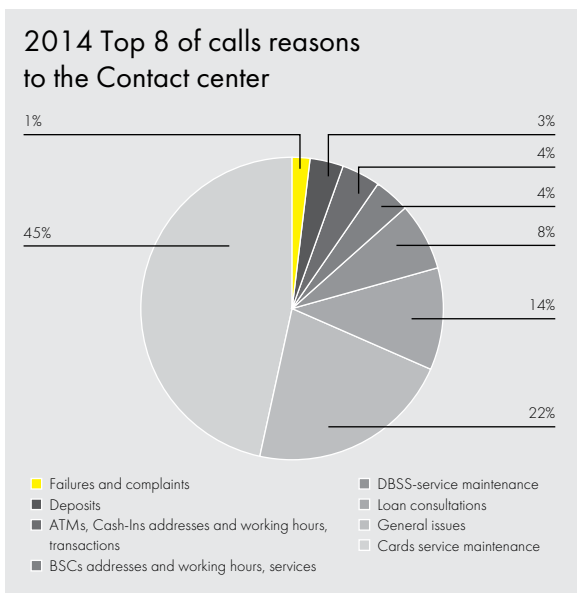
The electronic channels share in contact center has amounted to 4%. The most popular is Chat service that was launched on the 31 March 2014. Since that moment the agents had processed 23,555 clients' inquiries via the Chat. The share of the inquiries via the web-site feedback form still remains unchanged – 1%, 8,322 clients' inquiries were processed.

In December 2014, the Contact center started to accept and register loan applications via the phone in the form of the web call back order through the corporate web-site.



The main share of the inquiries to the Contact center belongs to PIs – 95%. Meanwhile, it is worth mentioning the growth of the legal entities inquiries – by 3.6 times from 590 inquiries in January 2014 to 2,102 inquiries in December 2014.

The highest share belongs to the clients’ inquiries about opening and service maintenance of the credit and debit cards – 45%. The significant share belongs to opening and service maintenance of loans – 14%, the share of clients’ inquiries about using of Distant Bank Servicing System (DBSS) instruments increased to 8%.



In 2014, the Contact center sales team informed 98,000 Bank’s clients – PIs about special offers regarding the Bank’s products. More than 38,000 clients utilized the Bank’s offers, thereof 2,733 clients received the loans (credit cards, personal loans in plastic or personal loans), 3,039 clients opened pension accounts with the Bank, more than 32,000 clients re-issued their pension cards for a new period within the Customer Retention Program. The Contact center sales efficiency of the lending products was 9%, of pension accounts – 22%, customer retention efforts efficiency was 90%

The Contact center sales share accounted for 7% in the total Bank sales volume to PIs.

In 2014, the Contact center achieved the customer telephone service level ratio of 82/60, which means that 82% of the incoming calls were answered by the agents within 60 seconds. In December 2014, the customer chat service level reached 81% of the processed chats within 60 seconds.

In 2014, the Bank’s clients enjoyed a new service – appointment of meetings via the Contact center in order to avoid long lines. More than 2,575 clients utilized this service.

In purpose of monitoring of the customers’ satisfaction the automatical survey was offered to the customers in IVR after the end of the conversation with agent. 61% of the respondents assessed the agents’ service level as exceeding their expectations and 35% were satisfied, 63% of the clients did not have to wait for the answer and 26% got in touch with the agent rather quickly, 66% of the clients would recommend the Contact center to their relatives and friends.

As at late 2014, the customer satisfaction level, showing the share of the customers inquiries resolved by the Contact center agents on the first try, amounted for 83%, which shows high customer service level at the Bank’s Contact center and good agents professional skills.

The Bank’s Contact center service level was highly assessed by the jury of the 3rd Republican Contest ‘Polite Banks’. Priorbank Contact center was among the three best Contact centers in the Republic of Belarus.

In 2015 the Clients will be offered by the voice biometric authentication during the request via the telephone channel. Priorbank is going to offer to the customers the co-browsing service on the corporate and Internet bank sites to support customers’ efforts in searching the necessary information on the bank’s sites and in filling the loan application.

Premium Banking for PIs

In 2014, Priorbank continued to develop Premium Banking servicing of its clients.

The number of premium clients grew by more than 25%.

The Bank launched an innovative premium remote servicing program – Premium Direct, which main target is to offer fast and convenient solution of the current financial issues and provide assistance in choosing the instruments corresponding with the clients’ long term objectives. The distant servicing allows to make the co-operation with the Bank more efficient and to solve the financial issues in a more convenient way without visiting the Bank.

Priorbank’s clients were offered a new investment form in Belarus – Bank Managed Funds (BMF). By late 2014, the total value of the funds’ Net Assets in USD and EUR exceeded an equivalent of 2.49 million EUR, which confirmed the clients’ interest in the product.

In 2014, Priorbank offered its clients the Privileges Program – Premium Card, which allows to get personal

discounts in all the POS-Program Participants, as well as enjoy a privileged high quality Priorbank service.

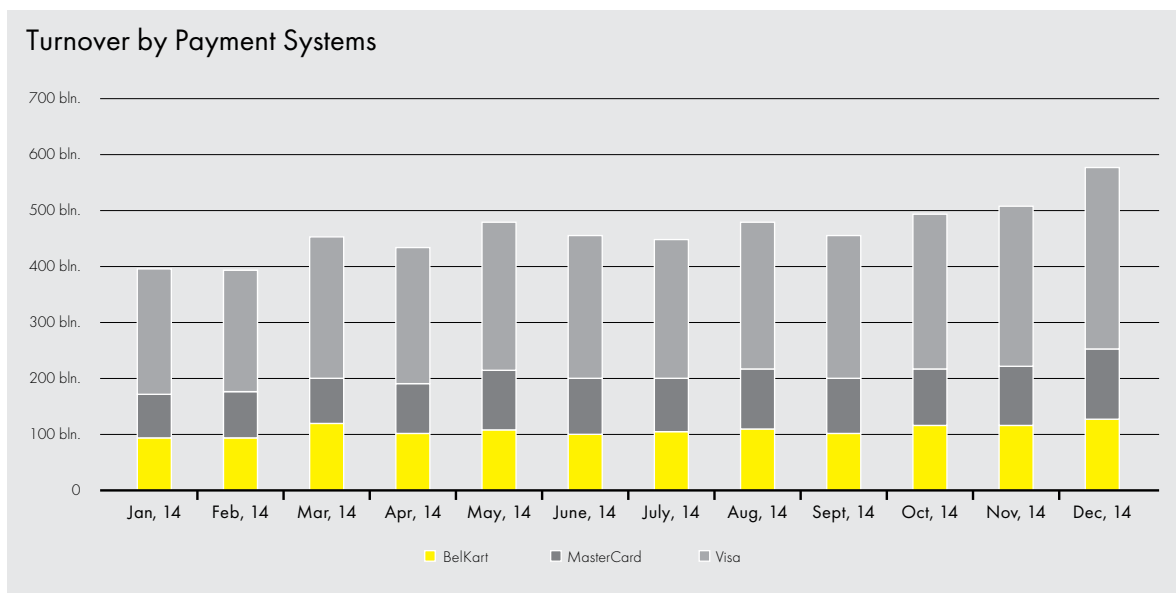
Acquiring

In 2014, Priorbank successfully completed the certification of PayPass MasterCard and PayWave Visa for execution of contactless payments by plastic bank cards via POS-terminals.

In the year under review, Priorbank installed 1,357 POS-terminals at trade and service enterprises and concluded 1,096 new acquiring agreements.

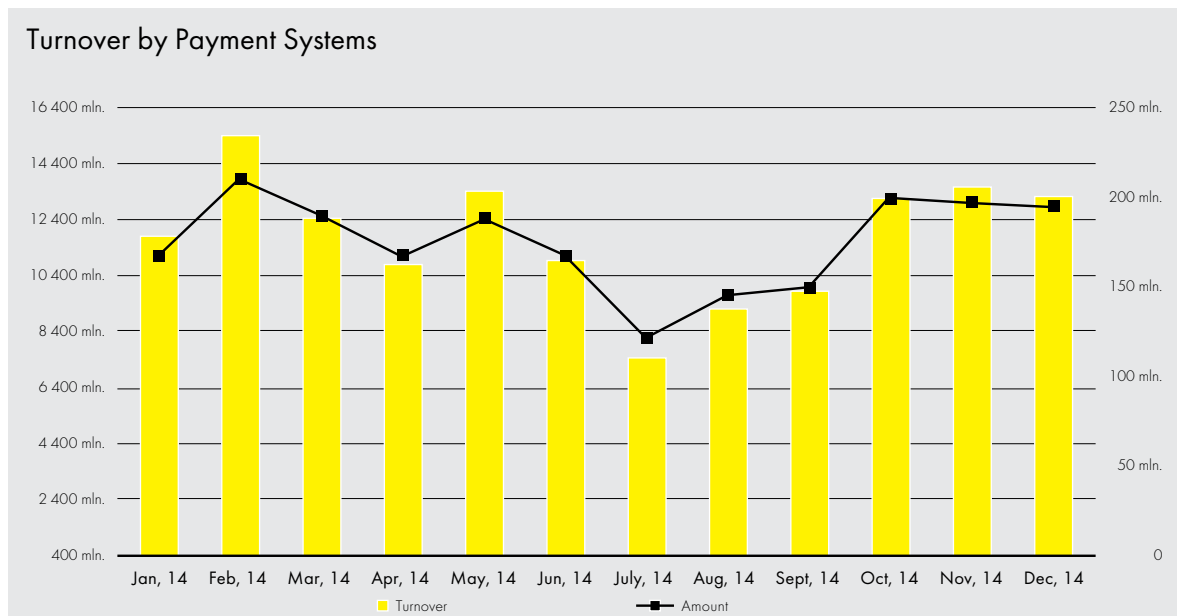
More than 25 million transactions to an equivalent of 407.6 million EUR were executed at POS throughout the year.

In 2014, Priorbank additionally installed 20 new ATMs. As at 01.01.2015, the total number of the Bank’s ATMs amounted to 385 units, the number of Cash-Ins amounted to 214 units.



In 2014, the Bank concluded 225 new Internet-Acquiring agreements. E-commerce turnover

amounted to 10.6 million EUR with a total of 364,000 transactions.



Electronic Money

In 2014 in comparison to 2013 the following results of payments via the electronic money systems are reported:

- belqi: the number of digital wallets increased by 2.8 times, thereby the number of transactions increased by 3.1 times, and the volume of transactions increased by 3.9 times.
- QIWI Terminals: the number of agents distributing the electronic money grew by 15%, meanwhile the number of payments increased by 17%, and the volume of payments increased by 44%.
- iPay: the number of transactions increased by 90%, and the volume of transactions increased by 1.5 times.

For the convenience of belqi wallet holders, the Bank provided an opportunity to fill the belqi wallets via the Common Settlement Information System (ERIP).

The Internet Banking System Development

Nowadays, Belarusian banks offer a wide range of services via the Internet. Priorbank is one of the leaders on the distant bank servicing market and continues to

develop the most up-to-date service technologies. We constantly take care of our services quality and strive to make them more convenient for our customers. In 2014, the Bank was actively developing and improving its digital bank servicing channels.

One of the most important projects in 2014 was development and launch of a new banking product – the e-deposit 'Vyshe.net': there is no need to visit the Bank to open and manage the deposit. The clients can do it via the Internet-Bank system, as well as mobile applications. The deposit possesses the following advantages:

- Monthly interest capitalization,
- Automatic deposit agreement extension,
- Possibility of additional contributions, withdrawal of the accrued interest,
- Different deposit periods (1, 3, 6, 9 and 12 months).

Priorbank occupies the leading positions on the digital banking market: by late 2014 the number of subscribers of various distant systems (Internet, SMS, USSD) reached 258 ths. (+33% y-o-y). In December 2014, the turnover reached 551 billion BYR.

The major trend of the mobile applications market is growth of the number of smart phones and tablets. For the Bank's clients smart phones are becoming much more

convenient for everyday use, than standard computers. In 2014, Priorbank offered the following applications for the Internet-Bank users:

- The Internet-Bank application for Windows Phone;
- The Internet-Bank application for iPad;
- The Internet-Bank application for Android tablets.

In 2014, Priorbank added the following new functionalities to the Internet-Bank Prior Online:

- On-line registration at the web-site www.prior.by. The Bank's clients, who already have the payment bank card or the Bank's account, can register to the Internet-Bank via the site, as well as restore personal data without visiting the Bank.
- The cards blocking/unblocking. For efficient management of the clients' cards, they can block and unblock their cards via the personal account.
- Transfers among the Bank's cards. Launch of this service was highly appreciated by the clients, as it provides an opportunity not only to transfer the funds to the own card, but also to another card issued by Priorbank.
- Filling the following applications: on debit bank card re-issue, on car loan, on personal loan, on consumer loan, on revolving credit card.

One of the strategic tasks of remote bank servicing system is maximum saving of the clients time. Launch of the most popular loan applications, as well as cards re-issue applications, enables the clients not to waste their time on standing in a line in the Bank.

Priorbank offers its clients preliminary booking of their visit to the Bank: one can choose and book the visit time and place via the Section 'Visit to the Bank'.

Being constantly on the move, Priorbank will further develop remote bank services, among them to be launched in the short-term outlook:

- Chat in the mobile application Prior Mobile,
- Callback from the mobile application Prior Mobile,
- Expanding opportunities of transfers among cards,
- The clients will be able to add other banks' products for transfers and payments,
- Payment cards limits management service,
- Reminders setup in the Internet-Bank,
- On-line geolocation for mobile applications and the Bank's web-site.

Violin. Master G.P. Maggini. 1596



Treasury Operations.
Securities Dealings

Treasury Operations. Securities Dealings

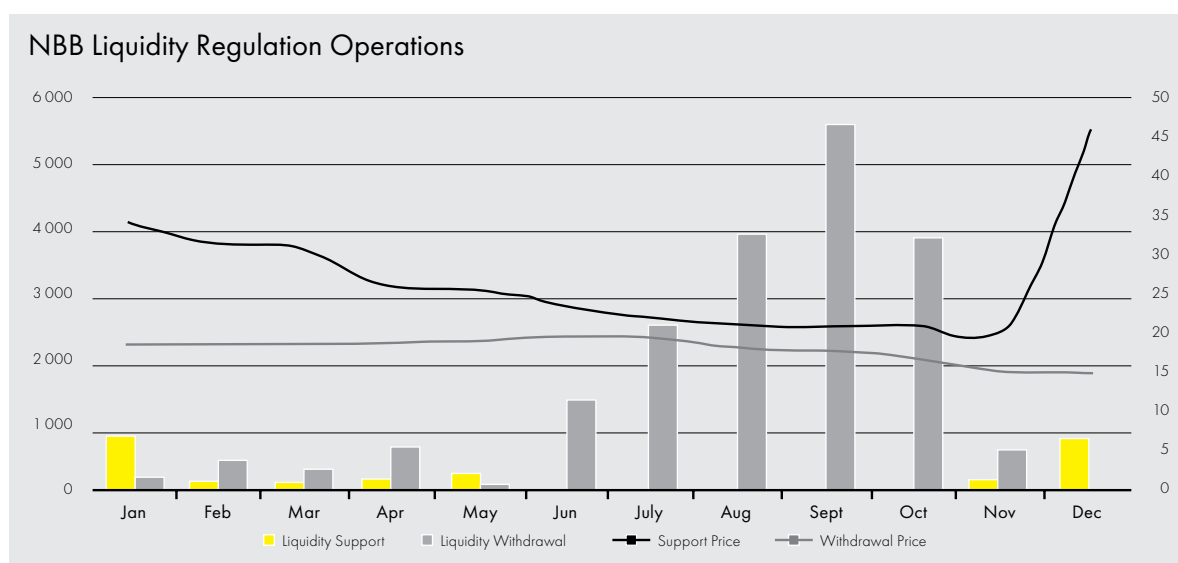
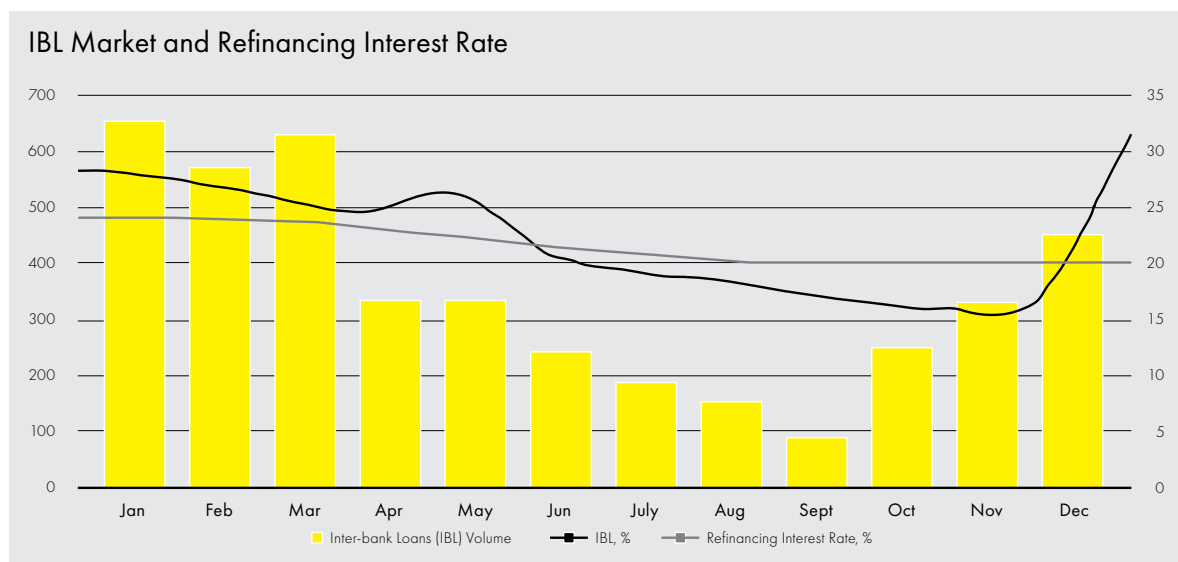
Local Money Market Transactions in BYR with banks-residents

In early 2014, the banking system experienced local currency (LCY) liquidity deficit, consequently the National Bank of the Republic of Belarus (NBB) actively supported the banking system current liquidity. Inter-bank loans (IBL) market, where the interest rates were lower than those of the National Bank, was also rather dynamic.

Starting from the 2nd quarter of 2014, the liquidity situation became to improve, due to Pls selling of the foreign

currency (FCY) and placing BYR deposits given 'positive' deposit market interest rates.

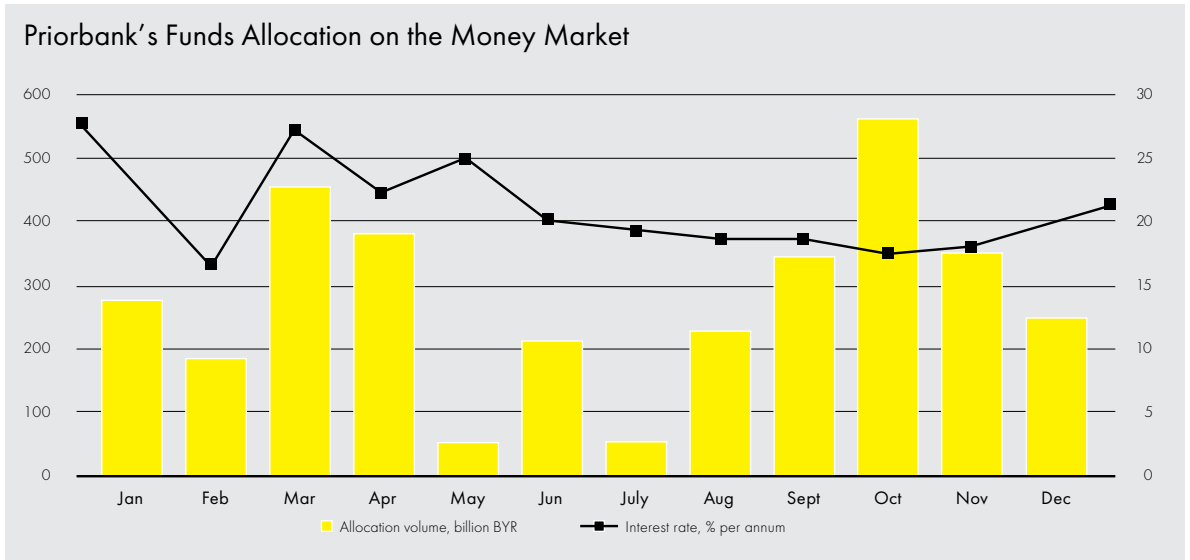
In the 4th quarter of 2014, devaluation expectations sharpened. Pls started to change LCY to FCY. In this period NBB was forced to recommence the banking system support. In December 2014, the average refinancing instruments interest rate was 44.5% per annum (although in the 3rd quarter and early 4th quarter it did not rise higher than 25% per annum).



Possessing diversified liabilities and focusing on the liquidity management, Priorbank became one of the major funds supplier on the inter-bank loans market throughout the year.

In 2014, income from BYR inter-bank loans amounted to 59 billion BYR at the average lending rate of 21.21% per

annum. At the same time, the Bank paid the interest to the amount of 1.86 billion BYR on the raised inter-bank loans and deposits at the average borrowing rate of 23.9% per annum. Against the previous year, IBL income increased by 31.2 billion BYR, and cost increased by 1.16 billion BYR.



FOREX Operations and Money Market in Foreign Currency (FCY)

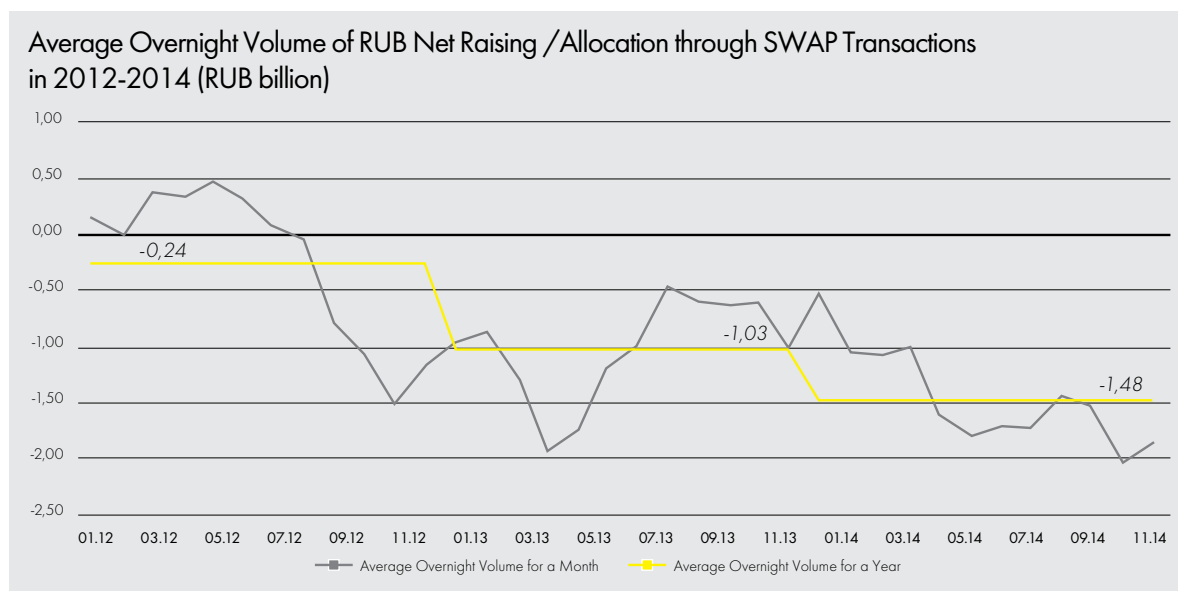
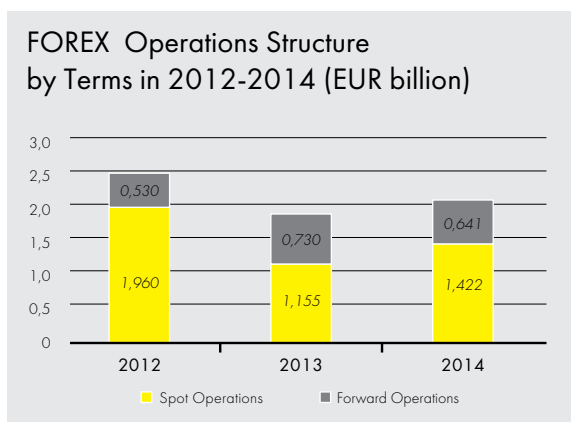
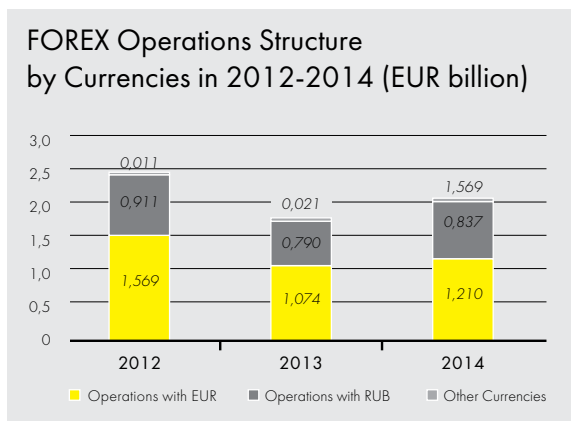
The volume of FOREX operations in 2014 slightly increased against 2013 to 2.063 billion EUR.

The operations structure by currencies remained almost unchanged – the major operations (about 60%) were EUR/USD FX operations; about 40% of the operations – RUB/USD or RUB/EUR FX operations; the share of other less popular currencies was insignificant (not exceeding 1%).

Forward operations volume slightly dropped against 2013 from 0.73 billion EUR to 0.641 billion EUR, as well as their share in the total FOREX operations volume from 39% to 31%. However, in 2014 forward operations with Russian Rouble became popular.

As in previous years, the Bank allocated excessive FCY liquidity on the external money market. FCY fund raising was episodic. In 2014, given the outpacing growth of the Bank's liabilities over its assets, the average overnight allocation volume increased by more than twofold against 2013 to 45 million EUR.

In 2014, the Bank's loan portfolio in RUB continued to grow – the required RUB volume was raised by SWAP transactions. In 2014, the average overnight SWAP transactions volume increased by 43.7% to 1.48 billion RUB.



Liquidity Management

Priorbank liquidity in 2014 remained at sufficient level. The Bank performed all the Prudential Standards of the National Bank and international liquidity standards.

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

Treasury Products

The average monthly legal entities deposit portfolio in 2014 reached 2,402.5 billion BYR having increased by 4.7% against 2013. By late 2014, Priorbank was among the 7 largest banks in terms of deposits.

In 2014, Priorbank's bonds volume grew by 134.1% to 2,262 billion BYR. 3 new bonds issues to the amount of 1,290 billion BYR contributed to such growth. Multiple Priorbank's bonds buy/sell transactions confirm stable clients' demand for them as an attractive investment

FCY Buy/Sell Transactions at the Belarusian Currency Stock Exchange and on the over the Counter Market

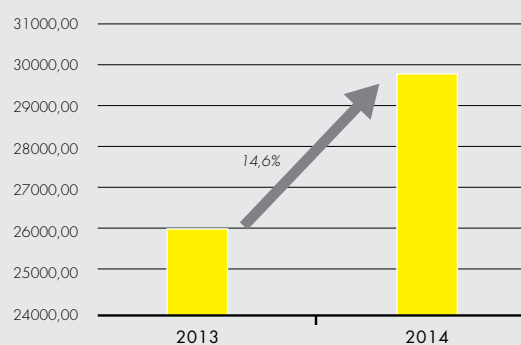
In 2014, FCY Buy/Sell transactions at the Belarusian Currency Stock Exchange grew by 8.7%, which enabled to maintain Priorbank's share of 12.9% in this segment.

As in previous years, in 2014, Priorbank traditionally occupied the 3rd position among Belarusian banks in terms of FCY Buy/Sell transactions volume at the Belarusian Currency Stock Exchange with the volume of 79.5 trillion BYR.

Annual FCY Buy/Sell transactions volume on the over the counter market reached 29.8 billion BYR having increased by 14.6%.

High FX rates volatility on the international FOREX markets, stimulates Priorbank clients to maintain stable demand for such FX risk hedging instrument as "Forward FOREX Operations". In 2014, the volume of the concluded forward contracts amounted to 8,257.0 billion BYR.

Priorbank FCY Buy/Sell Transactions Volume on the over the Counter Market (BYR billion)



Custody services

In 2014, Priorbank's Custody Division offered the services of forming and keeping registers of shareholders, safekeeping and settlement of securities, payment of dividends, informed about corporate actions of the issuers and rendered other custody services.

The Bank's shareholders comprise of 500 legal entities owning 95.3% of shares and 15,169 private individuals owning 4.7% of shares. The majority share in the authorized capital of the Bank belongs to Raiffeisen CIS

Region Holding GmbH (associated company of Raiffeisen Bank International AG). 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. As a result of 2013 the dividends size on the privileged shares made up 50% from the nominal value (1,675 BYR), on the ordinary shares –1,944 BYR.



The Privilege of Queen Bona. 1524

International Activities

International Activities

Correspondent Banking

International payments is a mature market. And it means that only banks having relationships, reputation, strong Compliance systems and understanding of its customers business and requirements may stay in this market. We successfully operate in this market for some decades already, offering our customers the stable quality services.

Along with global trend, Compliance issues are the top priority for the bank. Adequate workforce and resources are allocated in the bank to ensure the compliance of on-going operations with all applicable international and local regulations and regimes. Our correspondent banks are kept updated about our key in-house principles and policies on a regular basis and are satisfied with the current level of comfort.

We always negotiate the best possible terms and conditions for our customers, finding the equilibrium between

the cost and the price. We make available to the clients the special rates negotiated globally for the members of Raiffeisen family. Synergy of local roots and global coverage allows our clients to make quick and efficient settlements to the beneficiaries in the core markets of the Group and all over the world, having the customized support and care.

The principal settlement banks for Priorbank in 2014 were: for EUR payments – Raiffeisen Bank International AG, Vienna; Commerzbank, Frankfurt; for RUB payments – Sberbank of Russia, Raiffeisenbank Austria, Moscow; for USD payments – Deutsche Bank Trust Company Americas; Citibank N.Y.; for Chinese Yuan (CNY) – Industrial and Commercial Bank of China.

Trade Finance

Priorbank has a proven track record in the trade-related business. During the reporting year our bank affirmed its superiority at the local market backed by the unrivalled know how and experience gained over the decades. Advanced IT solutions made the deal-flow quick and transparent, less costly and labour-intensive both for the bank and for the client.

Deliberate approach fosters efficient ideas. We at Priorbank always see the trade finance as the part of complete package of banking services along with loans and cash management offered to its customers. Our experience shows that in many cases the financing borrowed under the concrete trade is much more efficient and flexible than the standard loan, therefore we advice the customer how to structure the deal best, allocating the debt burden in a regular way. Moreover, Priorbank developed

a number of solutions depending on customer business profile and geography of its business. Strong support based either on RBI Group seamless customer care or on stand-alone relationships is available for our customers globally.

Priorbank`s participation in IFC / EBRD TF programs is the powerful engine to boost the trade finance business. Support of Supranationals brings not only plain benefits while carrying on business with foreign partners but demonstrates a reputation of the Bank and its` clients as well. Priorbank bears the title of the Most Active Issuing Bank in Belarus by the EBRD for the seventh time.

Winning customers` satisfaction by means of quality product offered for fair pricing remains one of Priorbank`s major principles.

Funding

Within the year 2014 we arranged a number of wholesale funding facilities from different local and foreign sources to finance the lending business with our customers. We are committed to support our clients, and we offered the financing that perfectly fits their business. In parallel with the loans out of the traditional wholesale funding, we elaborate several innovative co-financing and risk-sharing instruments.

The discussions with our partner banks on these instruments started in the reported year, and we hope to be able to offer these products to the market in 2015.

We continue to enjoy the strong funding support from the parent company and from the Supranationals. In addition to FCY loans, the financing in Belarusian roubles under the facility agreement signed with the Development Bank of the Republic of Belarus shall be offered to SME clients in 2015.

Special credit lines to support the import of goods produced in some countries in Asia are continued to be available for Priorbank. Having the considerable share of import to Belarus that comes from Asia, this instrument is also on demand to our customers.

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 DANMARK 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
GBP	63999084	BARCLAYS BANK PLC	London	United Kingdom	BARC GB 22
JPY	653-0428213	THE BANK OF TOKYO-MITSUBISHI	Tokyo	Japan	BOTK JP JT
KZT	KZ459260001000302000	KAZKOMMERTSBANK	Almaty	Kazakhstan	KZKO KZ KX
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	SBERBANK OF RUSSIA	Moscow	Russia	SABR RU MM
SEK	99-40 945 049	SVENSKA HANDELSBANKEN	Stockholm	Sweden	HAND SE SS
UAH	1600564	RAIFFEISEN BANK AVAL	Kiev	Ukraine	AVAL UA UK
USD	36089449	CITIBANK NA	New York	USA	CITI US 33
USD	04-094-577	DEUTSCHE BANK TRUST COMPANY AMERICAS	New York	USA	BKTR US 33



Hunting gun. Early 16th c.

Risk Management.
The Bank's Loan Portfolio

Risk Management. The Bank's Loan Portfolio

Risk Management Organization in the Bank

Priorbank implemented an efficient risk management system including credit, interest, FOREX, liquidity and operational risk management, which is constantly improving in compliance with the international requirements and standards.

The most important within the Bank risks structure and simultaneously the most comprehensive within the Bank's management is the credit risk. Given this fact, the credit risk management plays an important role 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 review

Within the credit risk management process:

- in order to ensure the loan portfolio quality and the loan portfolio quality management, to determine clear loan portfolio development directions given the current macroeconomic situation, the Risk Management Division jointly with the Business Divisions develops and approves the Lending Policies for the current year for the respective business lines, which determine, including, but not limited to, key loan portfolio target parameters for each business line, portfolio limits, portfolio concentration limits, portfolio quality targets/indicators, financing criteria, etc.;

- in the process of independent risk assessment on each individual client's limit the Risk Management Division adopts measures on the credit risk mitigation, on compliance with the Lending Policies;
- at the individual and portfolio levels, the Risk Management Division controls over the limits utilization, prepare the respective credit risk reports.

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

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

Credit Risk Management Development in 2014

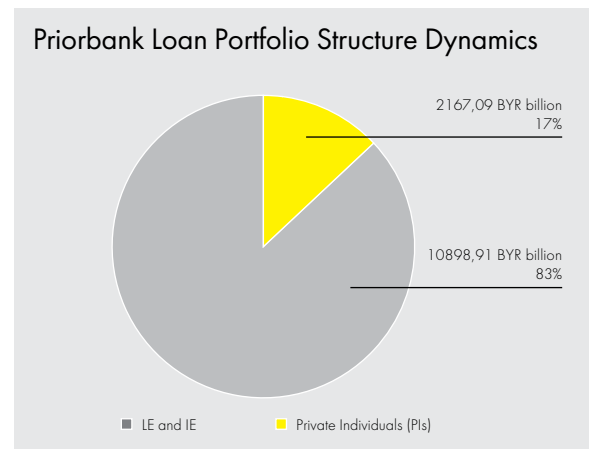
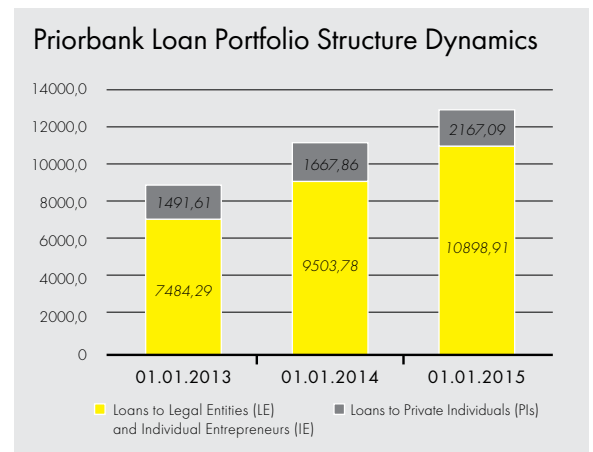
Taking into account increasing macroeconomic risks in 2014 and deterioration of the situation on the Belarusian enterprises' key markets, negative dynamics of the clients' financial situation, Priorbank was continuously monitoring the macroeconomic situation with immediate analysis of its possible influence on the assets quality and quickly adapted approaches to the clients financing.

The credit risk management methodology applies various approaches to risk assessment of corporate clients, SME, PIs and other counter-agents, therefore the financing criteria were determined individually for each customer segment.

In 2014, Priorbank continued to improve its credit risk management systems in the following directions:

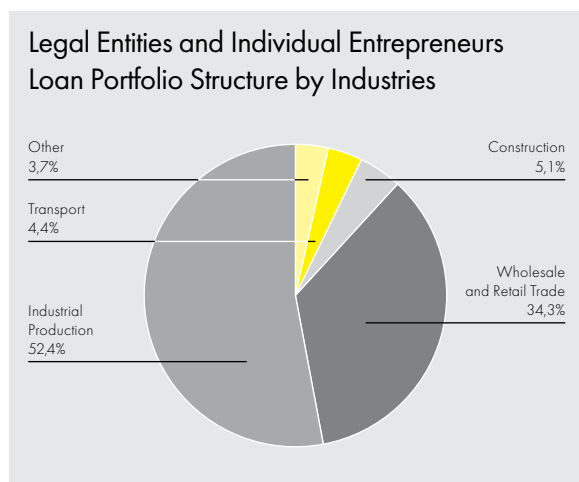
- constant loan portfolio quality analysis and quick reaction on its deterioration alongside with the improvement of the Early Warning Signs (EWS) system, targeted at detecting of potentially problem clients in the legal entities segment;
- further improvement of the Anti-Fraud System on lending transactions for legal entities focusing on fraud prevention and detection;
- more active and effective work with problem debts at early workout stage to define the appropriate workout direction and strategy, thereof restructuring;
- rating models improvement measures according to RZB Group requirements;
- Risk Management IT support development.

The Bank's Loan Portfolio by Customer Categories



For the past 3 years, Priorbank loan portfolio structure did not significantly change, meanwhile in 2014 Pls loan portfolio increased by 29.9%, while LE and IE loan portfolio increased by 14.7%.

Pls portfolio share in the Bank's loan portfolio structure as at 01.01.2015 accounted for 17% having increased by 2% against early 2014. This reflected the current situation on the Belarusian retail lending market, which was characterized primarily by gradual loan interest rate decreasing, as well as Pls devaluation expectations increased in the 4th quarter of 2014.



Construction

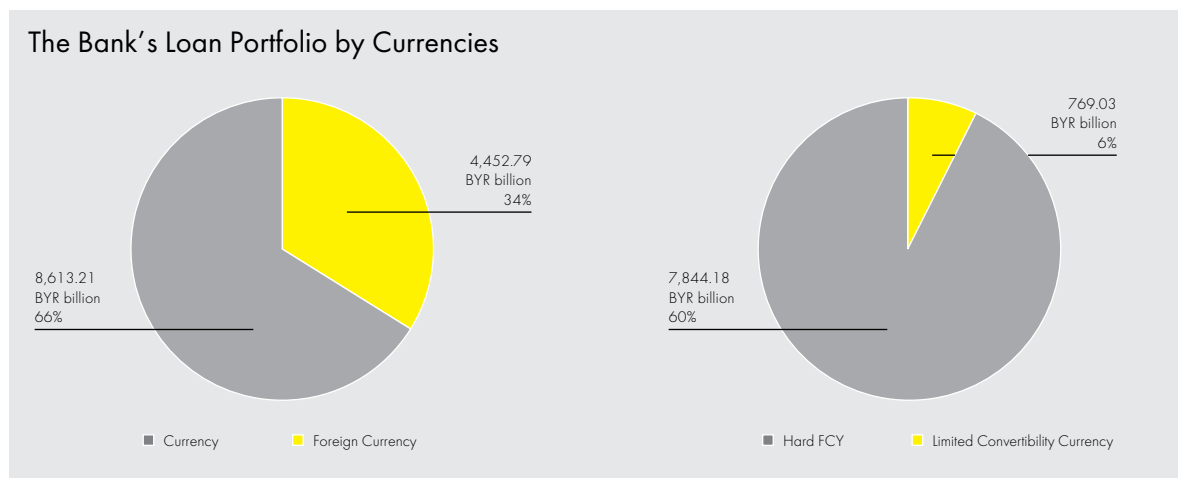
The loan portfolio structure by industries remained unchanged. In the loan portfolio of legal entities and individual entrepreneurs structure in early 2015 the dominating shares belong to processing production (52.4% of the loan portfolio) and wholesale and retail trade (34.3%).

Priority financing in processing productions are as follow: Oil Processing – 7.3%, Fertilizers Production – 4.2%, Manufacture of Furniture – 3.3%.

Priority financing in the retail and wholesale trade segments are as follows: consumer goods retail trade – 6.2%, wholesale trade – 4.7%, wholesale trade – 3.6 %.

The share of FCY financing is stably high – about 70%, therefore special attention was paid to FOREX risk level assessment. As a rule, upon financing the preference was given to export oriented clients (given the situation on the respective export market) and import substituting productions.

Improvement of criteria, procedures and risk management systems enabled to secure an acceptable NPL level. One of the key factor 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.



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Personnel

Personnel

Key HR priorities in 2014 were:

- Employee engagement enhancement, measurement of the engagement and enablement level by means of carrying out an employee survey and development of the action plans based on its results;
- Clients service quality improvement by means of continuous training of the employees and managers, as well as incentive schemes application based on the customer service quality index;
- Talent pool management in order to ensure key positions succession; constant employees potential assessment and development;
- Development of key employees' leadership skills through organization of rotations and international traineeship programs;
- Quality improvement and process optimization of personnel recruitment through assessment and development centers;
- Further development of Performance Management system as key instrument of personnel motivation focusing on objectives setting quality, non-financial motivation programs development;
- Focus on constant business processes optimization and efficiency increase (Lean methodology support).

As at 01.01.2015, Priorbank's total headcount amounted to 2,520 employees, thereof the share of male employees accounts for 20 % and female employees – 80%. 81% of the Bank's employees have higher education. Personnel turnover in 2014 made up 5%. The average age of the Bank's employees was 36.7 years.

In 2014, Priorbank hired 237 employees, thereof 124 employees aged 18-24 years from the special reserve of the most talented university graduates, who were on traineeships in the Bank, having work experience in the Bank, as well as trained at Prior School.

Prior School is a student reserve. At Prior School students get knowledge of modern banking technologies and international standards, familiarize themselves with the Bank's structure and departments work, get practical skills and competences required for clients' servicing, get acquainted with the Bank's corporate culture and participate in the Bank's social events.

Prior School Project participated in the Republican Contest 'HR Brand', which awarded its participants for the most successful work with the company's reputation.

In November 2014, the winners were awarded, and Priorbank won the second prize in nomination 'Republic', which is the highest award among Belarusian banks.

In 2014, the HR Training and Development team organized in the Republic of Belarus and overseas 328 training events (in class training, seminars, tests, courses, contests, on the job trainings). The number of employees participat-

ed in the training events amounted to 915. Throughout the year, 2,190 employees enrolled on the 17 e-learning courses. The HR Training and Development team organized 62 on-line seminars.

In order to make the training more efficient, the HR Training and Development team studied the demand for training. Based on the complex assessment, the Bank launched the pilot program for PI, SME, and corporate business divisions 'Large Sales Technology', and for managers from HO and branches 'Best Leadership Practices'.

In 2014, the Training Center jointly with business divisions developed and arranged professional contests to define the best employees of SME, Client Service, PI and corporate business divisions, as well as bank tellers and cashiers.

The Bank developed map of key positions, and defined the candidates for these positions. Within the annual discussion of the candidates for the positions of the Deputy Chairman of the Board, B-1 managers potential and performance was assessed, calibration meeting at Board's level was held, individual development plans for the selected candidates were prepared.

HR Department arranged four assessment centers, and launched the assessment method '360 Degrees' for the purpose of talent pool development and assessment of the employees' ability to perform more complicated functions.

In 2014, within RBI initiative, the Bank carried out a survey on the employees engagement and enablement in order to identify facilitators and barriers that employees are experiencing in their work and that impact their engagement and effectiveness.

87% of staff rate the company as a good place to work. The employees gave the most positive assessment to work processes and their efficiency, availability of various resources for the job performance, training, confidence in senior management. Based on the survey results, action plans for the whole Bank and structural divisions were prepared.

Throughout 2014, the Bank further developed its labor remuneration system: Motivation, Salary, and Remuneration Policy was revised; in order to optimize the Risk Management System, the Bank selected and assessed the employees influencing the Bank's risk profile.

In 2014, in order to promote healthy lifestyle, the Bank held sports competitions in swimming, billiards, bowling, arranged XVIII Camping Tour for Priorbank employees and their family members.

In the year 2014 Priorbank celebrated its 25th Anniversary: 244 employees were awarded for high achievements.

In order to further develop the non-financial motivation system for the encouragement of the employees who responsibly and creatively perform their duties, actively participate in the Bank's social activities, comply with the discipline, the Bank introduced a new nomination 'Devotion to Profession'.

Information Technologies

In 2014, the Bank continued to implement its strategic IT initiatives: upgrade of the automated systems focusing on a client, services and products range expansion, business processes optimization, distant services development, innovation technologies adoption. Much efforts were spent at Priorbank image support as a highly technological and reliable bank.

An innovation in the card business development was contactless cards issue – Master Card PayPass – allowing the clients to pay for the goods within seconds: it suffice to put the card to the terminal fitted with Near Field Communication (NFC) technology. The next step is implementation of PayWave for Visa cards.

Innovative projects have always been of high priority to the Bank. This year the Bank implemented the project on utilization of the electronic tablet for execution of the transactions with PIs at the Bank's tellers desks by putting a client's signature on the tablet's screen. This is not only an attractive instrument for a client, but also a safe way to confirm the transactions execution, enabling thereof to significantly reduce the Bank's paper workflow.

The Bank started to offer its clients a service on the revenues acceptance via specialized electronic devices. This service allows the clients to deposit the cash revenues to their bank account at any convenient time.

New Functionality for Distant Servicing of Legal Entities and Business Processes Optimization

The major trends in bank information systems development were connected with the improvement of quality and reliability of the offered products and services, increase of settlement transactions speed, provision of electronic access for the clients to bank products. In 2014, the Bank automated execution of clients requests on withdrawal of the settlement documents from the records to the off-balance account 'Overdue Payment Documents'; execution of clients applications, delivered

via the Electronic Payments System, on suspension, recommencement of accumulation of funds for contingency needs and salary payment; processing of Payment Instructions and salary payrolls. The Bank launched acceptance payment claims pipeline processing mechanism.

The Bank launched electronic workflow on bank advice of the LC and bank guarantee, provided its clients the possibility of distant viewing of their custody account information.

Launch of the project 'Small Clients Lending Process Optimization' enabled to automate the decision making process on overdraft agreements extension and standardize lending documentation, which contributed to expenses reduction and service quality improvement. Within the internal bank processes optimization, the Bank implemented up-to-date methods of the payment documents exchange and execution, digital storage of large volume of various electronic documents: starting from clients' Payment Instructions to the Bank's Enactments, Orders, and other documents to be stored pursuant to the legislation of the Republic of Belarus.

In order to ensure the required IT support of the key Bank's business processes, a number of internal IT projects were implemented. All workstations were upgraded to Windows 7 platform, which enabled the guaranteed updates installment in order to efficiently resist the operation system vulnerabilities. The Head Office implemented the project on access to the Bank's applications via the secure internal WiFi Internet Network. Simultaneously, in a number of Bank Servicing Centers the Bank's clients gained WiFi Internet access to limited resources. In order to increase safety and speed of retail business support systems, the Bank fully modernized bank cards processing system equipment, and implemented the comprehensive project on migration of the centralized automated banking system ST-Bank to ORACLE DBMS Platform.

Holy doors. 18th c.



Translation from the original in Russian



Ernst & Young LLC
 Klary Tsetkin st., 51A, 15th floor
 Minsk, 220004, Republic of Belarus
 Tel: +375 (17) 240 4242
 Fax: +375 (17) 240 4241
 www.ey.com/by

ООО «Эрнст энд Янг»
 Республика Беларусь, 220004, Минск
 ул. Клары Цеткин, 51А, 15 этаж
 Тел.: +375 (17) 240 4242
 Факс: +375 (17) 240 4241

Auditor's report prepared by the independent auditor company LLC Ernst and Young to annual financial statement of Priorbank JSC for the period 01 January to 31 December 2014

To Mr. Sergey Kostyuchenko Priorbank JSC Chairman of the Board

To Shareholders, Supervisory Board and Management Board of Priorbank JSC

To the National Bank of the Republic of Belarus

We have audited the attached annual financial reporting of Priorbank Joint Stock Company (hereinafter referred to as Priorbank JSC or the Bank).

Pursuant to the Regulation of the National Bank of the Republic of Belarus dated 9 November 2011 N 507 'On the Approval of the Instruction on Preparation of the Annual Financial Reporting by Banks and Non-bank Credit and Financial Institutions of the Republic of Belarus', the annual financial reporting of Priorbank JSC consists of:

- The Bank's Balance Sheet as at 1 January 2015 (Form 1);
- The Bank's Profit And Loss Statement for 2014 (Form 2);
- Statement of the Bank's Capital Changes for 2014 (Form 3);
- The Bank's Cash Flow Statement for 2014 (Form 4);
- Notes to annual financial statement.

The aforementioned annual financial reporting was prepared by the Bank's management pursuant to the Law of the Republic of Belarus dated 12 June 2013 N 57-3 'On Accounting and Reporting'; the Regulation of the National Bank of the Republic of Belarus dated 12 December 2013 N 728 'On the Approval of the Instruction on the Organization of Accounting and Reporting in the National Bank of the Republic of Belarus, in the Banks and Non-bank Credit and Financial Institutions of the Republic of Belarus'; the Regulation of the National Bank of the Republic of Belarus dated 9 November 2011 N 507 'On the Approval of the Instruction on Preparation of the Annual Financial Reporting by Banks and Non-bank Credit and Financial Institutions of the Republic of Belarus', and other local standard acts of the National Bank of the Republic of Belarus regulating accounting and annual financial reporting preparation for banks

of the Republic of Belarus and being in force in the period under report (hereinafter 'legislation of the Republic of Belarus regulating accounting and reporting').

Management's liability for the annual financial reporting preparation

Priorbank JSC management bears liability for preparation and submission of the annual financial reporting, attached on 6 pages, in compliance with the legislation of the Republic of Belarus regulating accounting and reporting and for the internal control system, required for the preparation of the annual financial reporting not containing the significant distortions caused by careless actions or mistakes.

Auditing Company's liability

We bear liability for our expressed opinion on the credibility of this annual financial reporting in all material aspects in compliance with the legislation of the Republic of Belarus regulating accounting and reporting, based on the conducted audit results.

The Bank's annual financial reporting for 2013 was audited by another auditing company, which Auditor's Report is dated 17 February 2014 and contains unconditionally positive opinion on the annual financial reporting for 2013.

We have conducted the audit in compliance with the Law of the Republic of Belarus 'On Audit Activities' dated 12 July 2013 N 56-3 and the National Audit Activities Rules approved by the Ministry of Finance. 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 executed 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 significant distortion, we examined Priorbank 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.

Auditor's Opinion

In our opinion, Priorbank JSC annual financial reporting credibly in all material respects reflects the Bank's financial situation as at 1 January 2015, its business activities' results and Cash Flow circulation for 2014 pursuant to the Law of the Republic of Belarus dated 12 June 2013 N 57-3 'On Accounting and Reporting'; the Regulation of the National Bank of the Republic of Belarus dated 12 December 2013 N 728 'On the Approval of the Instruction on the Organization of Accounting and Reporting in the National Bank of the Republic of Belarus, in the Banks and Non-bank Credit and Financial Institutions of the Republic of Belarus'; the Regulation of the National Bank of the Republic of Belarus dated 9 November 2011 N 507 'On the Approval of the Instruction on Preparation of the Annual Financial Reporting by Banks and Non-bank Credit and Financial Institutions of the Republic of Belarus', and other local standard acts of the National Bank of the Republic of Belarus regulating accounting and annual financial reporting preparation for banks of the Republic of Belarus and being in force in the period under report.

Miscellaneous

The annual financial reporting is not intended on representation of the financial situation and business results according to the accounting principles and methods commonly accepted in the countries apart from the Republic of Belarus. Respectively, the annual financial reporting is not designated for the persons not acquainted with the accounting procedures and methods accepted in the Republic of Belarus.

We have audited the Bank's annual financial reporting in terms of its compliance with the Local Financial Reporting Standards only in part of provisions regulating submission and disclosure of the information in the annual financial reporting.

Pavel Laschenko
Director

Auditor's Qualification Certificate issued by the Ministry of Finance of the Republic of Belarus N 0000738 dated 14 May 2003, the validity period is not limited.

Certificate on compliance with the qualification requirements imposed on the auditors of banks and non-bank credit and financial organizations N 8 dated 27 October 2004, the validity period is not limited (last testing date 21 October 2014).

Oleg Grushevich
Head of Accounting Consulting Department,
Auditor

Auditor's Qualification Certificate issued by the Ministry of Finance of the Republic of Belarus N 0001794 dated 26 February 2010, the validity period is not limited. Certificate on compliance with the qualification requirements imposed on the auditors of banks and non-bank credit and financial organizations N 52 dated 7 September 2010, the validity period is not limited (last testing date 29 August 2013).

Olga Yarmakovich
Auditor

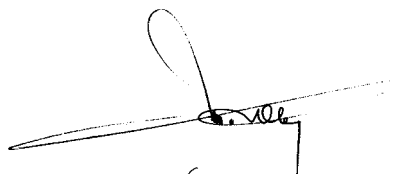
Auditor's Qualification Certificate issued by the Ministry of Finance of the Republic of Belarus N 0002233 dated 10 October 2014, the validity period is not limited. Certificate on compliance with the qualification requirements imposed on the auditors of banks and non-bank credit and financial organizations N 87 dated 26 November 2014, the validity period is not limited (last testing date 21 November 2014).

The Auditor's Report Date: 18 February 2015.

The Auditor's Report Issue Place: Minsk, the Republic of Belarus.

Date of the Auditor's Report receiving by the Audited Company: 18 February 2015.

Priorbank JSC Chairman of the Board



S. Kostyuchenko

LLC Ernst and Young Director



P. Laschenko

Balance Sheet

as at 01 January 2015

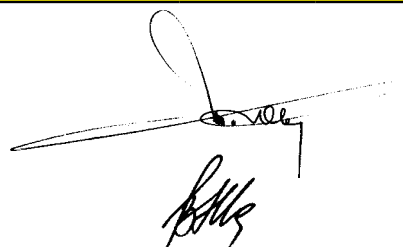
Priorbank Joint Stock Company

(million BYR)

Item	Index	Note	2015	2014	
1	2	3	4	5	
1	2	3	4	5	
1	ASSETS				
2	Cash	1101	4.1	1,523,324	995,900
3	Precious metals and stones	1102	4.2	6,043	4,375
4	Assets with the National Bank	1103	4.3	1,105,711	1,419,191
5	Loans and advances to banks	1104	4.4	391,691	1,022,443
6	Securities	1105	4.5	1,371,053	645,786
7	Loans to customers	1106	4.6	13,066,000	11,171,641
8	Derivative financial assets	1107	4.11	1,023,565	1,513,076
9	Long-term investments	1108	4.7	35,992	27,874
10	Fixed and intangible assets	1109	4.8	1,368,656	1,132,095
11	Assets for sale	1110	4.9	2,393	1,360
12	Deferred Tax Assets	1111		-	-
13	Other assets	1112	4.10	187,413	220,228
14	TOTAL ASSETS	11		20,081,841	18,153,969
15	LIABILITIES				
16	Amounts due to the National Bank	1201	4.12	-	0,131
17	Loans and other amounts due to banks	1202	4.13	3,338,609	3,768,317
18	Amounts due to customers	1203	4.14	12,484,857	11,044,471
19	Securities issued by the bank	1204	4.15	184,250	234,681
20	Derivative financial liabilities	1205	4.11	16,122	2,347
21	Deferred Tax Liabilities	1206		-	-
22	Other liabilities	1207	4.10	401,848	219,322
23	TOTAL LIABILITIES	120		16,425,686	15,269,269
24	CAPITAL				
25	Authorized capital	1211	4.17	412,279	412,279
26	Paid in capital	1212		-	-
27	Reserve fund	1213	4.17	948,898	654,306
28	Balance sheet items revaluation fund	1214	4.17	711,480	662,204
29	Accrued profit	1215	4.17	1,583,498	1,155,911
30	Total capital	121	4.17	3,656,155	2,884,700
31	TOTAL LIABILITIES AND CAPITAL	12		20,081,841	18,153,969

Chairman of the Board

Chief Accountant



S. Kostyuchenko

V. Mantsivoda

Signing Date 17 February 2015

Profit And Loss Statement

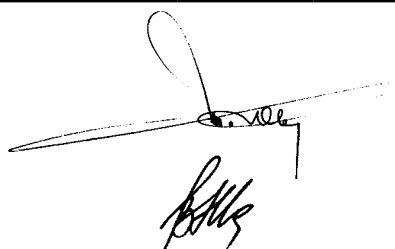
as at 01 January 2015

Priorbank Joint Stock Company

(million BYR)

Item	Index	Note	2014	2013
1	2	3	4	5
6				
1	Interest income	2011	2,240,949	1,719,716
2	Interest expenses	2012	955,795	879,378
3	Net interest income	201	1,285,154	840,338
4	Fee and commission income	2021	1,269,274	1,081,730
5	Fee and commission expenses	2022	205,809	167,313
6	Net Fee and commission income	202	1,063,465	914,417
7	Net precious metals and stones income	203	722	1,192
8	Net securities income	204	100	86
9	Net FOREX income	205	213,911	(37,682)
10	Net financial derivatives income	206	191,385	314,334
11	Net reserve assignments	207	528,115	289,514
12	Other income	208	142,861	92,073
13	Operational expenses	209	1,115,079	885,551
14	Other expenses	210	101,361	91,818
15	Profit before tax	211	1,153,043	857,875
16	Income tax	212	205,525	174,049
17	PROFIT	2	947,518	683,826
18	Information on a profit per share in BYR			
19	Basic profit on an ordinary share	22	4.17	7,699,60
20	Watered profit on an ordinary share	23	4.17	5,556,78

Chairman of the Board



S. Kostyuchenko

Chief Accountant

V. Mantsivoda

Signing Date 17 February 2015

Statement of Capital Changes in 2015

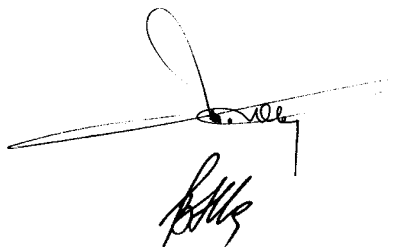
Priorbank Joint Stock Company

(million BYR)

		Capital Items						Total Capital
Indicators	Index	Authorized Capital	Paid in Capital	Reserve Fund	Accrue Profit (Loss)	Balance Items Reval- uation Fund		
1	2	3	4	5	6	7	8	9
Section I. For the year preceding the year under report								
1	Balance as at 1 January 2013	3011	412,279	-	437,806	864,037	576,137	2,290,259
1.1	Thereof: the result from changes in the accounting policy and(or) correction of the material mistakes	30111	-	-	-	-	-	-
2	Change of the equity articles	3012	-	-	216,500	291,874	86,067	594,441
2.1	Thereof: gross income	30121	x	x	x	683,826	89,067	772,893
2.2	profit directed to replenishment of funds	30122	-	x	216,500	(216,500)	x	-
2.3	transactions with founders (shareholders)	30123	-	-	x	(178,452)	x	(178,452)
2.4	founders' (shareholders') contribution to authorized capital	301231	-	-	x	x	x	-
2.5	payment of share- holders' dividends	301232	x	x	x	(178,452)	x	(178,452)
2.6	transactions with own shares repurchased	301233	-	x	x	x	x	-
2.7	redistribution among equity articles	30125	-	-	-	3,000	(3,000)	-
2.8	other changes	30126	-	-	-	-	-	-
3	Balance as at 1 January 2014	3013	412,279	-	654,306	1,155,911	662,204	2,884,700
Section II. For the year under report								
4	Balance as at 1 January 2014	3011	412,279	-	654,306	1,155,911	662,204	2,884,700
5	Change of the equity articles	3012	-	-	294,592	427,587	49,276	771,455
5.1	Thereof: gross income	30121	x	x	x	947,518	63,180	1,010,698

		Capital Items						
Indicators	Index	Authorized Capital	Paid in Capital	Reserve Fund	Accrue Profit (Loss)	Balance Items Revaluation Fund	Total Capital	
5.2	profit directed to replenishment of funds	30122	-	x	294,592	(294,592)	x	-
5.3	transactions with founders (shareholders)	30123	-	-	x	(239,243)	x	(239,243)
5.4	founders' (shareholders') contribution to authorized capital	301231	-	-	x	x	x	-
5.5	payment of shareholders' dividends	301232	x	x	x	(239,243)	x	(239,243)
5.6	transactions with own shares repurchased	301233	-	x	x	x	x	-
5.7	redistribution among equity articles	30125	-	-	-	13,904	(13,904)	-
5.8	other changes	30126	-	-	-	-	-	-
6	Balance as at 1 January 2015	3013	412,279	-	948,898	1,583,498	711,480	3,656,155

Chairman of the Board



S. Kostyuchenko

Chief Accountant

V. Mantsivoda

Signing Date 17 February 2015

Information on Total Gross Income for 2014

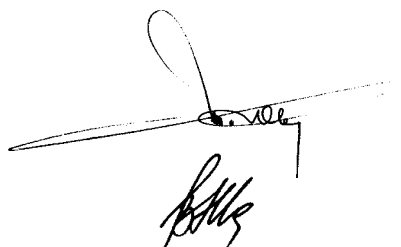
Priorbank Joint Stock Company

(million BYR)

Item	Symbol	Note	2014	2013	
1	2	3	4	5	
1	Profit	301211	6	947,518	683,826
2	Other gross income components	301212		63,180	89,067
2.1	Thereof: fixed assets revaluation, revaluation of incomplete construction and uninstalled equipment	3012121	4.8	63,180	89,067
2.2	intangible assets revaluation	3012122	4.8	-	-
2.3	securities revaluation	3012123		-	-
2.4	hedge tools revaluation	3012124		-	-
2.5	other balance sheet items revaluation	3012125		-	-
3	TOTAL Gross Income	30121		1,010,698	772,893

Chairman of the Board

Chief Accountant



S. Kostyuchenko

V. Mantsivoda

Signing Date 17 February 2015

Cash Flow Statement in 2014

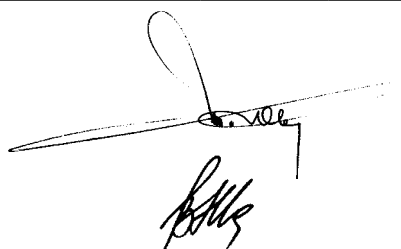
Priorbank Joint Stock Company

(million BYR)

Item	Index	Note	2014	2013
1 2	3	4	5	6
1 OPERATIONS CASH FLOW				
2 Interest income received	70100		2,189,683	1,670,104
3 Interest expenses paid	70101		(963,100)	(883,111)
4 Fee and commission income received	70102		1,261,828	1,080,177
5 Fee and commission income paid	70103		(201,498)	(167,410)
6 Net precious metals and stones income	70104		722	1,192
7 Net securities income	70105		100	86
8 Net FOREX income	70106		515,168	31,943
9 Net financial derivatives income	70107		191,385	314,334
10 Other income received	70108		78,084	81,626
11 Other expenses paid	70109		(1,057,064)	(842,180)
12 Income tax paid	70110		(178,770)	(157,219)
13 Total profit (loss) before changes in assets and liabilities	701		1,836,538	1,129,542
14 Net decrease (increase) of funds with the National Bank	70200		10,166	(17,587)
15 Net decrease (increase) of loans and other funds with banks	70201		253,134	494,282
16 Net decrease (increase) of funds invested in securities (less the securities retained till redemption)	70202		(2,999)	-
17 Net decrease (increase) of funds in securities (except for securities retained till repayment)	70203		(1,590,688)	(1,420,333)
18 Net decrease (increase) of funds from derivative financial assets	70204		489,511	(302,774)
19 Net decrease (increase) of funds in other operational assets	70205		136,565	(39,913)
20 Total cash flow from change in assets	702		(704,311)	(1,286,325)
21 Net increase (decrease) of cash funds of the National Bank	70300		(173)	(2,298)
22 Net increase (decrease) of loans and other banks' cash	70301		(855,835)	1,347,582
23 Net increase (decrease) of clients' funds	70302		298,639	343,766
24 Net increase (decrease) of cash funds from securities issued by the bank	70303		(19,734)	(33,687)
25 Net decrease (increase) of cash funds from derivative financial liabilities	70304		13,775	(26,685)
26 Net increase (decrease) of funds in other operational liabilities	70305		157,458	(218,433)
27 Total cash flows from change in operational liabilities	703		(405,870)	1,410,245
28 Net operational cash flow	70		726,357	1,253,462

Item	Index	Note	2014	2013
29 INVESTMENT CASH FLOW				
30 Purchase of fixed, intangible, and other long-term assets	71100		(307,931)	(163,322)
31 Sale of fixed, intangible, and other long-term assets	71101		7,113	(3,778)
32 Purchase of long-term financial investments to authorized capital of other legal entities	71102		-	-
33 Sale of long-term financial investments to authorized capital of other legal entities	71103		43,220	-
34 Purchase of securities retained till repayment	71104		(502,900)	(618,410)
35 Repayment (sale) of securities retained till repayment	71105		-	-
36 Net investment cash flow	71		(760,498)	(785,510)
37 FINANCIAL CASH FLOW				
38 Issue of shares	72100		-	-
39 Re-purchase of own shares	72101		-	-
40 Sale of previously re-purchased own shares	72102		-	-
41 Payment of dividends	72103		(238,670)	(178,092)
42 Net financial cash flow	72		(238,670)	(178,092)
43 Influence of official exchange rate fluctuations on cash and its equivalents	73		67,993	68,061
44 Net increase (decrease) of cash and its equivalents	74		(204,818)	357,921
45 Cash and its equivalents as at the beginning of the period under report	740	7	x	2,997,264
46 Cash and its equivalents as at the end of the period under report	741	7	2,792,446	x

Chairman of the Board



S. Kostyuchenko

Chief Accountant

V. Mantsivoda

Signing Date 17 February 2015

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Ernst & Young LLC
 Klary Tsetkin st., 51A, 15th floor
 Minsk, 220004, Republic of Belarus
 Tel: +375 (17) 240 4242
 Fax: +375 (17) 240 4241
www.ey.com/by

ООО «Эрнст энд Янг»
 Республика Беларусь, 220004, Минск
 ул. Клары Цеткин, 51А, 15 этаж
 Тел.: +375 (17) 240 4242
 Факс: +375 (17) 240 4241

Audit report of an independent audit firm on the consolidated financial statements of “Priorbank” JSC for the period from 1 January 2014 to 31 December 2014

To Mr. S.A. Kostyuchenko
 Chairman of the Management Board of “Priorbank” JSC

To the Shareholders, Supervisory Board and Executive Committee of “Priorbank” JSC

We have audited the accompanying consolidated financial statements of “Priorbank” JSC and its subsidiaries (hereinafter, the “Bank”), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Management of the audited entity for the preparation of consolidated financial statements

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

Responsibility of the audit firm

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit.

We conducted our audit in accordance with the Law of the Republic of Belarus “On Auditing Activity” of 12 July 2013, National Rules for Auditing Activities effective in the Republic of Belarus and with International Standards on Auditing. Those rules and standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes

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evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year 2014 in accordance with International Financial Reporting Standards.

P.A. Laschenko, Partner, FCCA, Director, Ernst & Young LLC



15 April 2015

Details of the audited entity

Name: Joint-Stock Company "Priorbank"

"Priorbank" JSC registered by the National Bank of the Republic of Belarus on 12 July 1991, registration No. 12.

Address: 220002, Republic of Belarus, Minsk, V. Khoruzhey str., 31A.

Details of the audit firm

Name: Ernst & Young Limited Liability Company

Certificate of State Registration No. 577 issued by the Minsk City Executive Committee on 7 April 2005.

Address: Republic of Belarus, 220004, Minsk, ul. Klary Tsetkin, 51A, 15th floor.

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Consolidated statement of financial position as at 31 December 2014

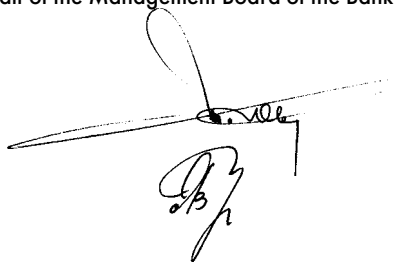
(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2014)

Item	Notes	2014	2013
Assets			
Cash and cash equivalents	6	2,895,367	3,848,043
Amounts due from credit institutions	7	177,875	181,655
Derivative financial assets	8	953,897	1,815,194
Loans to customers	9	15,175,224	14,233,541
Investment securities:	70103		(201,498)
- available-for-sale	11	-	47,874
- held-to-maturity	11	1,366,148	748,845
Property and equipment	12	1,218,567	1,220,004
Intangible assets	13	229,365	211,531
Current income tax assets		3,160	12
Deferred tax assets	14	41	91
Other assets	15	744,716	780,695
Total assets		22,764,360	23,087,485
Liabilities			
Amounts due to the National Bank of the Republic of Belarus		-	152
Amounts due to credit institutions	16	4,721,131	4,938,723
Derivative financial liabilities	8	16,122	1,719
Amounts due to customers	17	12,091,135	12,738,748
Amounts due to international financial institutions	18	176,202	288,896
Debt securities issued	19	177,225	266,871
Current income tax liabilities		41,423	19,733
Deferred tax liabilities	14	329,247	226,442
Provisions	10	3,699	8,099
Other liabilities	15	457,697	331,437
Total liabilities		18,013,881	18,820,820
Equity			
	20		
Share capital		2,969,080	2,969,080
Additional paid-in capital		1,929	1,929
Retained earnings		1,710,647	1,252,843
Revaluation reserve for the net pension liability		(35,368)	(52,699)
Other reserves		-	24,151
Total equity attributable to shareholders of the Bank		4,646,288	4,195,304
Non-controlling interests		104,191	71,361
Total equity		4,750,479	4,266,665
Total equity and liabilities		22,764,360	23,087,485

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

Sergey A. Kostyuchenko

Zoya P. Yarmosh



Chairman of the Board

Executive Director

15 April 2015

Translation from the original in Russian

Consolidated income statement for the year ended 31 December 2014

(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2014)

Item	Notes	2014	2013
Interest income			
Loans to customers		2,603,299	2,429,965
Cash and cash equivalents		62,444	82,679
Held-to-maturity securities		57,874	7,835
Amounts due from credit institutions		8,239	24,292
		2,731,856	2,544,771
Securities designated at fair value through profit or loss		36,091	16,388
		2,767,947	2,561,159
Interest expense			
Amounts due to customers		(808,514)	(847,099)
Amounts due to credit institutions		(233,842)	(223,801)
Debt securities issued		(21,270)	(66,556)
Amounts due to international financial institutions		(6,243)	(6,013)
Amounts due to the National Bank of the Republic of Belarus		(426)	(783)
		(1,070,295)	(1,144,252)
Net interest income		1,697,652	1,416,907
(Allowance)/reversal of allowance for loan impairment	9	(156,270)	108,972
Net interest income after allowance for loan impairment		1,541,382	1,525,879
Fee and commission income		1,126,954	1,096,147
Fee and commission expense		(319,270)	(302,337)
Net fee and commission income	22	807,684	793,810
Net gains from foreign currencies:			
- dealing		217,109	220,304
- translation differences		118,091	142,644
Net gains from available-for-sale investment securities		29,452	-
Other income	23	60,111	95,249
Non-interest income		424,763	458,197
Personnel expenses	24	(563,935)	(579,964)
Depreciation and amortization	12, 13	(164,789)	(147,055)
Other operating expenses	24	(471,883)	(465,248)
Taxes other than income tax		(19,913)	(14,380)
Reversal of other provisions	10	3,145	16,570
Non-interest expenses		(1,217,375)	(1,190,077)
Loss on net monetary position		(414,573)	(336,754)
Income before income tax expense		1,141,881	1,251,055
Income tax expense	14	(373,037)	(310,069)
Profit for the year		768,844	940,986
Attributable to:			
- shareholders of the Bank		746,437	923,141
- non-controlling interests		22,407	17,845
		768,844	940,986

Translation from the original in Russian

Consolidated statement of comprehensive income for the year ended 31 December 2014

(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2014)

Item	Notes	2014	2013
Profit for the year		768,844	940,986
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gains on available-for-sale investment securities	20	–	13,632
Realized gains on available-for-sale investment securities, reclassified to profit or loss	20	(29,452)	–
Income tax effect	20	5,301	(2,454)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		(24,151)	11,178
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on defined pension plans	20	17,109	(28,689)
Income tax effect	20	222	5,164
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		17,331	(23,525)
Other comprehensive income/(loss) for the year, net of tax		(6,820)	(12,347)
Total comprehensive income for the year		762,024	928,639
Attributable to:			
- shareholders of the Bank		739,617	910,794
- non-controlling interests		22,407	17,845
		762,024	928,639

Translation from the original in Russian

Consolidated statement of changes in equity for the year ended 31 December 2014

(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2014)

	Attributable to shareholders of the Bank							Total equity
	Share capital	Additional paid-in capital	Retained earnings	Revaluation reserve for the net pension liability	Other reserves	Total	Non-controlling interests	
At 31 December 2012	2,969,080	1,929	571,699	(29,174)	12,973	3,526,507	53,516	3,580,023
Profit for the year	–	–	923,141	–	–	923,141	17,845	940,986
Other comprehensive income/(loss) for the year	–	–	–	(23,525)	11,178	(12,347)	–	(12,347)
Total comprehensive income for the year	–	–	923,141	(23,525)	11,178	910,794	17,845	928,639
Dividends to shareholders of the Bank (Note 20)	–	–	(241,997)	–	–	(241,997)	–	(241,997)
At 31 December 2013	2,969,080	1,929	1,252,843	(52,699)	24,151	4,195,304	71,361	4,266,665
Profit for the year	–	–	746,437	–	–	746,437	22,407	768,844
Other comprehensive income/(loss) for the year	–	–	–	17,331	(24,151)	(6,820)	–	(6,820)
Total comprehensive income for the year	–	–	746,437	17,331	(24,151)	739,617	22,407	762,024
Dividends to shareholders of the Bank (Note 20)	–	–	(278,212)	–	–	(278,212)	–	(278,212)
Changes in non-controlling interests	–	–	(10,421)	–	–	(10,421)	10,421	–
Establishment of subsidiaries	–	–	–	–	–	–	2	2
At 31 December 2014	2,969,080	1,929	1,710,647	(35,368)	–	4,646,288	104,191	4,750,479

Translation from the original in Russian

Consolidated statement of cash flows as at 31 December 2014

(in millions of Belarusian rubles in terms of purchasing power of the Belarusian ruble as at 31 December 2014)

Item	Notes	2014	2013
Cash flows from operating activities			
Interest received		2,709,153	2,485,856
Interest paid		(1,077,644)	(1,146,264)
Fees and commissions received		1,112,580	1,092,127
Fees and commissions paid		(305,557)	(302,294)
Gains less losses from dealing in foreign currencies		1,246,695	92,028
Other income received		62,163	94,115
Personnel expenses paid		(553,787)	(565,870)
Other operating expenses paid		(469,030)	(449,077)
Cash flows from operating activities before changes in operating assets and liabilities		2,724,573	1,300,621
Net (increase) / decrease in operating assets			
Amounts due from credit institutions		(21,680)	216,145
Loans to customers		(2,059,795)	(1,771,748)
Other assets		(58,714)	(283,471)
Net increase/ (decrease) in operating liabilities			
Amounts due to the National Bank of the Republic of Belarus		(131)	(2,498)
Amounts due to credit institutions		(106,031)	1,546,156
Amounts due to international financial institutions		(89,859)	137,422
Amounts due to customers		18,739	393,074
Other liabilities		165,147	65,191
Net cash flows from operating activities before income tax		572,249	1,600,892
Income tax paid		(211,629)	(179,033)
Net cash flows from operating activities		360,620	1,421,859
Cash flows from investing activities			
Purchase of investment securities		(501,700)	(719,146)
Proceeds from sale of property and equipment and intangible assets		15,064	18,988
Purchase of property and equipment and intangible assets	12, 13	(211,518)	(276,480)
Proceeds from sale of available-for-sale investment securities		46,610	–
Establishment of subsidiaries		2	–
Net cash used in investing activities		(651,542)	(976,638)
Cash flows from financing activities			
Proceeds from issue of debt securities		30,296	108,136
Redemption of debt securities		(51,391)	(146,464)
Dividends paid to shareholders of the Bank		(265,016)	(229,637)
Net cash used in financing activities		(286,111)	(267,965)
Effect of exchange rates changes on cash and cash equivalents		204,192	58,201
Net increase in cash and cash equivalents		(372,841)	235,457
Effect of inflation on monetary items		(579,835)	(655,808)
Cash and cash equivalents at 1 January		3,848,043	4,268,394
Cash and cash equivalents at 31 December	6	2,895,367	3,848,043

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

Priorbank's Network as of January 1st, 2015



Banking Services Centre 100

38A, Radialnaya Str.
Minsk, Belarus, 220070
tel. +375 17 289 96 02
fax +375 17 289 96 06, 289 96 60

Banking Services Centre 101

65A, Timiryazeva Str.
Minsk, Belarus, 220035
tel. +375 17 289 97 02
fax +375 17 289 97 13

Banking Services Centre 102

15/1, Logoisky Trakt
Minsk, Belarus, 220113
tel. +375 17 289 97 80
fax +375 17 289 97 89

Banking Services Centre 104

16A, Bogomolova Str.
Soligorsk, Minsk Oblast, Belarus, 223710
tel. +375 174 23 87 00
fax +375 174 23 75 90

Banking Services Centre 105

121/4, Timiryazeva Str. (near Zhdanovichi Market)
Minsk, Belarus, 220020
tel. +375 17 289 97 94
fax +375 17 289 97 91

Banking Services Centre 107

143, V. Gostinec Str.
Molodechno, Belarus, 222302
tel. +375 176 73 01 23
fax +375 176 73 02 38

Banking Services Centre 109

105, Pritytskogo Str.
Minsk, Belarus, 220140
tel. +375 17 308 80 95
fax +375 17 289 96 93

Banking Services Centre 111

40, Masherova Ave.
Minsk, Belarus, 220123
tel. +375 17 289 98 02
fax +375 17 289 98 40

Banking Services Centre 112

101A, Gagarina str.
Borisov, Belarus, 222526
tel. +375 177 79 97 79
fax +375 177 79 97 99

Banking Services Centre 113 Minsk

13, Komsomolskaya Str.
Minsk, Belarus, 220030
tel. +375 17 289 99 02
fax +375 17 289 99 02

Banking Services Centre 114 Minsk

10, Trudovaya Str.
Minsk, Belarus, 220021
tel. +375 17 289 98 72
fax +375 17 289 98 69

Banking Services Centre 115 Minsk

91, Kropotkina Str.
Minsk, Belarus, 220002
tel. +375 17 289 92 81
fax +375 17 289 99 52

Banking Services Centre 116 Minsk

92/1, Kazinca Str.
Minsk, Belarus, 220108
tel. +375 17 289 99 51
fax +375 17 289 95 98

Banking Services Centre 117

172, Nezavisimosti Ave.
Minsk, Belarus, 220141
tel. +375 17 285 92 93
fax +375 17 268 10 89

Banking Services Centre 118

41, Surganova Str.
Minsk, Belarus, 220013
tel. +375 17 308 80 62
fax +375 17 308 80 71

Banking Services Centre 119

104, Dzerzhinskogo Ave.
Minsk, Belarus, 220116
tel. +375 17 376 84 23
fax +375 17 376 84 25

Banking Services Centre 200

3, Tolstova Str.,
Vitebsk, Belarus, 210026
tel. +375 212 36 28 79
fax +375 212 37 34 44

Banking Services Centre 201

Bazarnaya Place
Orscha, Vitebsk Oblast, Belarus, 211038
tel. +375 216 22 52 35
fax +375 216 22 17 42

Banking Services Centre 202

1A, E. Polotskoy Str.
Polotsk, Vitebsk Oblast, Belarus, 211400
tel. +375 214 41 01 81
fax +375 214 49 09 33

Banking Services Centre 203

213, Molodegnaya Str.
Novopolotsk, Vitebsk Oblast, Belarus, 211440
tel. +375 214 37 50 15
fax +375 214 37 50 09

Banking Services Centre 300

63, Pervomayskaya Str.
Mogilev, Belarus, 212030
tel. +375 222 31 05 45
fax +375 222 31 18 41

Banking Services Centre 301

84, Socialisticheskaya Str.
Bobruisk, Belarus, 213809
tel. +375 225 75 16 39
fax +375 225 72 06 05

Banking Services Centre 400

3A, Krasnoarmeyskaya Str.
Gomel, Belarus, 246017
tel. +375 232 58 06 99
fax +375 232 58 07 13

Banking Services Centre 401

162, Internacionalnaya Str.
Mozyr, Gomel Oblast, Belarus, 247760
tel. +375 236 34 35 30
fax +375 236 34 35 30

Banking Services Centre 402

39, Pervomayskaya Str.
Zhlobin, Gomel Oblast, Belarus, 247210
tel. +375 2334 3 16 11
fax +375 2334 3 16 11

Banking Services Centre 403

43, Sovetskaya Str.
Rechitsa, Gomel Oblast, Belarus, 247483
tel. +375 2340 4 12 49
fax +375 2340 3 50 11

Banking Services Centre 500

6/1, B. Shevchenko
Brest, Belarus, 224013
tel. +375 162 27 84 01
fax +375 162 22 11 38

Banking Services Centre 501

48, Lenina Str.
Beloozersk, Brest Oblast, Belarus, 225215
tel. +375 1643 2 82 51
fax +375 1643 2 00 72

Banking Services Centre 502

7, Oktyabrskaya Str.
Kobrin, Brest Oblast, Belarus, 225306
tel. +375 1642 4 21 07
fax +375 1642 4 21 05

Banking Services Centre 505

71, Lenina Str.
Baranovichi, Brest Oblast, Belarus, 225404
tel. +375 163 48 69 01
fax +375 163 48 69 11

Banking Services Centre 506

7, Lenina Str.
Pinsk, Belarus, 225710
tel. +375 165 31 60 80
fax +375 165 35 81 81

Banking Services Centre 600

37, Mostovaya Str.
Grodno, Belarus, 230025
tel. +375 152 77 28 36
fax +375 152 72 31 36

Banking Services Centre 601

137, O.Solomovoy Str.
Grodno, Belarus, 230006
tel. +375 152 53 09 05
fax +375 152 48 46 93

Banking Services Centre 602

30, Pobedy Str.
Lida, Grodno Oblast, Belarus, 231300
tel. +375 154 52 67 03
fax +375 154 52 67 03

Banking Services Centre 603

14, Sovetskaya Str.
Volkovysk, Grodno Oblast, Belarus, 231896
tel. +375 1512 4 34 04
fax +375 1512 4 55 67

Banking Services Centre 604

4, Y.Kupaly Str.
Slonim, Grodno Oblast, Belarus, 231799
tel. +375 1562 5 06 65
fax +375 1562 5 04 67

Raiffeisen Bank International at a glance

A leading bank in Central and Eastern Europe, including Austria

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. At the end of 2014, around 52,000 RBI staff served approximately 14.8 million customers in around 2,900 business outlets in CEE.

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

Long-term success story

Raiffeisen Zentralbank Österreich AG (RZB) was founded in 1927 as “Genossenschaftliche Zentralbank”. RZB founded its first subsidiary bank in Central and Eastern Europe already back in 1987. Since then, further subsidiaries have been established. From 2000 onward, Raiffeisen’s expansion into CEE countries has mainly been achieved by acquiring existing banks. These were subsequently combined into a holding company that operated under the name Raiffeisen International from 2003. In April 2005, Raiffeisen International was listed on the stock exchange in order to finance its future growth efficiently. Today’s RBI was established in 2010 through the merger of Raiffeisen International with the principal business areas at RZB.

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

Raiffeisen Glossary

Gable Cross

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

Raiffeisen Bank International

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully

integrated corporate and retail banking group with a comprehensive product offering. At the end of 2014, around 52,000 RBI staff served approximately 14.8 million customers in around 2,900 business outlets in CEE.

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

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

RZB

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

link between RBG and RBI, with its banking network in Central and Eastern Europe (CEE) and numerous other international operations.

RZB Group

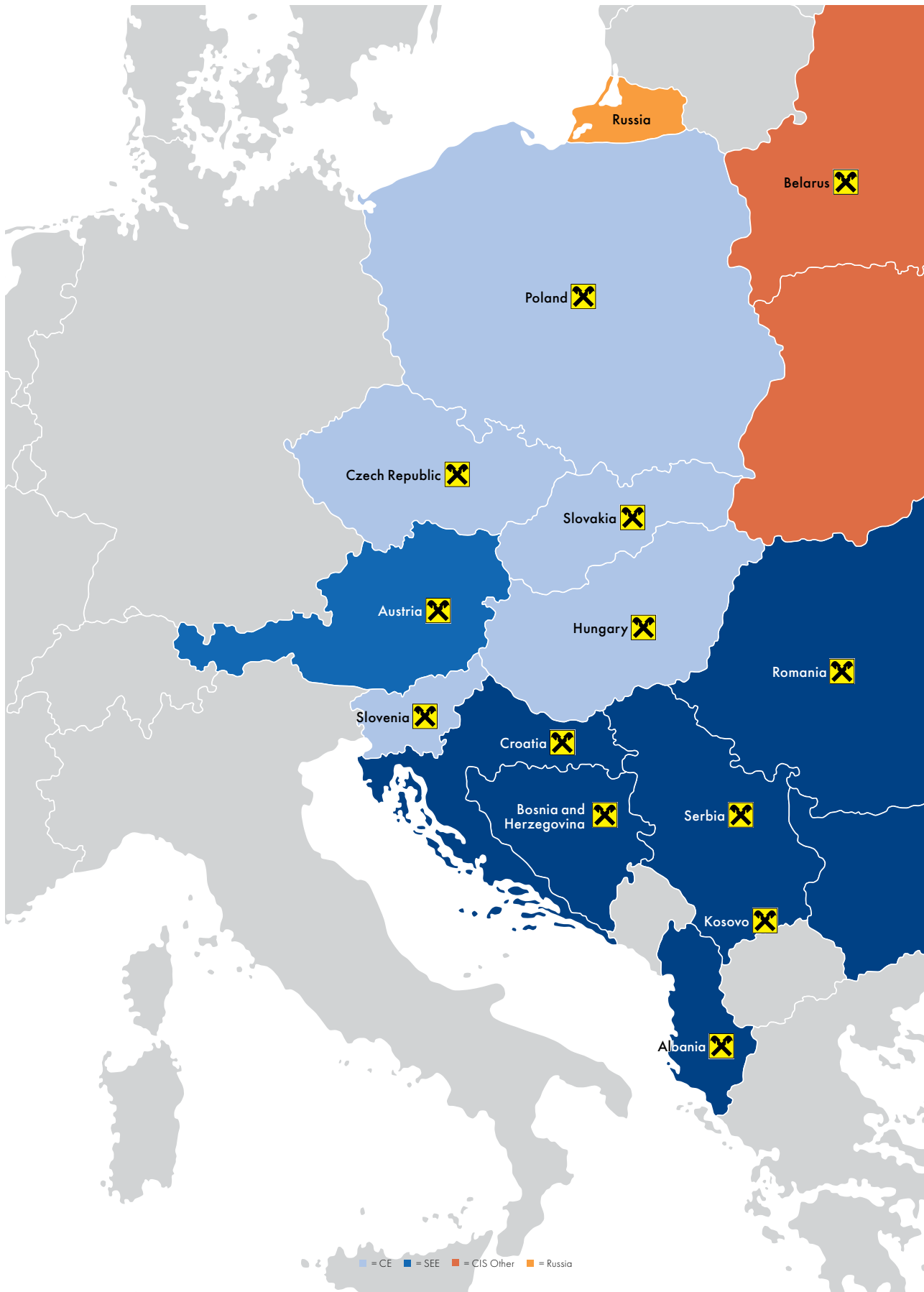
The Group owned and steered by RZB. Raiffeisen Bank International is the Group's largest unit.

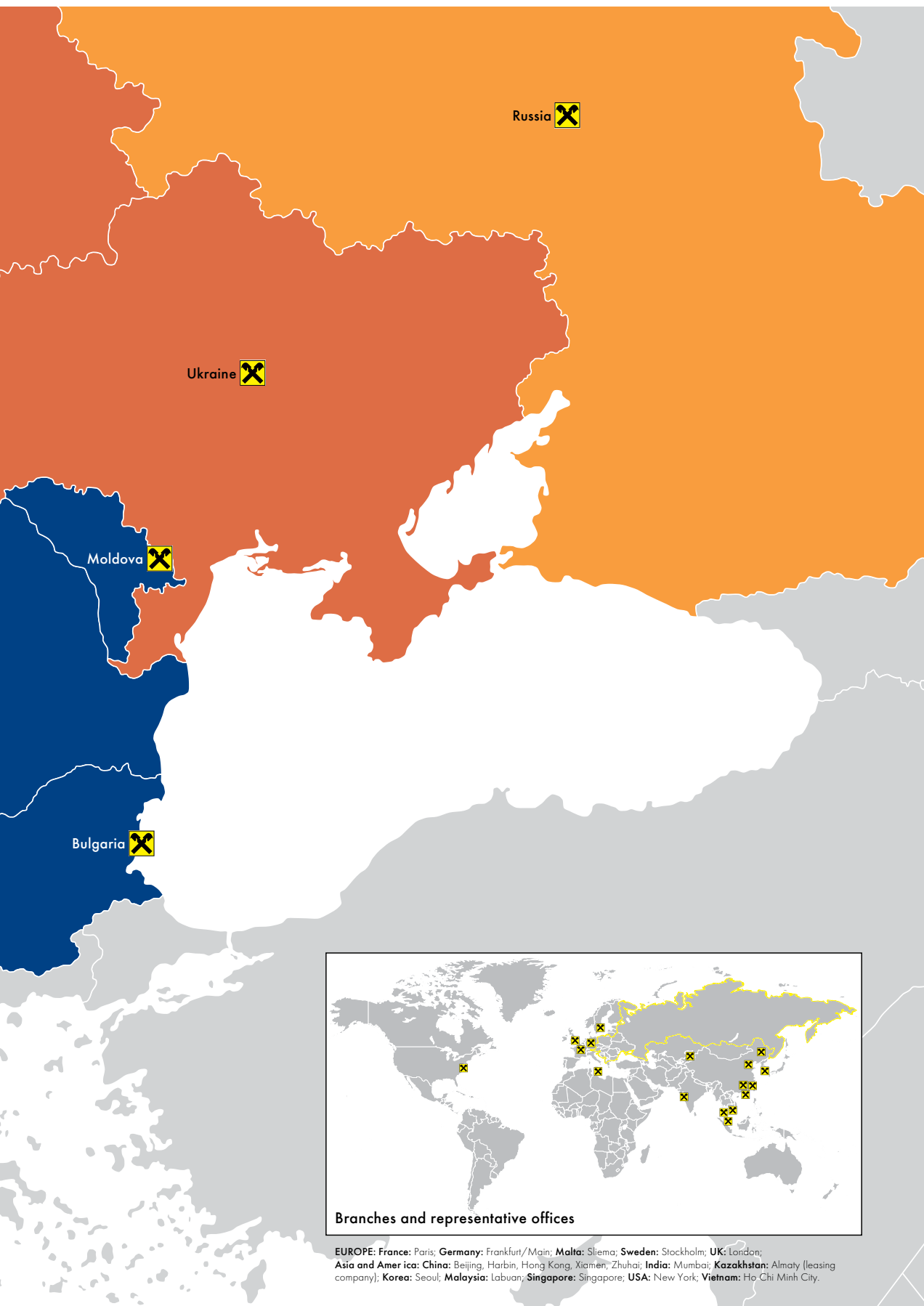
Raiffeisen Banking Group

With total assets of € 285.9 billion as at 31 December 2014, RBG is Austria's largest banking group. As at this reporting date, RBG managed € 92.8 billion in domestic customer deposits (excluding building society savings), of which € 49.4 billion were held in savings deposits. RBG has thus maintained its market share of around 30 per cent and, once more, its role as market leader among Austria's banks. RBG's strong market position was

achieved through healthy organic growth. RBG consists of Raiffeisen Banks on the local level, Regional Raiffeisen Banks on the provincial level and RZB as central institution. RZB also acts as the link between the international operations of its group and RBG. Raiffeisen Banks are private cooperative credit institutions, operating as universal banks. Each province's Raiffeisen Banks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 90 per cent of RZB's ordinary shares.

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





Adresses

Raiffeisen Bank International AG

Austria

Am Stadtpark 9
1030 Vienna
Phone: +43-1-71 707-0
Fax: +43-1-71 707-1715
www.rbinternational.com
ir@rbinternational.com
communications@rbinternational.com

Banking network

Albania

Raiffeisen Bank Sh.a.
"European Trade Center"
Bulevardi "Bajram Curri"
Tirana
Phone: +355-4-23 8 1000
Fax: +355-4-22 755 99
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

Belarus

Priorbank JSC
V. Khoruzhey Str. 31-A
220002 Minsk
Phone: +375-17-28 9-9090
Fax: +375-17-28 9-9191
SWIFT/BIC: PJCBY2X
www.priorbank.by

Bosnia and Herzegovina

Raiffeisen Bank d.d.
Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Phone: +387-33-287 101
Fax: +387-33-21 385 1
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Bulgaria

Raiffeisenbank (Bulgaria) EAD
Ulica N. Gogol 18/20
1504 Sofia
Phone: +359-2-91 985 101
Fax: +359-2-94 345 28
SWIFT/BIC: RZBBBGSF
www.rbb.bg

Croatia

Raiffeisenbank Austria d.d.
Petrinjska 59
10000 Zagreb
Phone: +385-1-45 664 66
Fax: +385-1-48 116 24
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic

Raiffeisenbank a.s.
Hvezdova 1716/2b
14078 Prague 4
Phone: + 420-234-405-222
Fax: +420-234-402-111
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary

Raiffeisen Bank Zrt.
Akadémia utca 6
1054 Budapest
Phone: +36-1-48 444-00
Fax: +36-1-48 444-44
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo

Raiffeisen Bank Kosovo J.S.C.
Rruga UÇK, No. 51
10000 Pristina
Phone: +381-38-22 222 2
Fax: +381-38-20 301 130
SWIFT/BIC: RBKOKPR
www.raiffeisen-kosovo.com

Poland

Raiffeisen Bank Polska S.A.
Ul. Piekna 20
00-549 Warsaw
Phone: +48-22-58 5-2000
Fax: +48-22-58 5-2585
SWIFT/BIC: RCBWPLPW
www.raiffeisen.pl

Romania

Raiffeisen Bank S.A.
246 C Calea Floreasca
014476 Bucharest
Phone: +40-21-30 610 00
Fax: +40-21-23 007 00
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia

ZAO Raiffeisenbank
Smolenskaya-Sennaya Sq. 28
119002 Moscow
Phone: +7-495-72 1-9900
Fax: +7-495-72 1-9901
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

Serbia

Raiffeisen banka a.d.
Djordja Stanojevic 16
11070 Novi Beograd
Phone: +381-11-32 021 00
Fax: +381-11-22 070 80
SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia

Tatra banka, a.s.
Hodžovo námestie 3
P.O. Box 42
85005 Bratislava 55
Phone: +421-2-59 19-1111
Fax: +421-2-59 19-1110
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Slovenia

Raiffeisen Banka d.d.
Zagrebska cesta 76
2000 Maribor
Phone: +386-2-22 931 00
Fax: +386-2-30 344 2
SWIFT/BIC: KREKSI22
www.raiffeisen.si

Ukraine

Raiffeisen Bank Aval JSC
9, Vul Leskova
01011 Kiev
Phone: +38-044-49 088 88,
+380 (800) 500 500
Fax: +38-044-295-32 31
SWIFT/BIC: AVALUAUK
www.aval.ua

Leasing companies

Austria

Raiffeisen-Leasing
International GmbH
Am Stadtpark 3
1030 Vienna
Phone: +43-1-71 707-2071
Fax: +43-1-71 707-76 2966
www.rli.co.at

Albania

Raiffeisen Leasing Sh.a.
"European Trade Center"
Bulevardi "Bajram Curri"
Tirana
Phone: +355-4-22 749 20
Fax: +355-4-22 325 24
www.raiffeisen-leasing.al

Belarus

JLLC "Raiffeisen-Leasing"
V. Khoruzhey 31-A
220002 Minsk
Phone: +375-17-28 9-9394
Fax: +375-17-28 9-9974
www.rl.by

Bosnia and Herzegovina

Raiffeisen Leasing d.o.o. Sarajevo
Danijela Ozme 3
71000 Sarajevo
Phone: +387-33-25 435 4
Fax: +387-33-21 227 3
www.rlbh.ba

Bulgaria

Raiffeisen Leasing Bulgaria OOD
32A Cherni Vrah Blvd. Fl.6
1407 Sofia
Phone: +359-2-49 191 91
Fax: +359-2-97 420 57
www.rlbг.bg

Croatia

Raiffeisen Leasing d.o.o.
Radnicka cesta 43
10000 Zagreb
Phone: +385-1-65 9-5000
Fax: +385-1-65 9-5050
www.rl-hr.hr

Czech Republic

Raiffeisen-Leasing s.r.o.
Hvezdova 1716/2b
14078 Prague 4
Phone: +420-221-511-611
Fax: +420-221-511-666
www.rl.cz

Hungary

Raiffeisen Lízing Zrt.
Kèsmark utca 11-13
1158 Budapest
Phone: +36-1-298 8000
Fax: +36-1-298 8010
www.raiffeisenlizing.hu

Kazakhstan

Raiffeisen Leasing Kazakhstan LLP
Shevchenko Str. 146, No. 12
050008 Almaty
Phone: +7-727-37 8-5430
Fax: +7-727-37 8-5431
www.rlkz.at

Kosovo

Raiffeisen Leasing Kosovo
Gazmend Zajmi n.n., Sunny Hill
10000 Pristina
Phone: +381-38-22 222 2
Fax: +381-38-20 301 136
www.raiffeisenleasing-kosovo.com

Moldova

I.C.S. Raiffeisen Leasing S.R.L.
Alexandru cel Bun 51
2012 Chişinău
Phone: +373-22-27 931 3
Fax: +373-22-22 838 1
www.raiffeisen-leasing.md

Poland

Raiffeisen-Leasing Polska S.A.
Ul. Prosta 51
00-838 Warsaw
Phone: +48-22-32 636-66
Fax: +48-22-32 636-01
www.rl.com.pl

Romania

Raiffeisen Leasing IFN S.A.
246 D Calea Floreasca
014476 Bucharest
Phone: +40-21-36 532 96
Fax: +40-37-28 799 88
www.raiffeisen-leasing.ro

Russia

ООО Raiffeisen-Leasing
Stanislavskogo Str. 21/1
109004 Moscow
Phone: +7-495-72 1-9980
Fax: +7-495-72 1-9572
www.raiffeisen-leasing.ru

Serbia

Raiffeisen Leasing d.o.o.
Djordja Stanojevic 16
11070 Novi Beograd
Phone: +381-11-220 7400
Fax: +381-11-228 9007
www.raiffeisen-leasing.rs

Slovakia

Tatra-Leasing s.r.o.
Černyševského 50
85101 Bratislava
Phone: +421-2-59 19-31 68
Fax: +421-2-59 19-3048
www.tatraleasing.sk

Slovenia

Raiffeisen Leasing d.o.o.
Letališka cesta 29a
SI-1000 Ljubljana
Phone: +386 1 241-6250
Fax: +386 1 241-6268
www.rl-sl.si

Ukraine

LLC Raiffeisen Leasing Aval
9, Moskovskiy Av.
Build. 5 Office 101
04073 Kiev
Phone: +38-044-59 024 90
Fax: + 38-044-20 004 08
www.rla.com.ua

Branches and representative offices – Europe

France

RBI Representative Office Paris
9-11 Avenue Franklin D. Roosevelt
75008 Paris
Phone: +33-1-45 612 700
Fax: +33-1-45 611 606

Germany

RBI Frankfurt Branch
Mainzer Landstraße 51
60329 Frankfurt
Phone: +49-69-29 921 918
Fax: +49-69-29 921 9-22

Sweden

RBI Representative Office
Nordic Countries
Drottninggatan 89, 14th floor
113 60 Stockholm
Phone: +46-8-440 5086
Fax: +46-8-440 5089

UK

RBI London Branch
10 King William Street
London EC4N 7TW
Phone: +44-20-79 33-8000
Fax: +44-20-79 33-8099

Branches and representative offices – Asia and America

China

RBI Beijing Branch
Beijing International Club Suite 200
2nd floor
Jianguomenwai Dajie 21
100020 Beijing
Phone: +86-10-65 32-3388
Fax: +86-10-65 32-5926

RBI Representative Office Harbin
Room 1104, Pufa Plaza No. 209
Chang Jiang Street
Nang Gang District
150090 Harbin
Phone: +86-451-55 531 988
Fax: +86-451-55 531 988

RBI Hong Kong Branch
Unit 2102, 21st Floor,
Tower One, Lippo Center
89 Queensway, Hong Kong
Phone: +85-2-27 30-2112
Fax: +85-2-27 30-6028

RBI Xiamen Branch
Unit B, 32/F, Zhongmin Building,
No. 72 Hubin North Road,
Xiamen, Fujian Province
361013, P.R. China
Phone: +86-592-26 2-3988
Fax: +86-592-26 2-3998

RBI Representative Office Zhuhai
Room 2404, Yue Cai Building
No. 188, Jingshan Road, Jida,
Zhuhai, Guangdong Province
519015, P.R. China
Phone: +86-756-32 3-3500
Fax: +86-756-32 3-3321

India

RBI Representative Office Mumbai
803, Peninsula Heights
C.D. Barfiwala Road, Andheri (W)
400 058 Mumbai
Phone: +91-22-26 230 657
Fax: +91-22-26 244 529

Korea

RBI Representative Office Korea
1809 Le Meilleur Jongno Town
24 Jongno 1-ga
Seoul 110-888
Republic of Korea
Phone: +82-2-72 5-7951
Fax: +82-2-72 5-7988

Malaysia

RBI Labuan Branch
 Licensed Labuan Bank No. 110108C
 Level 6 (1E), Main Office Tower
 Financial Park
 Labuan
 Phone: +607-29 1-3800
 Fax: +607-29 1-3801

Singapore

RBI Singapore Branch
 One Raffles Quay
 #38-01 North Tower
 Singapore 048583
 Phone: +65-63 05-6000
 Fax: +65-63 05-6001

USA

RB International Finance (USA) LLC
 1133 Avenue of the Americas,
 16th Floor
 10036 New York
 Phone: +01-212-84 541 00
 Fax: +01-212-94 420 93

RZB Austria Representative Office New York
 1133 Avenue of the Americas,
 16th Floor
 10036 New York
 Phone: +01-212-59 3-7593
 Fax: +01-212-59 3-9870

Vietnam

RBI Representative Office
 Ho-Chi-Minh-City
 35 Nguyen Hue Str.,
 Harbour View Tower
 Room 601A, 6th Floor, Dist 1
 Ho-Chi-Minh-City
 Phone: +84-8-38 214 718,
 +84-8-38 214 719
 Fax: +84-8-38 215 256

Raiffeisen Zentralbank AG

Austria

Am Stadtpark 9
 1030 Vienna
 Phone: +43-1-26 216-0
 Fax: +43-1-26 216-1715
 www.rzb.at

Selected Raiffeisen Specialist Companies

Kathrein Privatbank

Aktiengesellschaft
 Wipplingerstraße 25
 1010 Vienna
 Phone: +43-1-53 451-300
 Fax: +43-1-53 451-8000
 www.kathrein.at

Raiffeisen Centrobank AG

Tegetthoffstraße 1
 1015 Vienna
 Phone: +43-1-51 520-0
 Fax: +43-1-51 343-96
 www.rcb.at

ZUNO BANK AG

Muthgasse 26
 1190 Vienna
 Phone: +43-1-90 728 88-01
 www.zuno.eu

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Authors photos:
Aleksandr Alekseev
Oleg Lukashevich

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Fidel Prokopovich
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