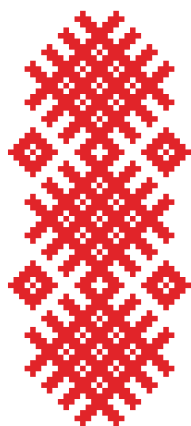




Annual
Report
2016

Priorbank
Member of RZB Group

Priorbank
Member of RZB Group



Vital Tsvirka
Still life with vase and lemons

Oil on canvas
150x101, 1976



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Alesya Skorobogataya
At the Grandfather

Oil on canvas
100x100



Foreword

Foreword



In 2016, Priorbank JSC (Priorbank) continued its sustainable development having increased its market share in the banking system in terms of all key performance indicators – assets, loans, capital, clients account balances, and having retained high business efficiency and profitability.

Priorbank further pursued the policy of expansion and strengthening of partnership relations with corporate clients. The Bank proactively arranged banking services sales campaigns. The Bank further developed and improved the innovative and unique service for the Belarusian financial market – “Service Packages”. Priorbank strengthened its positions in factoring. The Bank provided loans for working capital and competitive investment projects financing to large customers, financed foreign trade transactions. In 2016, the Corporate Business volume reached 2.102 million BYN having increased by 14%. The number of active Corporate Customers amounted to 1,939.

In business with Small- and Medium-Sized Enterprises (SME) the Bank focused on improvement of technologies and processes of customers servicing, customer base expansion. The internal business processes were optimized by foreign currency (FCY) control centralization. Electronic digital signature was launched, which enabled the clients to sign the agreements without visiting the Bank and significantly reduced the time required to sign the documents. Within the project “Analytical CRM”, the Bank developed the full CRM campaigns functionality for legal entities with various sales options: via Banking Services Centers (BSCs), electronic mailings, Internet-Bank and mail-Bank (Electronic Payment System/EPS). Priorbank made the first step to launch a Contact Center for legal entities and individual entrepreneurs, which major task is clients distant support on cash management services. The conducted work resulted in SME business liabilities increase by 34%. Active client base increased by 18%.

Priorbank was constantly improving Pls comprehensive servicing; much attention was paid to customer retention and new clients attraction.

The Bank implemented Pls Customer Retention Centralized Program by refinancing of previously disbursed loans in other banks and by existing lending limits increase. Priorbank launched a new communication channel – ATM and Cash-In for contacting with clients allowing to send personal messages and receiving answers for further interaction building. New credit products were launched, thereof issue of credit cards with the Money-Back function and loan disbursement to a debit payment card. The Bank launched the issue of premium cards Visa Infinite and World MasterCard Black Edition, as well as payment cards with the Money-Back function.

Pls client base was expanded. The number of clients utilizing the packaged services amounted to 425,000 having increased by 6.4%. The number of salary payroll and pension accounts reached 474,000. The number of premium clients increased by more than 28%.

Pls loan portfolio in local currency (LCY) grew by 18%. The Bank occupies the 2nd place among the Belarusian banks in terms of Pls loan portfolio size. Population deposits in LCY grew by 26%.

Priorbank occupies the leading positions on Pls distant services market. The number of Pls clients subscribed to various e-systems (Internet, SMS, USSD) amounted to 414,000 having increased by 26%. In 2016, the Internet-Bank and Mobile Applications for Pls were fully renewed. The share of the Internet-Bank users increased to 26.5%, the Mobile Bank users – to 21.8%. The number of the Mobile Bank active users in 2016 increased by 34%. The share of loans applied for by Pls via the e-channels constituted 13.5%, and debit payment cards – 10.4%. The share of deposits opened via the e-channels accounted for 37%.

In 2016, Priorbank expanded functionalities of the Electronic Payment System (EPS) Client-Bank and Internet-Bank for legal entities and individual entrepreneurs, having launched new products and services. The clients can conclude transactions under Reuters on-line quotations in the Internet-Bank Trading Platform taking into account the Bank's margin. A new mechanism was launched for the new product Prior-Bonus. The Client-Bank system customer communication channel via CRM was implemented.

In 2016, the Bank retained strict approach to lending focusing on the most stable borrowers; continued to improve the Early Warning Signs (EWS) system for potentially problem loans. Priorbank successfully underwent assets quality assessment procedure according to the requirements and criteria of the National Bank of the Republic of Belarus. The undertaken measures enabled to maintain the loan portfolio quality at an acceptable level.

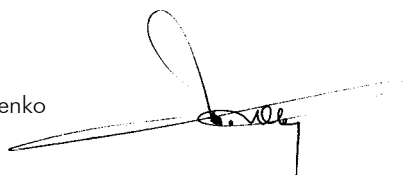
The Bank was optimizing its business processes in order to increase its business efficiency. Priorbank launched the following projects: installation of self-service cash-in terminals for acceptance of trade revenues of legal entities and individual entrepreneurs; 'LC Card' enabling to accelerate the LC issue process and customer service speed. Centralization of FCY control function on legal entities and individual entrepreneurs transactions enabled to improve quality and efficiency of the Bank's employees relationships with customers while executing FCY control agents functions, mitigate operational risks and optimize the customers service process. The Bank continued to optimize and standardize the existing BSCs (Banking Services Centers) and POSs (remote points of sale).

Priorbank's business activities has been repeatedly highly rated by international financial institutions and editions. Visa International acknowledged Priorbank the best financial organization in 2016 decorating the Bank with the award in the nomination "Consumer debit issuer: Authorization approval rate domestic" for the highest rate of Visa cards transactions authorization approval. Citibank NA decorated the Bank with the prestigious award «STP Excellent Quality Award» for the international payments processing high quality, and the prestigious international award "Cbonds Awards CIS" in the nomination "The Best Belarus Financial Market Analytics". The British financial magazine "Euro-money" awarded Priorbank "The Best Bank in Belarus". According to the magazine assessment the Bank is not only the commercially successful enterprise, but also the Bank proactively developing Belarusian market of banking and financial technologies.

In 2017, Priorbank faces new challenging tasks. However, many years' experience on the financial market accumulated by the Bank, efficient management system, highly qualified staff, our constant dedication to the innovations will enable us to successfully perform the set objectives and provide the Bank's efficient development in 2017.

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 2016.

Sergey Kostyuchenko

A handwritten signature in black ink, appearing to read 'Sergey Kostyuchenko', with a large, stylized flourish above the name.

Chairman of the Board



Ladies and Gentlemen,

The 2016 financial year was dominated by two key issues: Firstly, the market environment, which remained challenging due to the very low interest rate level and continuing high regulatory and political pressures; secondly, the start of the process of evaluating a merger of RBI and RZB.

The capitalization requirements for banks were increased substantially following the 2008 financial crisis and there has also been extensive tightening of regulations by the national and international regulatory authorities. February 2015 saw the implementation of a transformation program designed to strengthen the capital base – it targeted a CET1 ratio (fully loaded) of at least 12 per cent, a reduction of complexity and a substantial reduction of costs. With a CET1 ratio (fully loaded) of 13.6 per cent at 31 December 2016, RBI achieved its target ahead of schedule.

Following an extensive evaluation phase, on 5 October 2016, the Management and Supervisory Boards of RBI and RZB passed in principle a resolution to merge RBI and RZB. The Extraordinary General Meeting of RBI approved the merger with RZB by a clear majority on 24 January 2017. The merger is effective once it has been entered in the commercial register, which is expected by the end of March 2017 at the latest.

The strengths of the merged entity will build on prior achievements. These include the geographic footprint in the attractive growth markets of CEE, with top-five market positions in 9 of a total of 14 markets, as well as a stable business in Austria. The focus will remain on long-term customer relationships in the respective local markets. As a customer-oriented universal bank, solutions to address corporate customer needs based on local market access and an extensive network, along with a comprehensive multi-channel offering for retail customers in CEE, play an important role in the overall focus.

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,

Martin Grill

Chief Financial Officer,
Raiffeisen Bank International AG

Leonid Shchamaliou
Reconnaissance

Oil on canvas
50x60, 1981



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 01.01.2017:

Shareholder	Share in the Authorized Capital
Raiffeisen Region Holding GmbH, Austria	87.74%
State sector, enterprises	5.02%
Private individuals	4.78%
Other legal entities	2.46%

Correspondent banks as of 01.01.2017:

in the Republic of Belarus – 13
abroad – 44

Employees as of 01.01.2017:

2,420

Customers as of 01.01.2017:

Corporate Clients – 1,900
Active SMEs – 32,961
Private Individuals – 709,629

Membership in interbank unions, exchanges, associations:

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

Information and telecommunication systems:

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

External auditor:

Ernst & Young Limited Liability Company

Awards

- The best financial organization following the results of 2015 in the nomination "Consumer debit issuer: Authorization approval rate domestic", Visa Inc.
- Straight Through Processing Excellence Award, Citibank NA
- The best bank in Belarus, Euromoney magazine.
- "Patron of Culture of Belarus"-2015, Culture Ministry of the Republic of Belarus
- "Patron of Culture of Belarus"-2016, Culture Ministry of the Republic of Belarus
- A diploma in the nomination "Culture" for the implementation of the project of restoration of historical architecture monument of the 16th century "Lyubcha castle"
- Most Active Issuing Bank in Belarus in 2016 under the Trade Facilitation Program, European Bank for Reconstruction and Development
- The most successful foreign bank in Belarus-2016, myfin.by
- The best bank in Belarus among small and medium banks-2016, myfin.by
- The best regional bank-2016, myfin.by
- The best online-banking in Belarus-2016, infobank.by
- The best self-service terminal in Belarus-2016, infobank.by

Andrei Adamchyk
Architecture

Oil on canvas
80x90, 2010



Supervisory Board

Supervisory Board

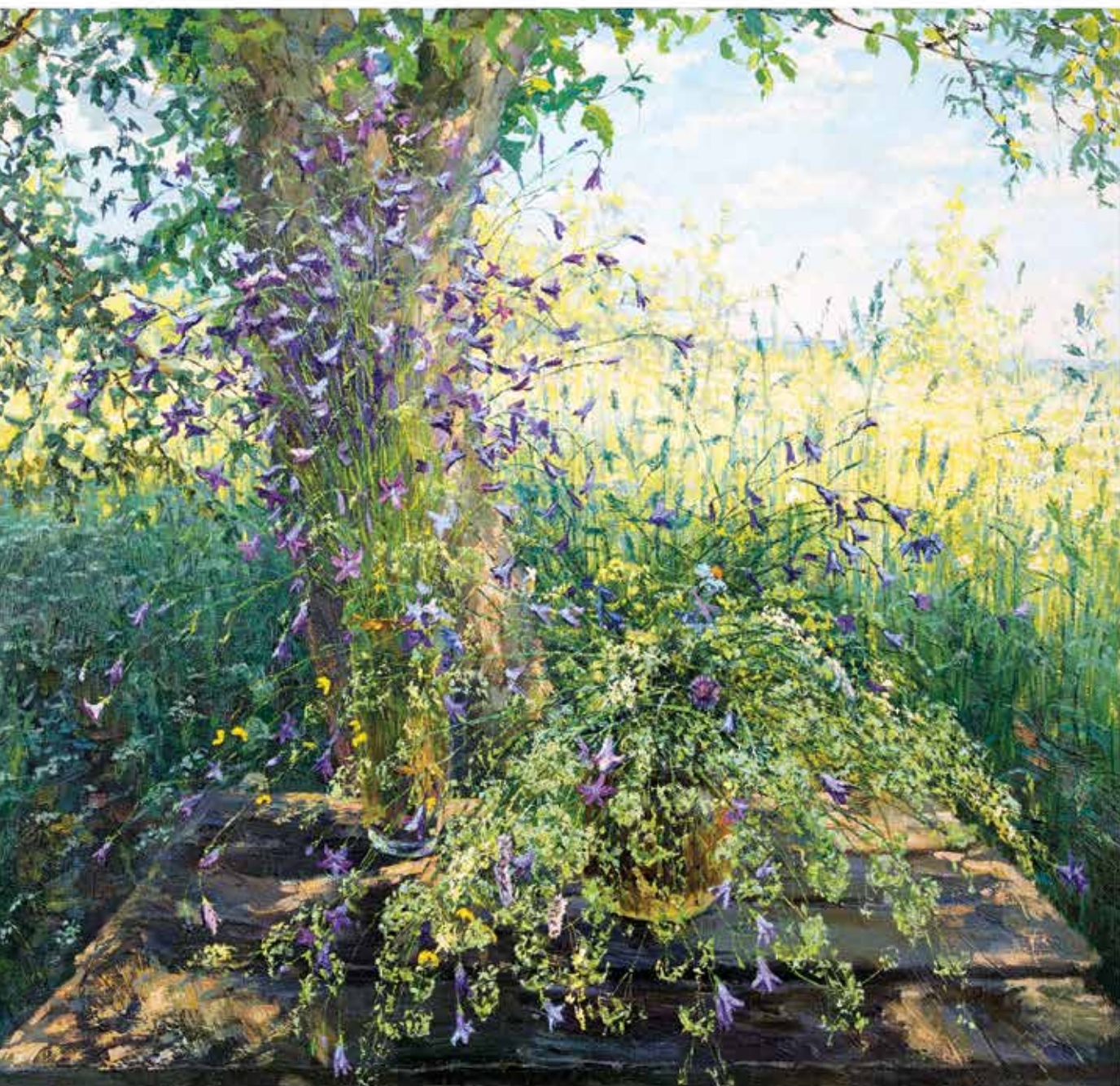
Peter Bazil	Executive Director, Raiffeisen Bank International AG
Kurt Bruckner	Executive Director, Raiffeisen Bank International AG
Nikolay Kadushko	Independent Director
Alexander Lyakhov	Director General, State Production Association "Belorusneft" – Republican Unitary Enterprise "Production Association "Belorusneft"
Anatoly Savenok	Director General, OJSC "BSW – management company of "BMC" holding"
Karl Sevelda	Chief Executive Officer, Raiffeisen Bank International AG
Sergey Sosnovsky	
Herbert Stepic	
Heinz Hödl	Independent Director

Management Board

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

Alena Barkhatkova
Bell-flowers

Oil on canvas
80x90, 2006



Macroeconomic Environment

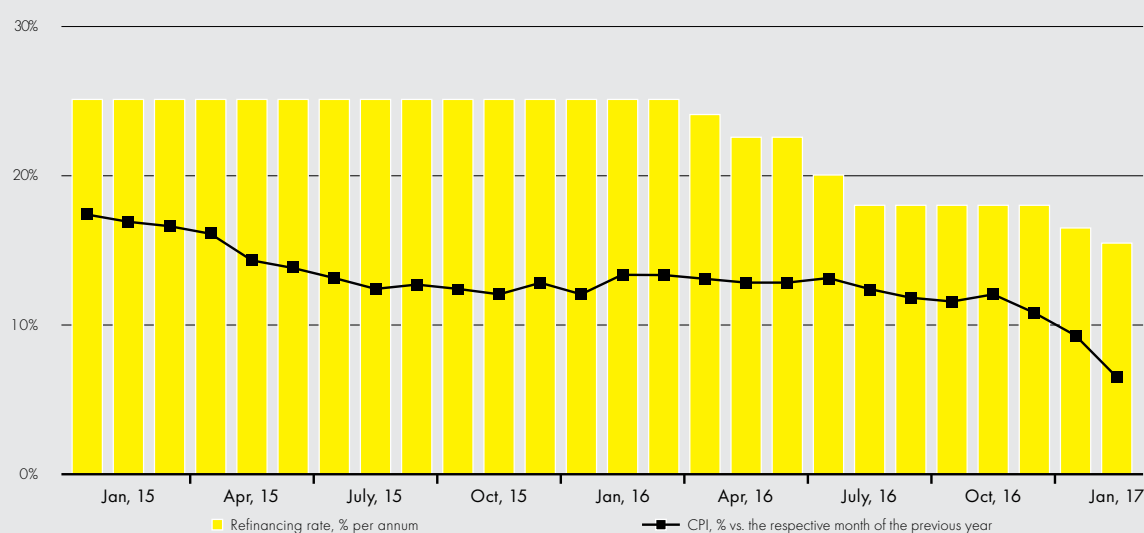
Macroeconomic Environment

Inflation, Monetary and Credit Policy and Exchange Rate

The major objective of the Monetary and Credit Policy in 2016 was decrease of the inflation to 12%. The regulation of money supply resulted in consumer price index (CPI) of 10.6% (December 2016 vs. December 2015). Meanwhile, prices for food products grew by 10.4%, for non-food products grew by 6.8%, consumer services prices grew by 17.6%.

Contrary to 2015, money supply regulation in 2016 was accompanied by interest rate reduction to facilitate lending to the real economy. For this purpose, the National Bank cut the refinancing rate four times: from 25% to 18%, which in its turn contributed to short-term overnight average rate reduction on the inter-bank loans market from 29.5% to 10.7% per annum. The average BYN loan interest rate for legal entities dropped in January-December 2016 from 33.7% to 19.8% per annum. At the same time, the National Bank interest rate reduction policy led to Pls deposits rates drop: from 23.8% to 12.8% (for the period of up to one year).

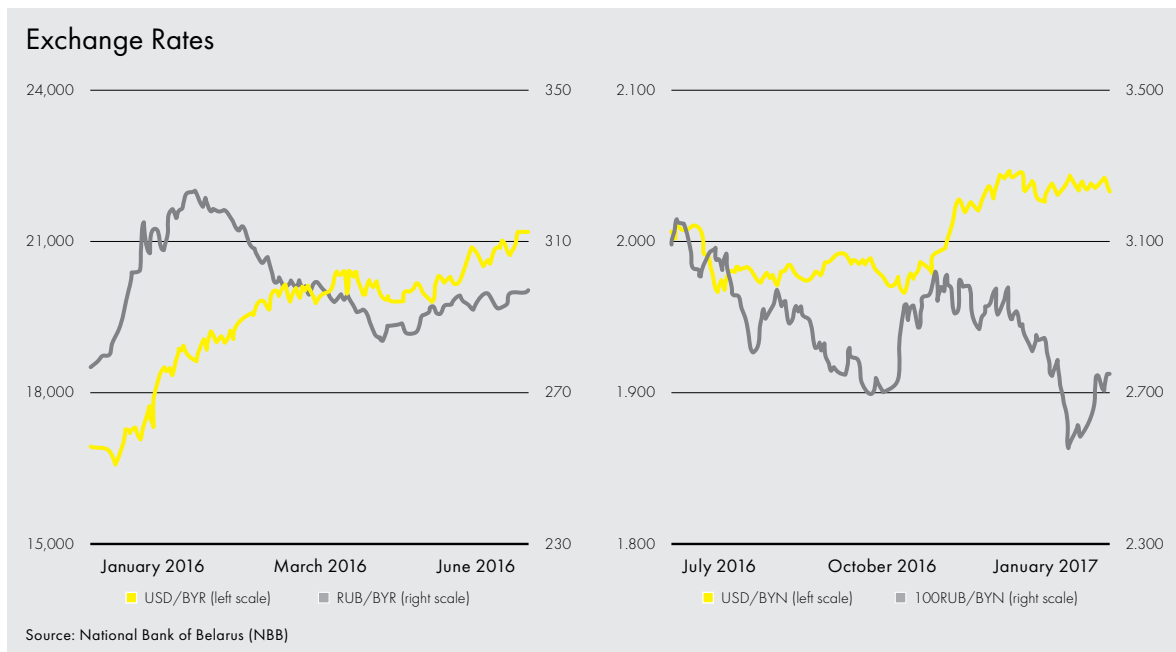
Refinancing Interest Rate and CPI Dynamics



Source: National Statistics Committee of Belarus (NSC), National Bank of Belarus (NBB)

Lack of disproportions on the money market in January-December 2016 allowed the National Bank to manage the required changes of BYN FX reference rates to create favorable conditions for Belarusian exporters: BYN vs. EUR devaluated by 0.74% (to EUR/BYN 2.0450 as at 31.12.2016), vs. USD – by 5.47% (to USD/BYN 1.9585), vs. RUB – by 27.05% (to 100RUB/BYN 3.2440).

In the second half of 2016, in order to improve cash circulation the National Bank of Belarus held Belarusian Rouble denomination in proportion 10,000:1. Furthermore, in November 2016, NBB changed the BYN/FCY basket calculation method: RUB weight in the basket was increased to 0.5 (vs. the previous figure of 0.4) and EUR share was decreased to 0.2 (vs. the previous figure of 0.3).



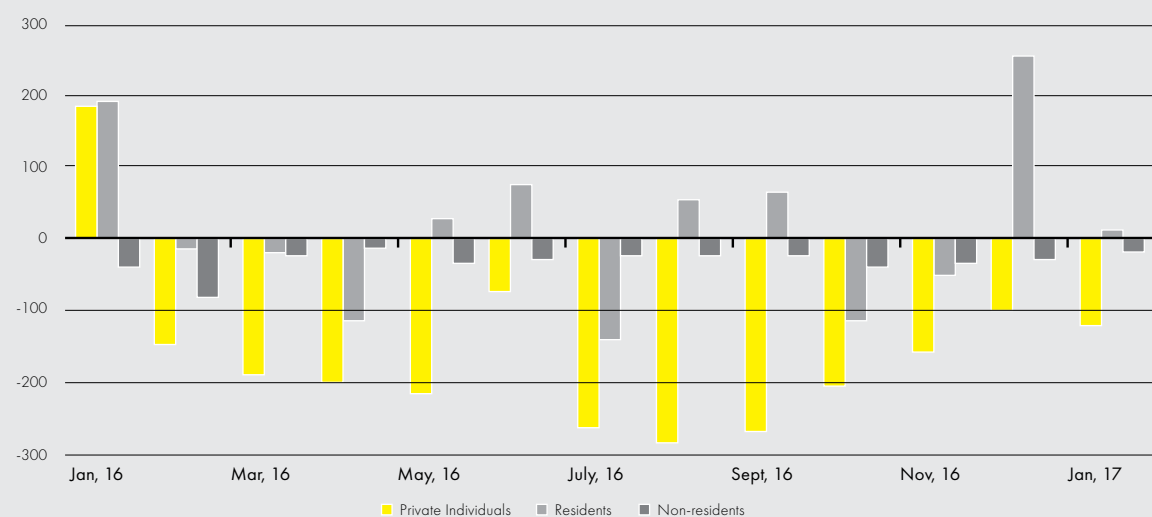
One of the major factors, that supported the local FX market stability was the FCY net supply by PIs and non-resident legal entities. In 2016, the FCY net supply amounted to an equivalent of USD 2,140.4 million (in 2015, slight net demand was reported: USD 47 million).

PIs contribution to the FCY net supply on the local market was the most significant: an equivalent of USD 1,894.0 million (vs. the net supply of USD 129.6 million in 2015). The reasons for prevailing FCY sale by PIs were endeavor to maintain the certain consumption level while real in-

come is decreasing; reduction of money saving opportunities and higher margin of banking deposits in BYN vs. FCY deposits.

Last year, resident legal entities decreased FCY net demand to an equivalent of USD 206.1 million (vs. USD 403.8 million in 2015) due to reduction of investment programs financing by the Government. FCY net supply by non-resident legal entities in 2016 amounted to USD 452.5 million vs. net supply of USD 227.2 million in the previous year.

Net FX Purchase, USD million



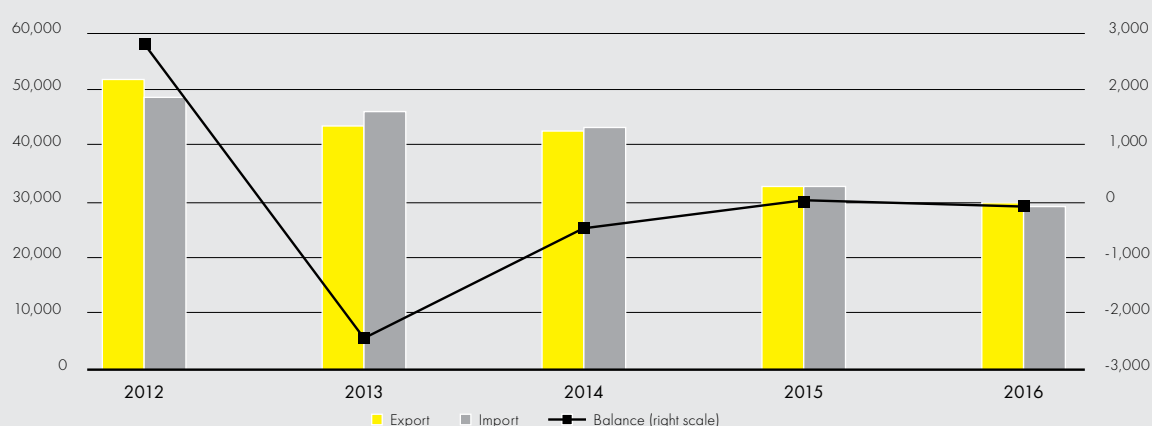
Source: National Bank of Belarus (NBB)

Foreign Trade

In 2016, goods and services foreign trade balance was negative and amounted to USD 49.8 million (0.1% of GDP), while in 2015, this figure was positive USD 117.6 million. Goods foreign trade deficit amounted to USD 2.59 billion, services foreign trade surplus amounted to USD 2.54 billion respectively.

Goods foreign trade deficit in 2016 was affected by export drop by 12.2% caused by deteriorated terms of trade commodities. Thus, last year the potash fertilizers export prices dropped by 26.4% vs. 2015, oil products prices dropped by 22.8%. Oil products export was additionally negatively affected by the decision of Russia to reduce the crude oil shipments to Belarus for processing from 22 million tons to 18 million tons.

Foreign Trade of Goods and Services, USD million



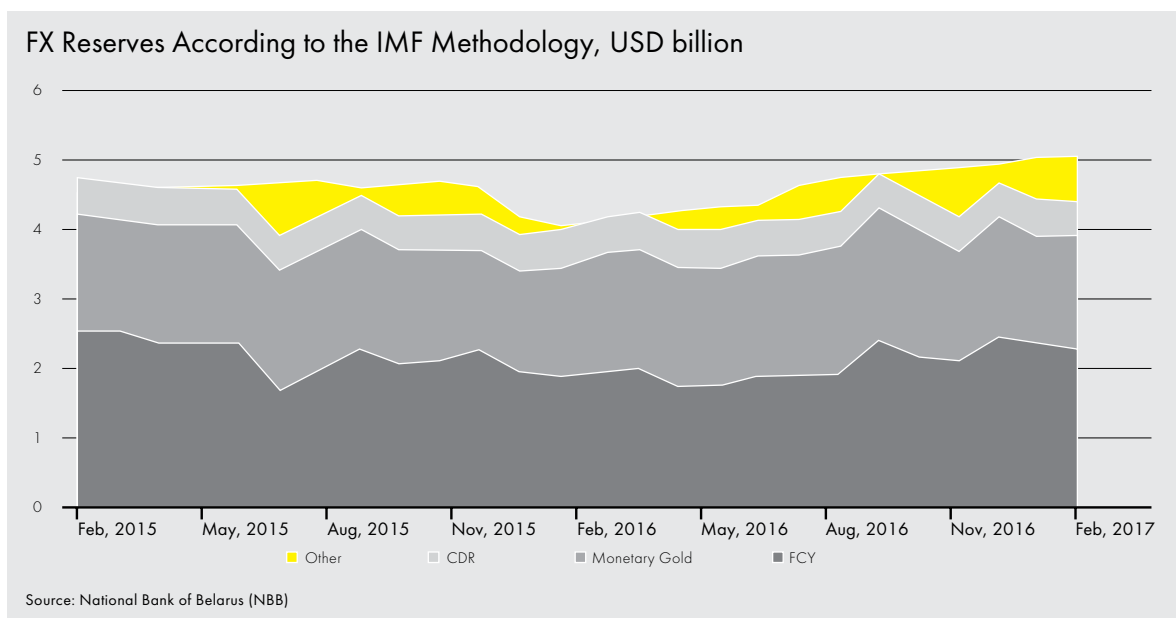
Source: National Bank of Belarus (NBB)

On the other hand, Russian crude oil import reduction decreased the import of intermediate energy commodities by 20.0% vs. 2015, which jointly with the investment import drop by 17.6% contributed to the goods and services import decline by 8.8% yoy to USD 29.8 billion.

In 2016, the Russian Federation remained the major foreign trade partner, with a share of 46.2% in the total export volume (increased from 39% in 2015) and 55.5% in the total import volume (decreased from 57% in 2015). The most substantial export growth was reported in terms of the following products: butter – by 20%, trucks – by 11%, cheese and cottage cheese – by 7%.

Gold and Foreign Currency (FCY) Reserves

Goods foreign trade deficit, foreign debt payments and limited external financing sources did not become the reasons for Gold and Foreign Currency Reserves (GFR) additional spending in 2016. In the reporting year, GFR under IMF methodology increased by USD 751 million or by 18%, whereas, in 2015, GFR decreased by USD 883 million or 17.5%. The major sources of GFR increase were selling on the local market of the Ministry of Finance and National Bank FCY bonds, buying of the FCY by the National Bank on the local FX market.

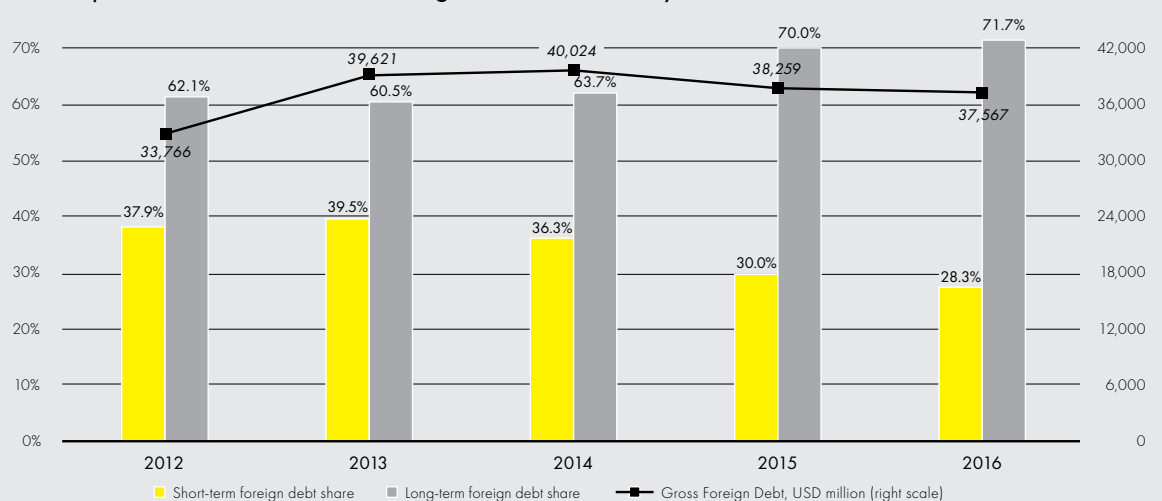


Foreign Debt

Gross Foreign Debt as at 1 January 2017 amounted to USD 37.57 billion (78.6% of GDP), having decreased by 1.8% vs. 1 January 2016; USD 3,950 per capita vs. USD 4,030 in 2016.

As at 1 January 2017, the share of long term obligations in the total volume of the Gross Foreign Debt constituted 71.7%, the share of short term obligations – 28.3%, whereas in 2015, the share of long term obligations constituted 70%, the share of short term obligations – 30%.

The Republic of Belarus Gross Foreign Debt Structure by Maturities



Source: National Bank of Belarus (NBB)

By early 2017, the long term obligations amounted to USD 26.93 billion, having increased by 0.54% vs. early 2016. The short term obligations decreased vs. 2015 by 7.30% to USD 10.63 billion.

In 2016, the Government spent USD 6.31 billion (13.2% of GDP or 21.2% of the goods and services export) for the foreign debt payments, thereof USD 4.90 billion – for the principal repayment; USD 1.41 billion – for the interest payment.

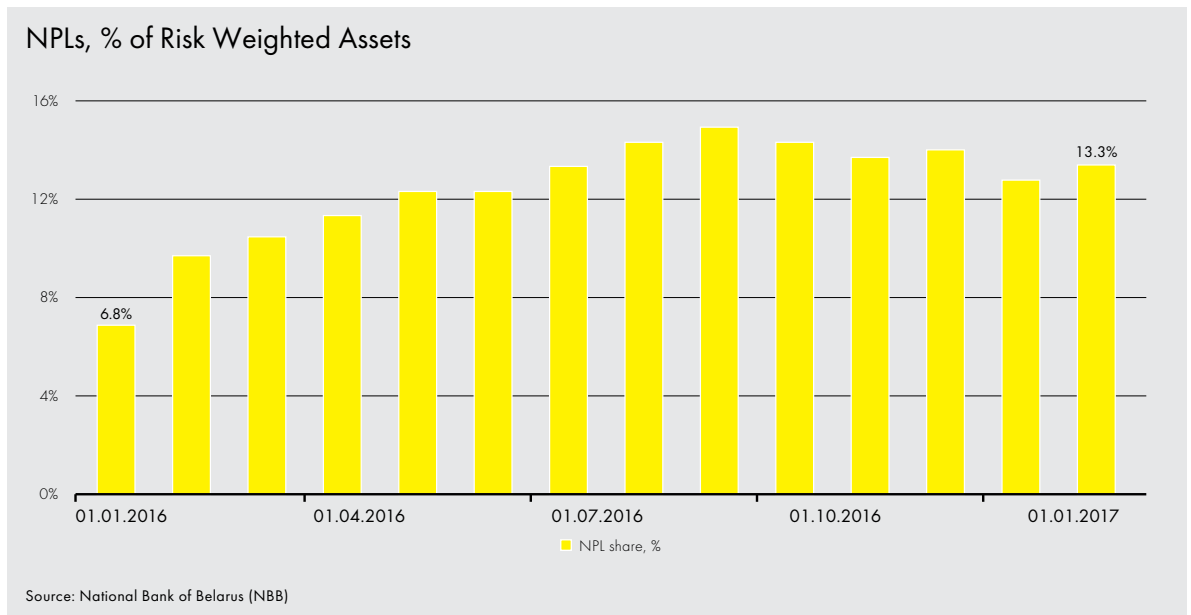
In 2016, Belarusian Government's sovereign foreign debt increased by 9.6% and as at 1 January 2017 amounted to USD 13.6 billion. In 2016, the Government raised sovereign borrowings to the amount of USD 1.93 billion (vs. USD 2.17 billion in 2015). The major financing sources were funds raised from the Eurasian Fund for Stabilization and Development – USD 0.80 billion (in 2015, no funds from this source were raised), from the Russian Government and banks – USD 0.55 billion (USD 1.57 billion in 2015), and loans of the

Chinese banks – USD 0.45 billion (USD 0.53 billion in 2015).

In 2016, the Government spent USD 0.89 billion for the foreign sovereign debt payment vs. USD 2.02 billion in 2015. The major amounts repaid in 2016 were the debt to the Eurasian Fund for Stabilization and Development – USD 0.35 billion, the debt to the Russian Government and banks – USD 0.3 billion, the debt to the Chinese banks – USD 0.18 billion.

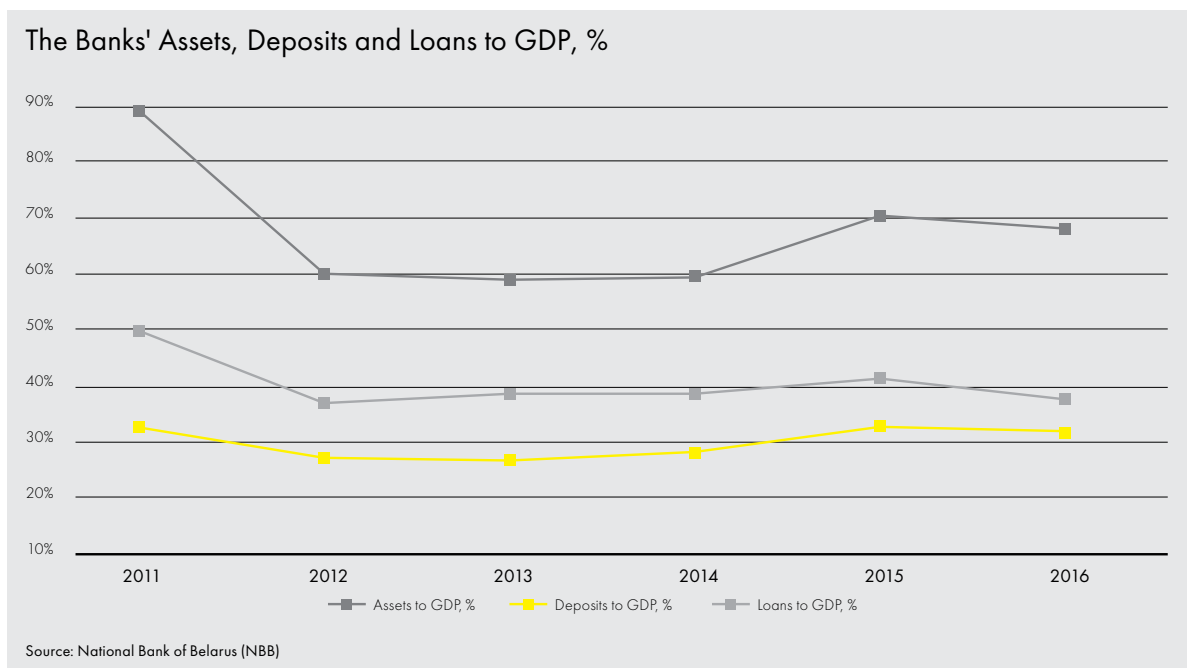
Banking Sector

In 2016, the continuing economic downturn and real household income drop significantly affected the banking business in Belarus. The share of Non Performing Loans (NPL) in the banks' risk weighted assets reached 14.9%, whereas in 2015 it did not exceed 6.7%. Credit risk in both corporate and retail segments entailed decrease of Belarusian banks asset-side operations.



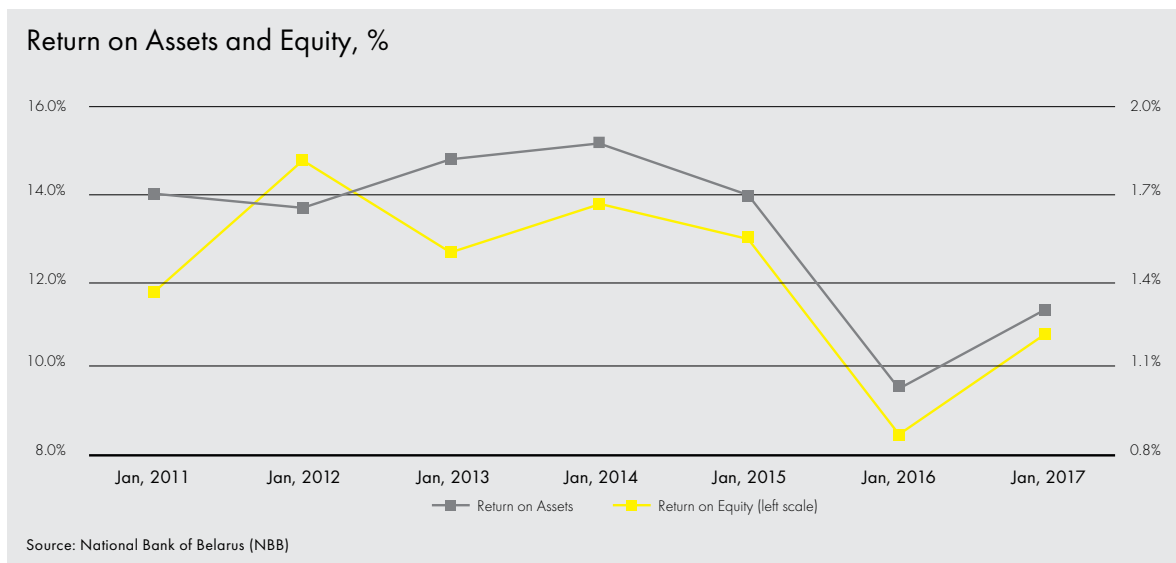
The banks' assets as at 1 January 2017 amounted to 64.47 billion BYN, having increased by 2.25% for the past year. In 2016, BYN assets increased by 3.48% to 24.7 billion BYN, in foreign currency – decreased by

3.76% to USD 20.31 billion. The share of FCY assets remained almost unchanged – 61.7% as at 01.01.2017 and 62.1% as at 01.01.2016 respectively.



The banks' claims to the economy in 2016 decreased by 3.26% to 40.28 billion BYN. The banks' claims to the enterprises in 2016 amounted to 32.98 billion BYN, having decreased by 4.7%. The banks' claims to private individuals increased by 3.84% (10% in 2015) to 7.29 billion BYN.

Lower propensity to save by households, as well as FCY and LCY deposits interest rates changes as the result of NBB Monetary Policy became the key factors of Pls deposits structure in 2016: Pls LCY deposits grew by 12.42% to BYN 4.52 billion; Pls FCY deposits dropped by 9.52% to an equivalent of USD 7.43 billion.



In 2016, the banks increased their profit by 51.03% against the previous year to 0.89 billion BYN. Return on

Equity increased to 10.8% from 8.4% in 2015, Return on Assets increased to 1.3% from 1% in 2015.

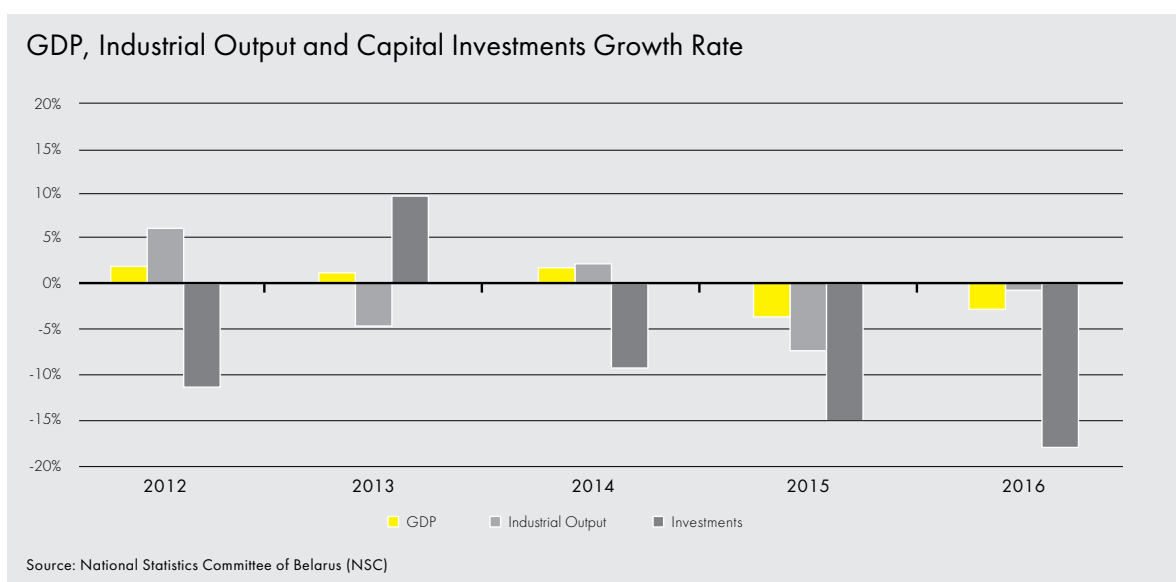
GDP

In 2016, GDP in real terms decreased by 2.6% (against 3.8% drop in 2015).

In 2016, industrial output decreased by 0.4% vs. 2015 to 94.32 billion BYN (in 2015, 6.6% drop). The growth was reported in vehicles and equipment production (by 12.6%), wood processing industry (11.3%) and electrical equipment production (9.8%). The most significant drop

was reported in oil products manufacturing (by 16.8%), water supply, collection and disposal of waste (7.7%) and non-metallic mineral products manufacturing (-5.5%).

Capital Investments in 2016 amounted to 18.07 billion BYN having decreased by 17.9% in comparable prices against 2015 (in 2015 the growth of 15% was reported). The share of Capital Investments in GDP dropped to 19.2% against 24% in 2015 and 29% in 2014.



In 2016, real household income drop continued – by 7.3% vs. 2015 (in 2015, the income dropped by 6.0%).

The retail turnover in 2015 dropped by 4.1% y-o-y vs. 1.3% y-o-y in 2014, affected by the decreased household income.



A. Kishchenko
Still life and universe

Oil on canvas
160x100, 1995

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

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

In 2016, within the Comprehensive Business Solutions strategy development, the Bank continued to improve its partner relationships with corporate clients offering efficient comprehensive financial solutions applying an individual approach depending on the customer's business peculiarities. With the purpose to support the clients' awareness of the country's macroeconomic situation, the Bank arranged the discussion panels in the conference format with the representatives of private financial organizations and public sector.

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, IT-industry, medicine, retail trade, metal trade, etc.

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.

In 2016 Priorbank remained the factoring competence center in the Republic of Belarus. The receivable turnover increased by 41.1%; the volume of the financing paid to the clients increased by 46.3%. The export factoring share reached 70% in the total factoring portfolio.

The Bank traditionally financed the working capital, investment and export oriented projects of large customers, executed documentary operations. All this enabled to retain the corporate business volume in 2016.

Priorbank focuses substantial efforts on new products and approaches development, as well as strengthening of partnership relations for customer services quality improvement. In 2016, within the partnership cooperation the Bank launched and successfully implemented financing under IFO programs with participation of Roseximbank and EBRD.

Business with Small- and Medium Sized Enterprises

In 2016, the co-operation strategy with SMEs was focused on the product range development, client base increase, customer service quality improvement, technologies and processes optimization.

In order to increase SMEs loan support, the Bank con-

cluded the agreement with the Development Bank of the Republic of Belarus on investment financing for SMEs to the amount of 30 billion BYR (before denomination). Also, under the Presidential Decree No. 255 dated 21.05.2009 "On State Support Measures to Small Enterprises", Priorbank is implementing a program on disbursement of privileged loans to small enterprises jointly with Minsk City Executive Committee, Minsk Oblast Executive Committee, as well as Brest, Mogilev and Gomel Executive Committees.

In 2016, the Bank developed and launched a new lending product 'Prior-Bonus' supposing drawdown of the loan agreed in advance based on the loan scoring model. The key competitive advantage of this product is high automation level of all lending processes, and, consequently fast loan drawdown. All the stages of the product approval, preparation and signing of the respective documents are effected distantly, without the client's visit to the Bank. This is the first distant loan for legal entities launched in Belarus.

Within the Project "Analytical CRM" Priorbank developed a complete functionality of CRM campaigns for legal entities with various sales options: via BSCs, electronic mailings, Internet-Bank and mail-bank (EPS). The Bank applies the Customer Assessment Comprehensive Model to define the target sampling with the purpose to improve CRM campaigns efficiency.

The Bank was proactively conducting CRM-campaigns targeted at banking products sales to SMEs (FOREX transactions, salary payroll projects, corporate cards). The Bank was proactively promoting the banking products via electronic distribution channels

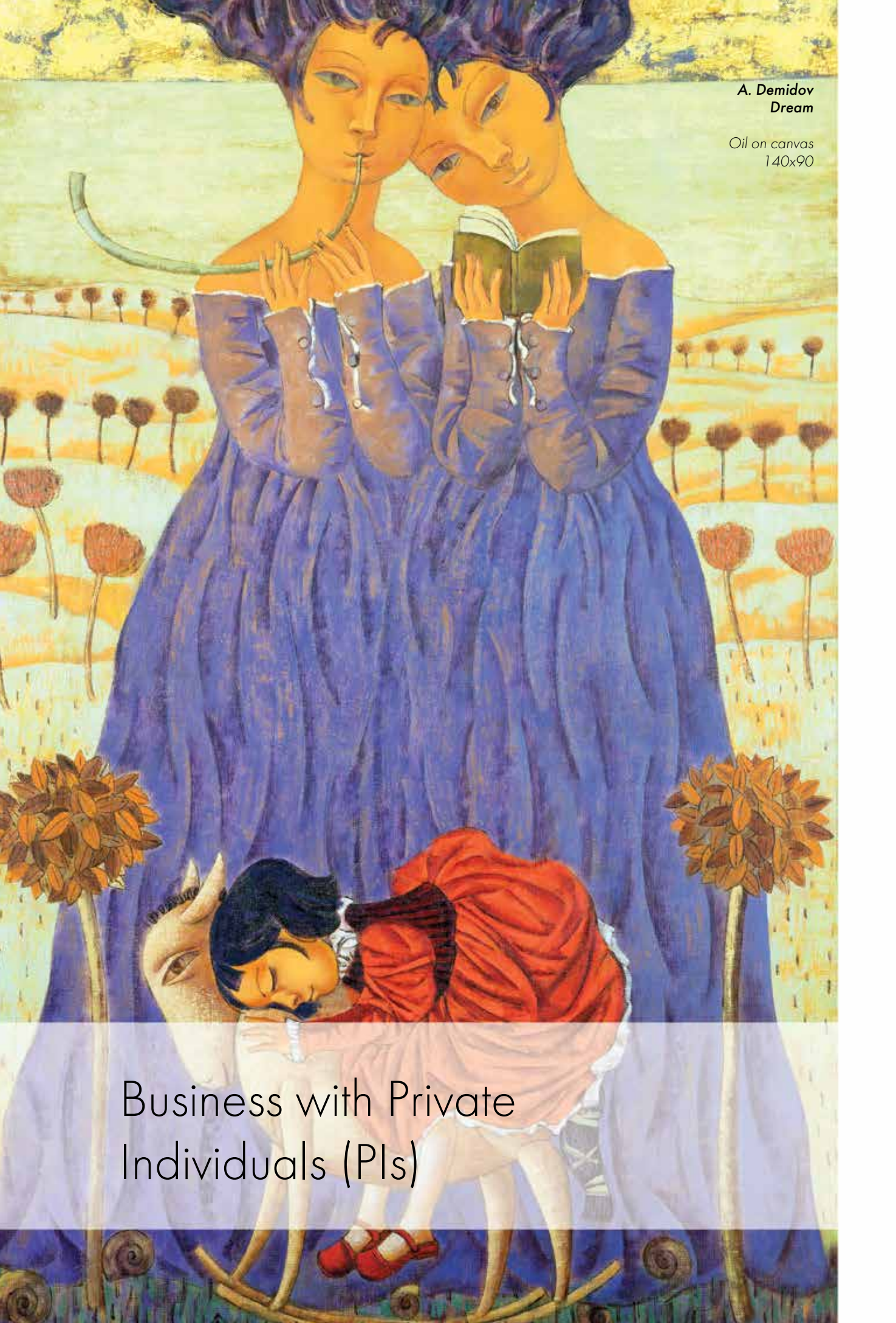
In November 2016, the Bank launched the Pilot Project at two Minsk BSCs: Contact Center for legal entities. Priorbank launched self-service cash-in terminals for acceptance of trade revenues of legal entities and individual entrepreneurs.

In 2016, electronic digital signature (EDS) was launched, which enabled the clients to sign the agreements without visiting the Bank and significantly reduced the time required to sign the documents. All security requirements were complied with, which excludes the signature counterfeit. The documents signed with EDS are stored at the Bank at the electronic data warehouse.

In 2016, Active client base increased by 18%.

A. Demidov
Dream

Oil on canvas
140x90



Business with Private
Individuals (PIs)

Business with Private Individuals (PIs)

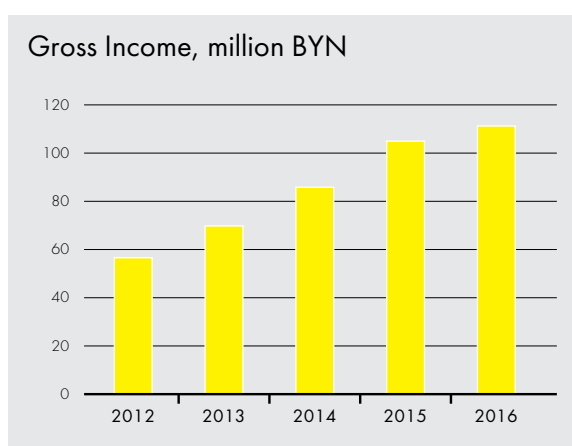
As at 1 January 2017, Priorbank’s branch network consisted of 88 points of sale (POSs), thereof 31 BSCs and 57 remote POSs.

In 2016, Priorbank continued to implement RBI Group Projects aimed at BSCs business efficiency and customer service quality improvement.

One of the key PIs business priorities in 2016 was further increase of the active PIs client base by promotion of the salary payroll projects and pension program. Simultaneously, utmost attention was focused on distant PIs service channels by launch of new digital services.

In 2016, the key sources of the earned income were lending and deposit operations (interest income) and services rendered within the salary payroll projects (commission income). In 2016, the total number of Priorbank clients-PIs regularly receiving salary or pension reached 474,600 having increased by 13.1 ths. or 2.8%.

The Gross Income earned in 2016 exceeded the level of 2015 by 5.6%.



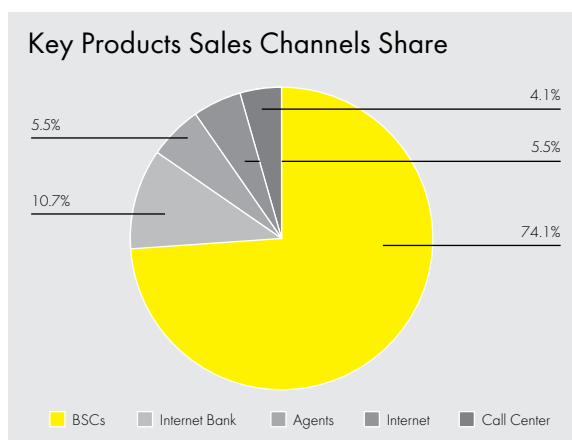
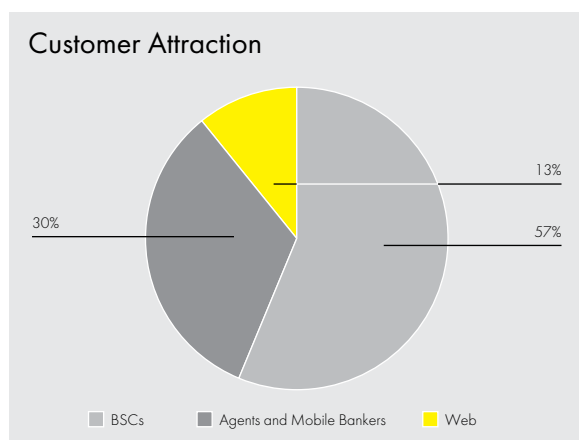
Customer Relationship Management (CRM) – Cooperation with the Existing Clients in 2016

Implementing the strategy focusing on retention and development of relations with the target customer groups, the Bank endeavored to create value for the clients not

only in individual products, but also by maintenance of personal relationships via all inter-action channels.

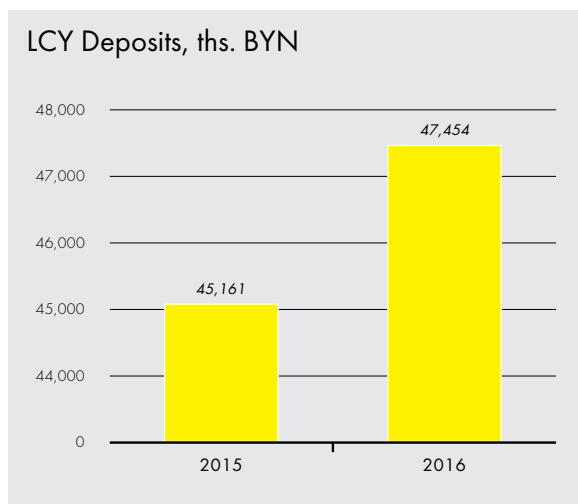
Owing to focus on multi-channel service system at CRM platform, in 2016, the share of non-traditional channels of new customers attraction and products sales increased.

Within personalized marketing campaigns, more than 78% of the Bank’s salary pay-roll customers received an individual product offer. CRM activities resulted in sales of more than 30% of all consumer/personal loans.

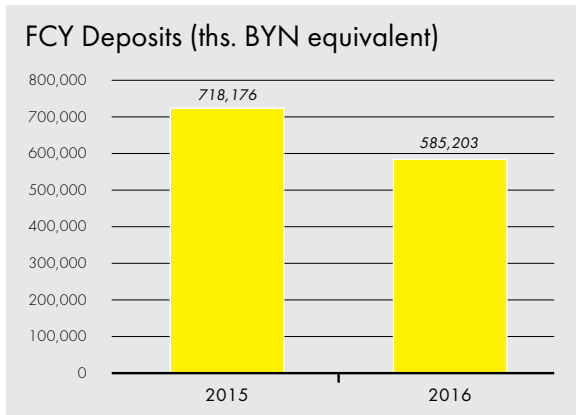


PIs Deposits and Accounts

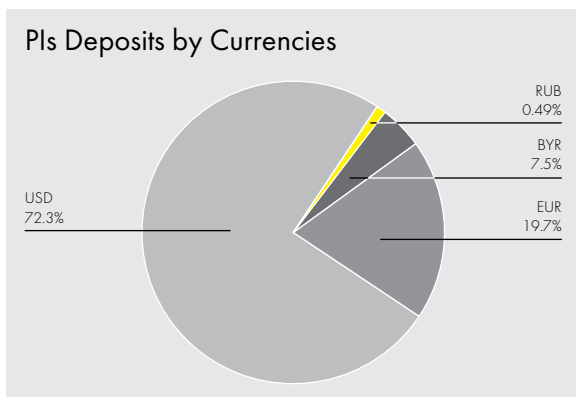
In 2016, local currency (LCY) deposits grew by 5%. The positive trend is characterized by the deposits conditions attractiveness, optimal interest rates level, funds safety guarantee, and the clients trust in Priorbank. The Bank offered a wide deposits range: both revocable and irrevocable. The share of irrevocable deposits in the LCY deposit portfolio constitutes about 37%, and in foreign currency – about 10%.



In 2016, the Bank pursued a conservative Interest Policy towards FCY deposits, which resulted in drop of term FCY deposits portfolio by more than 18.5%.



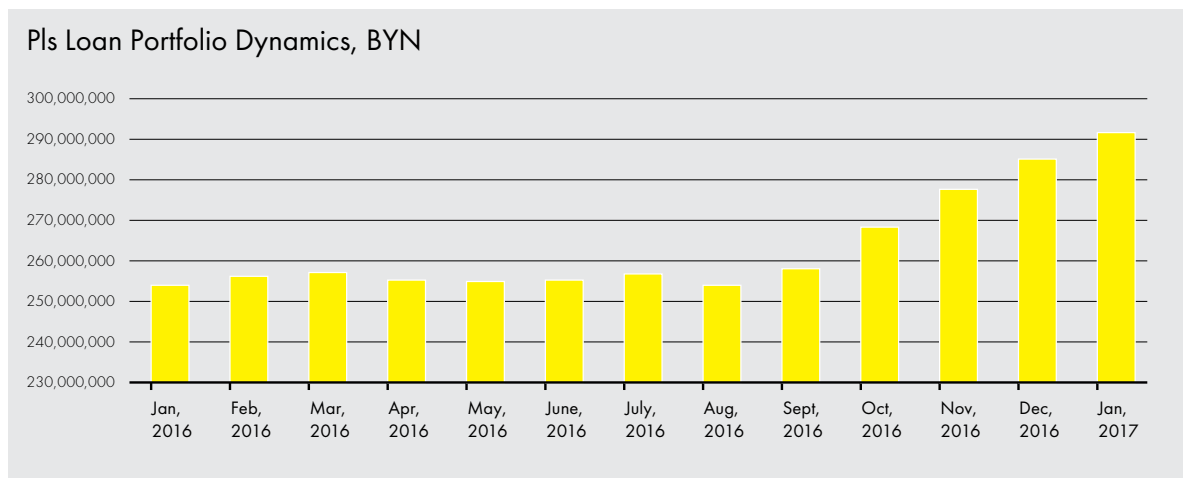
In 2016, the Bank formed a diversified deposit portfolio structure by currencies.



Loans

In 2016, Priorbank maintained its leading positions on PIs lending market. Owing to a wide product range, well developed branch network and opportunity to distantly submit a loan application via e-channels, Priorbank occupies the 2nd place among the banks of the Republic

of Belarus in terms of lending to PIs and the 1st place in terms of consumer lending. Priorbank PIs loan portfolio in 2016 increased by more than 15%. The principal business development lines remained consumer loans and credit cards, as well as application of up-to-date management and IT lending process technologies.



In 2016, Priorbank expanded its lending products range offering its clients additional opportunities. In March 2016, Priorbank's clients can receive a personal loan by the funds drawdown to the debit payment card. This product allowed to optimize cash on hand flows and develop cashless payment system. In June 2016, the Bank launched flexible loan refinancing programs for the loans previously received both at Priorbank and other banks.

Tariff Policy

In 2016, Priorbank pursued the Tariff Policy focused on stimulation of cashless transactions and payments via distant banking service channels. Throughout the year, Priorbank maintained the existing tariffs and launched new services for its clients.

Among new services offered by the Bank in 2016 were change of card PIN-code at ATMs, cash transfers among credit cards, bank correspondence delivery for premium clients Premium Direct was advanced. New savings cards 'Boomerang', launched in 2016, offered the clients the tariffs stimulating cashless payments.

Special conditions of voluntary life insurance at Unitary Insurance Company PriorLife, improved information support services: Concierge Service Consultant, Concierge Service Expert, and Concierge Service Assistant became available for Priorbank Service Packages users. As before they were offered special conditions under the banking products within the loyalty programs.

For its premium clients the Bank offered additional service of MOD insurance at special conditions, as well as new Service Package – Premium Platinum.PRO, which significantly enhances the opportunities for new premium card holders Visa Infinite and World MasterCard Black Edition.

Plastic Bank Cards

By late 2016, Priorbank has issued a total of more than 880,000 plastic bank cards for the payment systems: Visa International, MasterCard Worldwide and BelCard, with a market share of 7%, remaining one of the leaders in the Republic of Belarus in terms of the cards issue and cashless settlements programs development.

Also, Priorbank occupies the leading positions in terms of credit cards issue retaining the market share of 31%. In 2016, the Bank issued more than 30,000 new credit cards.

In 2016, Priorbank, supported by the International Payment Systems Visa International, MasterCard Worldwide, 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:

- The promotional game 'To Share the Love for the Game is Invaluable' held from 1 November 2016 to 30 December 2016 (with the purpose to promote cashless payments by MasterCard cards);

- The local promotional game 'Visit RIO with Visa' held from 8 April 2016 to 2 June 2016 (with the purpose to promote cashless payments by Visa cards);
- The promotional game 'Visit RIO with Visa and Priorbank' held from 8 May 2016 to 5 June 2016 (with the purpose to promote cashless payments by Visa Gold and Visa Platinum cards);
- The local promotional game 'Enjoy the Best Moments of Olympic Games in RIO' held from 4 July 2016 to 16 August 2016 (with the purpose to promote cashless payments by Visa cards);
- The promotional game 'Win with Priorbank Card' held from 6 August 2016 to 30 September 2016 (with the purpose to promote cashless payments by Visa Classic, Visa Gold and Visa Platinum cards);
- The promotional game 'Welcome to Priorbank' held from 1 March 2016 to 30 November 2016 (with the purpose to attract new clients and opening of accounts by them);
- The local promotional game 'Travel with Visa' held from 1 June 2016 to 30 August 2016 (with the purpose to promote cashless payments by Visa cards);
- The local promotional game 'Buy Products by A Click' held from 28 September 2016 to 20 December 2016 (with the purpose to promote cashless payments via the Internet by Visa cards).

The Bank's product line combined with marketing activities, in 2016, enabled to significantly increase the total number of transactions with payment cards to 98 million (88 million in 2015), thereof 80 million (70 million in 2015) cashless transactions for goods and services. Meanwhile, the share of cashless payments by Priorbank cards increased to 43% against 39% in 2015. Priorbank occupies the leading positions in terms of plastic cards gross turnover: in 2015, Priorbank was ranked the third with a turnover of 2.36 billion EUR, in 2016, Priorbank was ranked the second with a turnover of 2.7 billion EUR, thereof 1.18 billion EUR – cashless payments for goods and services, and 1.52 billion EUR – cash withdrawal transactions.

In 2016, Priorbank offered its clients a number of new products based on the bank cards:

- In March 2016, the Bank launched issue of the payment cards 'Boomerang' with payment of interest income accrued on cashless transactions amount (money-back);
- In April 2016, the Bank launched issue of the payment cards Visa payWave supporting contactless payments. By late 2016 Priorbank has issued more than 70,000 contactless debit and credit cards: Visa Classic, Visa Gold and Visa Platinum both in LCY and in FCY;
- November 2016: the Bank launched issue of exclusive premium cards Visa Infinite and World MasterCard Black Edition.

Premium Banking for PIs

Priorbank has always been endeavoring to offer the most convenient services to its premium clients, as well as making the client's communication with the Bank the most convenient and efficient. Therefore, Priorbank offers various premium servicing models: Premium Banking – a traditional premium service in the Bank's office, and Premium Direct – a distant premium service.

Premium Direct service development in 2016 was based on expansion of digital banking technologies, product line and additional services for premium clients. In 2016,

Priorbank launched a new premium service package – Premium Platinum.PRO with issue of the exclusive premium cards Visa Infinite and World MasterCard Black Edition; free issue of the card Priority Pass and extended service package Concierge-Expert.

The Bank launched a special information mobile application PriorPremium for Visa Infinite and World MasterCard Black Edition card holders.

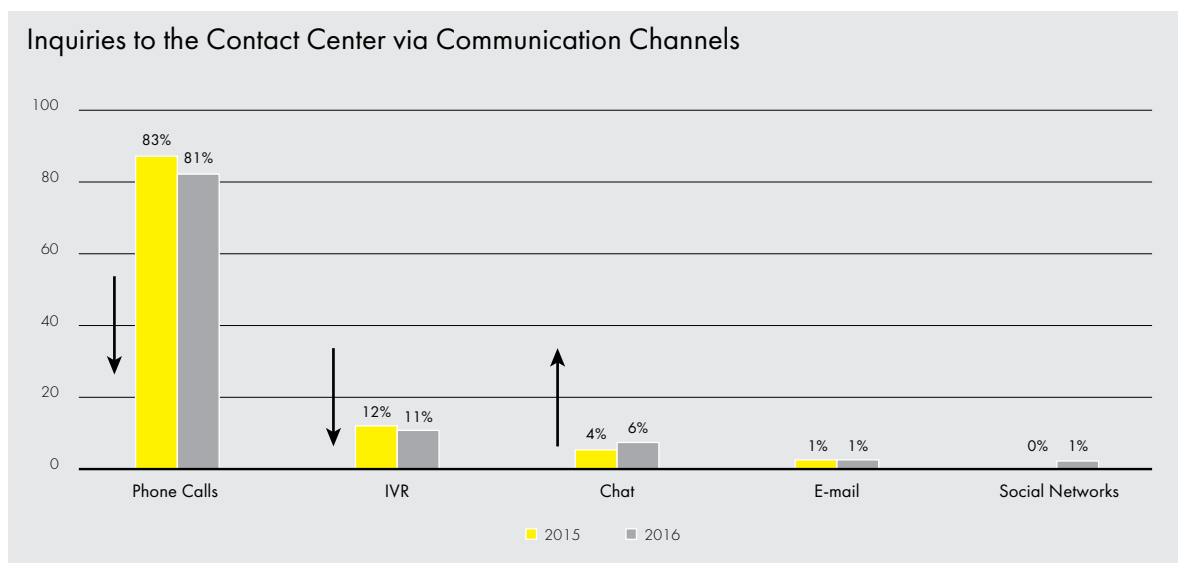
In 2016, Premium Direct users number grew by more than 90%.

Contact Center

The total number of the processed inquiries via all the channels increased by 4% v.s. 2015 having reached 913,000. The number of inquiries via the voice channels decreased by 2% to 81%. 11% of the inquiries were processed via the Interactive Voice Response (IVR) System.

The share of electronic channels: chat, e-mail and social networks increased to 8%. 58,000 chat-sessions were processed throughout a year, demonstrating a more than 75% growth v.s. 2015.

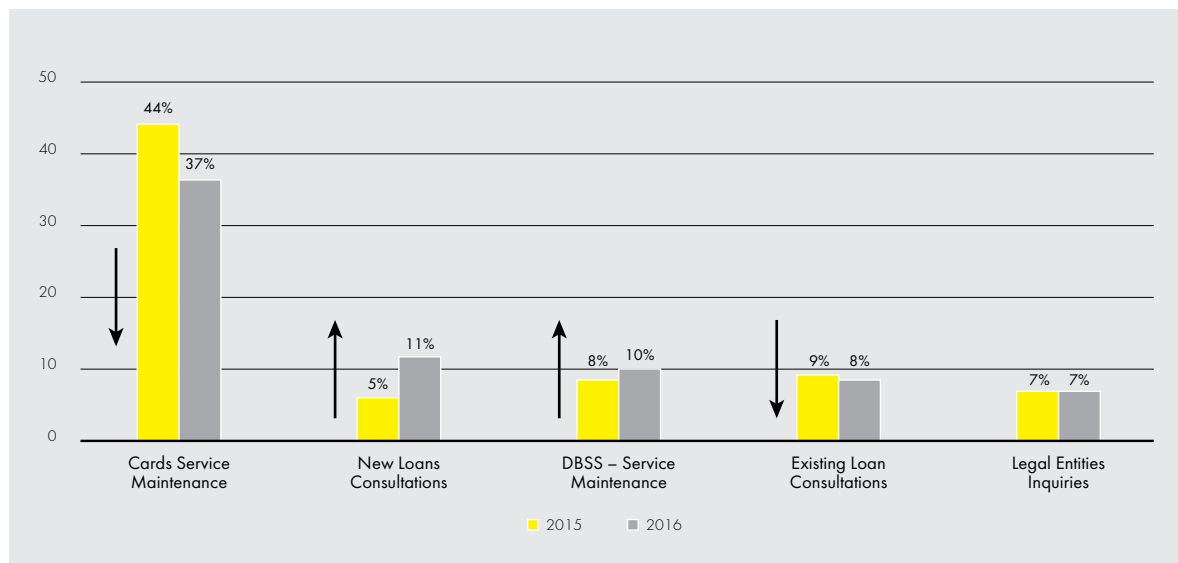
The chat service level grew by 10% v.s. 2015 having reached 93%/60, which means that the operator joined 93% of the incoming chats within the first 60 seconds.



In February 2016, a new communication channel was launched in the Contact Center – Social Networks, which allowed to automate the clients' requests from the Social Networks: Facebook and Twitter, and respectively quickly react on them. According to the results of the analytical platform Jagagam, in June 2016, Priorbank page occupied the first place in terms of reaction on the inquiries among all financial organizations in the Ru-net. For 11 months, the operators serviced more than 3,000 clients'

inquiries in the Social Networks: Facebook, Twitter and VKontakte.

Qualitative composition of the clients' inquiries changed, the share of inquiries regarding card transactions and existing loans decreased, the share of inquiries regarding new loans and the use of Distant Bank Servicing System (DBSS) increased.



On 1 December 2016 Priorbank launched a 24 hour chat at its web-site www.priorbank.by.

In April 2016, the Group of operators supporting legal entities and individual entrepreneurs in issues of acquiring, as well as opening and maintenance of electronic purses Belqi started its operation at the Contact Center. In September the Bank launched the Project Legal Entities Servicing at Contact-Center, the Bank started preparation to switch the calls of small enterprises from the Customer Service Divisions to the Contact Center.

In November, the calls from the two Minsk BSCs: 102 and 115 were switched to the Contact Center, where the customers could receive the information on cash management servicing.

The number of inquiries of legal entities and individual entrepreneurs to the Contact Center exceeded 34,000.

In 2016, the Contact Center sales team informed more than 188,000 Bank's clients – PIs about special offers regarding the Bank's products, which is by 34% more than in 2015. More than 11,000 clients received consumer loans via the Contact Center calls.

In 2016, more than 73,000 clients utilized customer voice identification technology at the Contact Center. More than 22,000 clients registered their voice samples. The clients personality was successfully confirmed by voice biometry technology in more than 43,000 calls, which enabled to save more than 240 working hours.

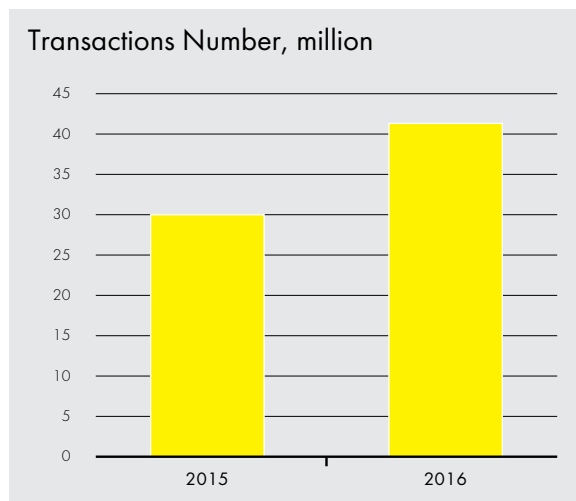
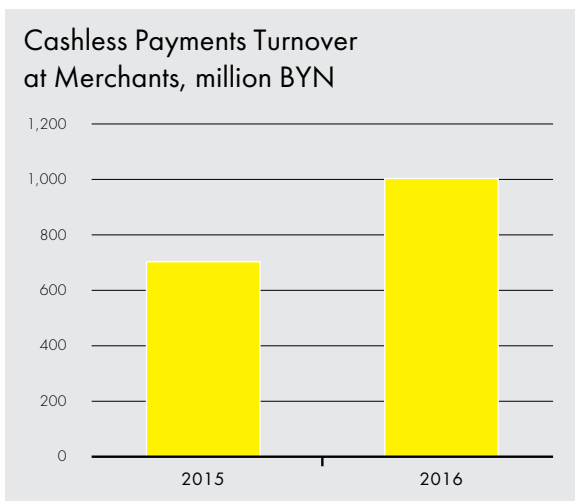
The customers inquiries resolved by the Call Center operators on the first try accounted for 88.7%, having increased by 3.7% v.s. 2015. The customer satisfaction survey shows, that 73% of the customers will recommend their colleagues and friends to apply to the Contact Center for consultations.

Bank Cards Acquiring and Payment Services

2016 has become another record year for Priorbank in terms of acquiring. The number of attracted merchants increased from 5,908 to 11,206 throughout a year, due to the Bank's co-operation with the world leader in production and maintenance of mobile acquiring – the company goSwift, as well as the partner companies Velcom and Bytechservice.

In 2016, Priorbank installed 2,372 POS-terminals at merchants; the total installed POS-terminals number is 15,413 and PriorSmartPos readers number is 13,041. Cashless transactions gross turnover processed by Priorbank in 2016 amounted to an equivalent of 454 million EUR. More than 40 million transactions were executed at merchants throughout the year.

The acquiring turnover at merchants grew by 18%.

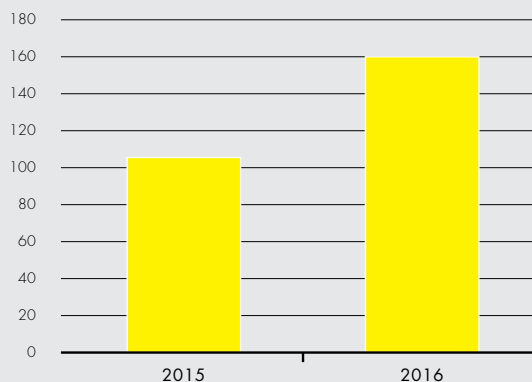


In 2016, the Bank additionally installed 17 new ATMs and 10 Cash-Ins. As at 01.01.2017, the total number of the Bank's ATMs amounted to 401, Cash-Ins number increased to 214.

Priorbank conducted successful migration of POS-terminals to the unified software CISBASE, allowing to distantly administer the terminals. Furthermore, the functions VEPS and NFC were launched at Verifone POS-terminals.

In 2016, the Bank installed the system of search and showing at ATMs screen the addresses of three closest functioning ATMs. Also the ATMs can communicate voice messages, which significantly improved customer service quality. Now the clients can change their card PIN-codes in ATMs, this service enjoys great popularity among clients. Cash withdrawal transactions turnover in 2016 amounted to 1.3 billion BYN.

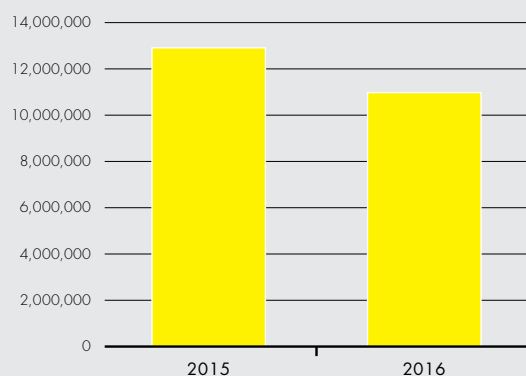
Cash-Ins Payments Turnover (cash and cashless), million BYN



In 2016, payments turnover via electronic money payment systems increased v.s. 2015:

- Transactions turnover with electronic money belqi increased by 14%, the transactions number dropped by 0.3%. Attraction of the social crowdfunding platform Talaka significantly contributed to the transactions volume growth;
- Payments amount via QIWI terminals increased by more than twofold; their number significantly increased by 18.6%, due to attraction of large corporate customers as agents distributing electronic money. The Bank also significantly upgraded the documents regulating electronic money circulation and optimized the payment system processes;
- The number of transactions via iPay System increased by 44.9%, the transactions volume increased by 85.4%.

Transactions Number (cash withdrawal in ATMs)



In 2016, Priorbank launched the unique service for the Belarusian financial market: Pls payments acceptance Online-Cash Office belqi. For the eight months of Online-Cash Office belqi operation, the Bank attracted more than 170 customers – legal entities and individual entrepreneurs.

Priorbank jointly with the largest filling stations operator developed an innovative product 'Drive and Pay' allowing to fill in the fuel in the self-service mode.

In 2016, the Bank started to accept payments in favor of distribution system for developers and editors of the videogames Xsolla, in favor of the web-portal Mail.ru. In 2016, the Bank accepted and transferred more than 1,000,000 payments under the services rendered by non-residents to the total amount of 10.3 million BYN.

Y. Voytik
Old house window

Oil on canvas
82x64

An oil painting of a window with teal shutters and a white curtain. The painting is on a dark, textured background. The window is the central focus, with a white curtain hanging from the top. The shutters are a muted teal color. The overall style is impressionistic with visible brushstrokes.

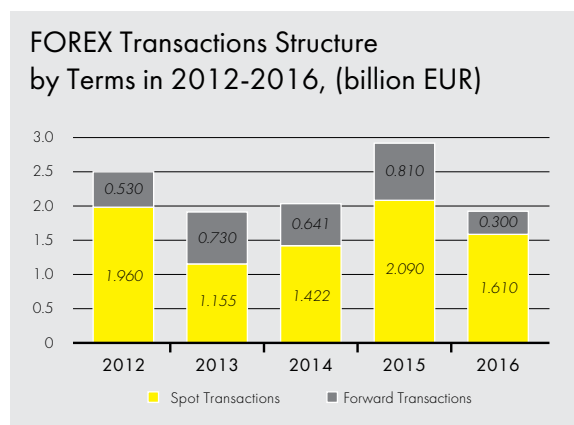
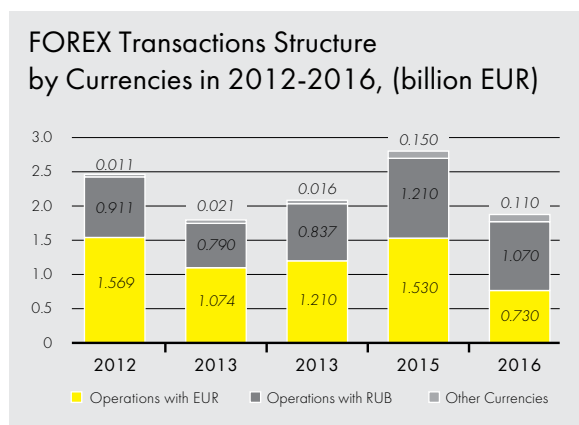
Treasury Operations.
Securities Dealings

Treasury Operations. Securities Dealings

FOREX Transactions

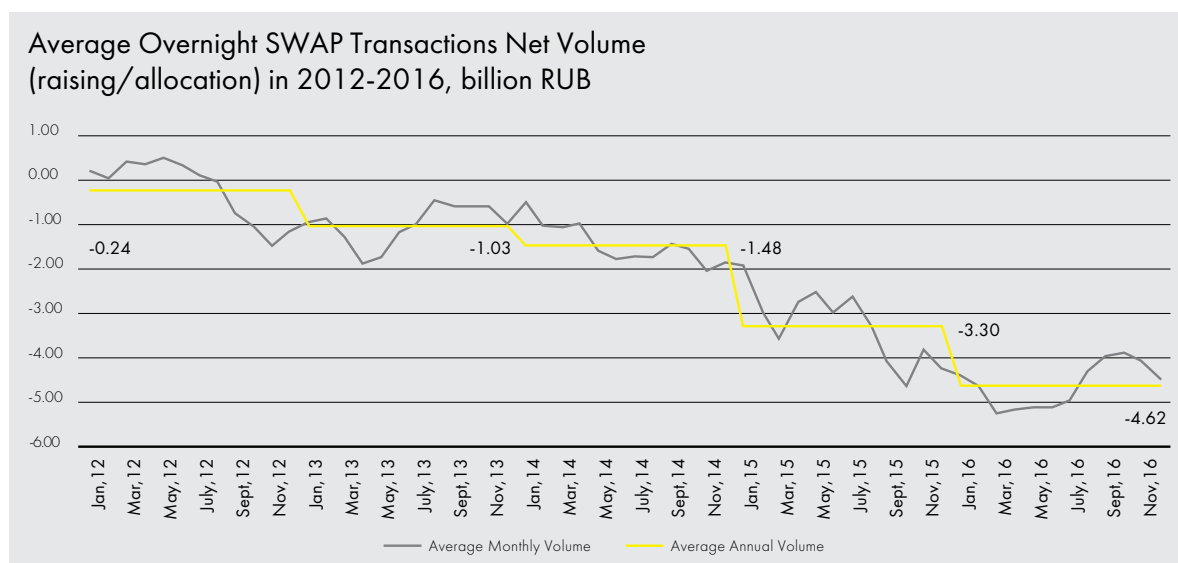
Priorbank concludes a large number of FOREX transactions both on local and international FX markets in order to ensure the customers' needs and with the purpose of the Bank's FX risk management. A wide range of coun-

ter-agents and excellent opportunities of Priorbank as a member of the international Raiffeisen Group, allow the Bank to execute a wide range of FX transactions at actual world quotations.



Satisfying the increasing demand of its clients for loans nominated in RUB, in 2016, the Bank significantly increased FX transactions volume on the Russian market,

which resulted in the average overnight SWAP transactions volume increase by 1.4 times v.s. 2015 to 4.62 billion RUB.



As in previous years, the Bank allocated excessive FCY liquidity on the inter-bank market. In 2016, given the outpacing growth of the Bank's liabilities over its assets,

the average overnight allocation volume significantly increased to USD 184 million v.s. USD 74 million in 2015.

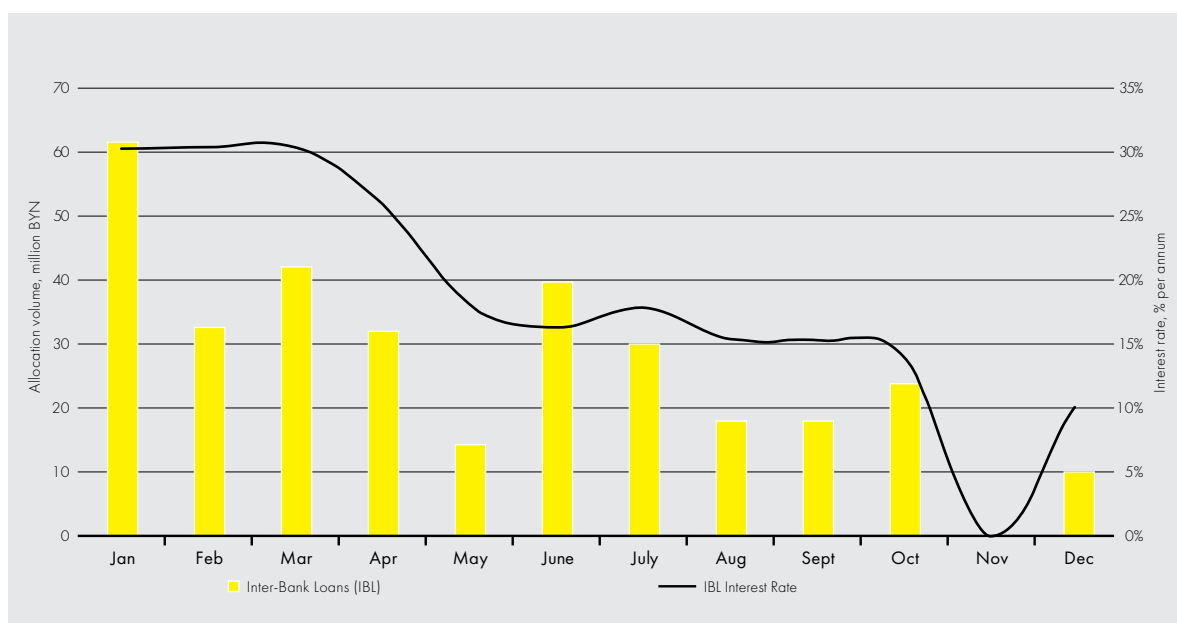
Local Money Market Transactions in LCY with Resident Banks

The banking system LCY liquidity in 2016 significantly improved as compared to 2015. The liquidity deficit on the inter-bank market in the 1st quarter was changed by the funds abundance, which resulted in the funds cost decrease from 29.5% per annum in January to 10.6% per annum in December.

Priorbank, traditionally being one of the major liquidity suppliers on the inter-bank market, was proactively sup-

porting the banking system with LCY loan funds throughout a year.

In 2016, income from BYN inter-bank loans exceeded to 6.1 million BYN at the average lending rate of 22.35% per annum.



Securities Dealings with Fixed Income

Active actions of securities issuers and the Bank's sufficient liquidity allowed to increase investments to high liquid assets – securities issued by the Government and the National Bank of Belarus (NBB). Thus, in 2016 Priorbank bought short-term NBB bonds to the total amount of 3,700 million BYN (12.9% from the total issue volume).

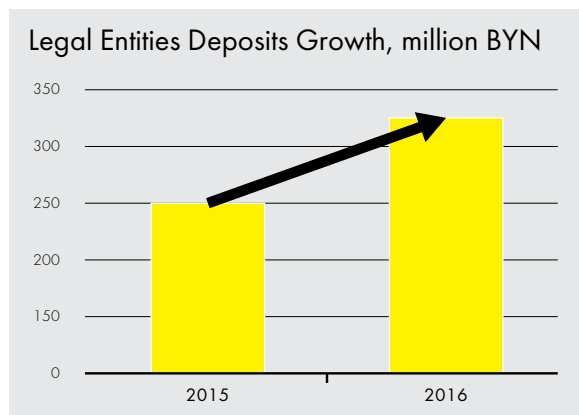
Throughout the year, Priorbank bought NBB and the Ministry of Finance bonds nominated in FCY to the amount exceeding USD 63 million.

Priorbank's income from investments to securities in 2016 exceeded 26.0 million BYN.

Treasury Products

In 2016, Priorbank increased its market share in terms of legal entities deposits by 11%. The average monthly legal

entities' deposit portfolio in 2016 reached 324.7 million BYN, having increased by 30% against 2015.



Increased clients' demand for long term investments to public securities contributed to a nine-fold growth of Priorbank broker securities transactions. Brokered by Priorbank, the clients' investments to NBB bonds increased by USD 21.2 million and 3.6 million EUR.

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

In 2016, Priorbank occupied the second position among Belarusian banks in terms of FCY Buy/Sell transactions volume at the Belarusian Currency Stock Exchange (BCSE) with the market share of 10.4%.

In 2016, in the conditions of growing competition on the background of shrinking market Priorbank's share on the over-the-counter FOREX market in terms of FCY Buy/Sell transactions with legal entities maintained at the level of 13.8%.

Priorbank clients' interest in FX risk hedging in the conditions of high FX rates volatility on the international FOREX markets led to the growth of the number of clients utilizing this tool by 68.8%; the volume of the concluded forward transactions increased by 54.2%.

Popularization of digital banking among the clients enabled to increase the share of FCY Buy/Sell transactions by legal entities via the Internet-Bank System service of Trading Platform to 26.14%.

Liquidity Management

Priorbank liquidity position in 2016 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.

Custody services

In 2016, 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 issuers and rendered other custody services.

The Bank's shareholders comprise of 498 legal entities owning 95.217% of shares and 15,210 private individuals owning 4.783% of shares. The majority share in the

authorized capital of the Bank belongs to Raiffeisen CIS Region Holding GmbH (a subsidiary company of Raiffeisen Bank International AG). Priorbank's subsidiaries do not own the Bank's shares.

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

Adolf Huhel
Sun

Oil on canvas
70x85, 1989



International Activities

International Activities

Funding

Being a member of RBI group, Priorbank channels the vital foreign investments to real sector of economy. Considering globally diversified market, Priorbank tends to know customers the best, on the one hand, to structure funding portfolio properly, on the other hand, to meet clients' requirements and follow their intentions. We adhere to customer-oriented policy and plan the wholesale funding utilization in details that leads to interest arising among potential clients and the loyalty keeping among existing ones. There is a huge potential for our clients to attract the needed funding on profitable terms and conditions under risk-sharing program of co-financing with EBRD. Our customers have already examined the underlying opportunities that made a

positive economic impact on their development on the market.

The previous year brought the synergistic relationship with Eximbank of Russia as the long-term financial facility agreement (up to 3 years) was negotiated and materialized successfully that allowed our clients to borrow funds at an attractive price to finance the purchase of Russian origin goods.

Priorbank extends the cooperation with the development financial institutions in Asia that makes possible to put into practice customers' expectations on up-to-date market.

Trade Finance

Priorbank has a solid reputation in trade finance both locally and abroad, employing hi-tech centralized operation system backed by dedicated and professional team.

In 2016 Priorbank was acknowledged by the European Bank for Reconstruction and Development as "Most Active Issuing Bank in Belarus" for the ninth time and for the fourth year in a row which is an impressive achievement that became possible owing to the trust and loyalty of Priorbank's clients. While business goals are important, we leverage success by taking the long-term view of understanding and responding to customer demands.

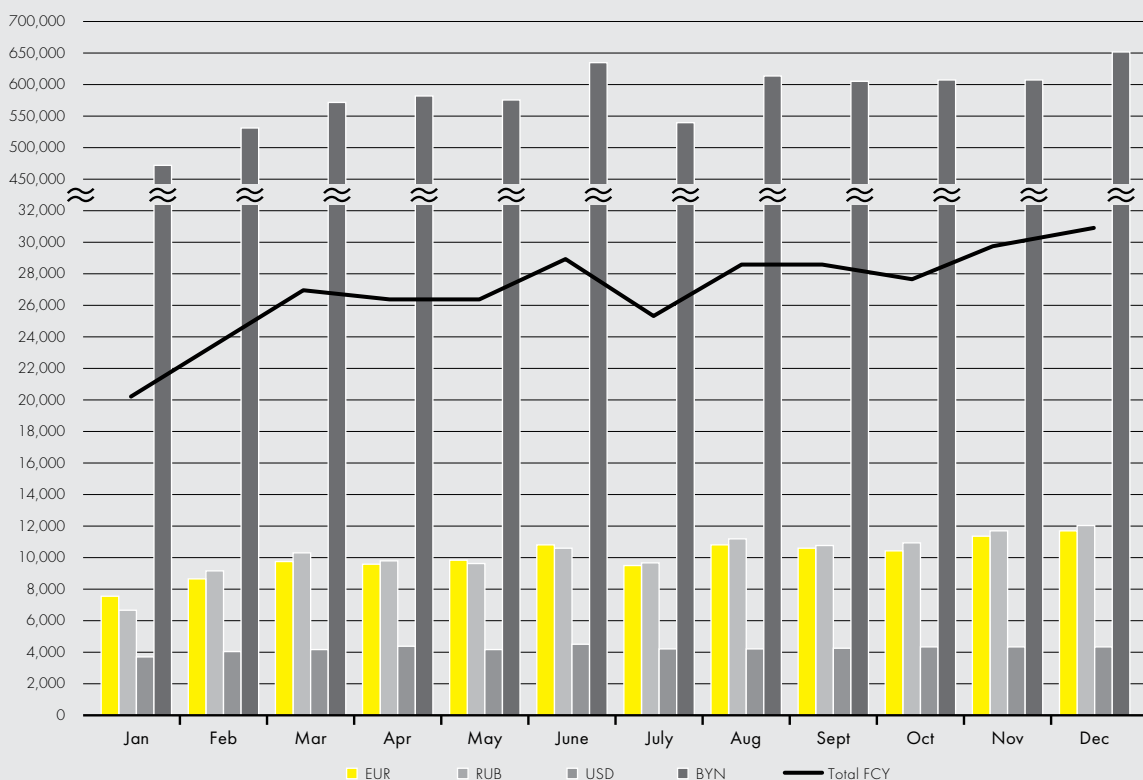
In order to support the development of Belarusian export, during 2016 Priorbank worked out a new product – discounting of the deferred payment export letter of credit, that is an exclusive issue for our market. By means of this product exporters can improve their liquidity position at attractive rates and benefit from sight payment shortly after presentation of shipping document while the importers have the deferred payment terms. Consequently discounting acts as a benefit to all parties involved and brings the opportunity for the bank to take part in exporters' development and expansion to the new markets.

Correspondent Banking

Priorbank has maintained a network of correspondent relations with the institutions of Commonwealth of Independent States, America, Europe and Asia in the spirit of proper implementation of Know Your Customer procedures. Being one of the most efficient members of Raiffeisen, the largest Austrian Banking Group in the Central and Eastern Europe, Priorbank supports its customers in their expansion into new markets. Almost 20% of all outgoing payments from Belarus are routed via Priorbank. Last year the main flows of payments were sent in favour of customers in Austria, People`s Republic of

China, Poland, Russian Federation, Germany, Ukraine, USA, Great Britain and Italy. As compared to 2015 the amount of both outgoing and incoming payments in foreign currencies increased by 3% and 8% correspondingly, while the amount of payments in local currency grew by 4%. The excellent quality of commercial payments has been always confirmed by numerous STP Excellent Quality Awards of recognized clearing institutions such as Deutsche Bank Trust Company Americas, Citibank NA and Commerzbank AG.

Dynamics of Outgoing Payments in 2016



Market share

	2014	2015	2016
Payments in BYN, %	9.57	9.72	9.96
Payments in FCY, %	16.62	18.35	17.78

List of main correspondent banks					
Currency	Account	Correspondent	City	Country	SWIFT Code
CHF	0835-0902029-13-010	CREDIT SUISSE AG	Zurich	Switzerland	CRES CH ZZ 80A
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
GBP	63999084	BARCLAYS BANK PLC	London	United Kingdom	BARC GB 22
JPY	653-0428213	THE BANK OF TOKYO-MITSUBISHI	Tokyo	Japan	BOTK JP JT
KZT	KZ586010011000268568	JSC HALYK BANK	Almaty	Kazakhstan	HSBK KZ KX
PLN	PL1517500009000000002886448	RAIFFEISEN BANK POLSKA SA	Warsaw	Poland	RCBW PL PW
RUB	30111810700000110023	AO RAIFFEISENBANK	Moscow	Russia	RZBM RU MM
RUB	30111810855550000010	JSC VTB BANK	Moscow	Russia	VTBR RU MM
RUB	30111810600013168183	AO 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

Siarhei Rymasheuski
In the beginning Was the Word

Oil on canvas
70x60, 2007



Risk Management.
The Bank's Loan Portfolio

Рымаш.

Risk Management. The Bank's Loan Portfolio

Risk Management Organization in the Bank

Priorbank's business is exposed to certain risks typical for all credit organizations. With the purpose of mitigation of risks and their possible adverse affect on the Bank's business, Priorbank conducts comprehensive multi-level credit risk management activities. The task of Priorbank Risk Management Team is implementation of efficient bank risk management system, including:

- strategic;
- credit;
- market;
- operational;
- reputational;
- liquidity risk;

and its constant improvement in compliance with the most up-to-date international requirements and standards.

Priorbank risk management is conducted in close co-operation with the respective divisions of RBI AG. In order to ensure the Bank's financial stability and mitigate risks, Priorbank annually develops the Risk Management Strategy, being the Bank's important development instrument, as it links business and risks. This link is expressed via setting of the Risk Management objectives arising from the business mid-term objectives, and, consequently, form future business solutions connected with risk. Pursuant to this Strategy, the Bank defines measures to achieve the targeted risk and profitability balance, the Bank's tolerance to key risk types.

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

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 reporting period.

Within the credit risk management process:

- in order to determine clear loan portfolio development directions given the current macroeconomic situation, to ensure the loan portfolio quality pursuant to Priorbank's Risk Management Strategy, the Risk Management Division jointly with the Business Divisions develops and approves the Credit 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, (industry) portfolio limits, portfolio concentration limits, portfolio quality targets/indicators, financing criteria, etc.;

- in the process of independent risk assessment, the Bank controls the Credit Risk, establishing individual client's limits and group of connected customers (GCC) limits, ensuring measures on the credit risk mitigation at individual level, and compliance with the Credit Policies requirements. The customers are assessed based on their credit history, quality of the offered collateral and key financials;
- at the individual and portfolio levels, the Risk Management Division controls over the limits utilization, prepare the respective credit risk reports. The Bank regularly monitors such risks, analyses ability of existing and potential clients to perform their financial obligations, and reviews loan limits with their changes, if required.

The Credit Risk Management Division applies various approaches to assess the risks for corporate, medium- and small-sized clients, private individuals and other counterparties, therefore the financing criteria are defined individually for each client segment.

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

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

Credit Risk Management Development in 2016

2016 was characterized by the increased macroeconomic risks and deterioration of the situation on key markets for Belarusian enterprises, which materially affected significant deterioration of clients' key financials, and, consequently, negatively affected Belarusian banks' loan portfolio quality.

Given the aforementioned factors, Priobank constantly monitored macroeconomic situation with immediate assessment of possible influence on the assets quality, and timely adjusted approaches to financing and dealing with non-performing loans (NPL).

In 2016, Priobank continued to improve credit risk management system and undertook the following measures:

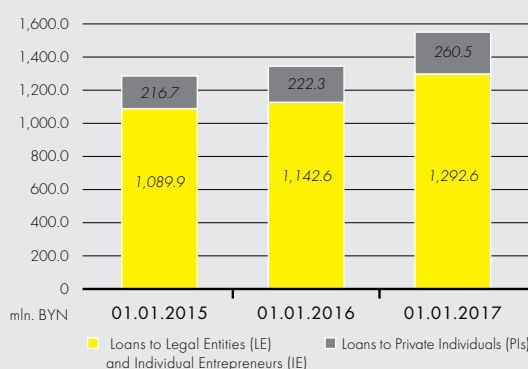
- the Bank reviewed the target risk acceptance level in the industries exposed to crisis events most of all;
- constant operative analysis of borrowers concerning their business model sustainability in the conditions of changed economic situation and review/decrease of financing limits, financing terms and conditions adjustment. Special attention was paid to the borrowers of cyclical industries, lending in FCY with monitoring of the borrowers with increased FX risk.
- constant loan portfolio quality analysis and operative response to its deterioration jointly with Early Warning Signs (EWS) System improvement;
- further improvement of Credit Fraud Prevention System focused on prevention and identification of fraudulent actions;
- more active and efficient dealing with NPL at early past due stages, thereof restructuring;
- measures on rating models improvement pursuant to RZB Group requirements;
- Risk Management IT support development.

In July 2016, the audit companies completed the initial stage of the assets quality review (AQR) of nine largest Belarusian banks initiated by the National Bank of Belarus (NBB), which main purpose was the independent assessment of banks credit risk and possibility of its mitigation out of the existing capital. The independent assessment was conducted by the Belarusian offices of such international audit companies as KPMG, Deloitte, E&Y and PKF possessing extensive experience of such assessment in the EU countries. Priobank successfully passed the procedure having demonstrated the Credit

Risk Management System compliance with complexity and large scope of its banking operations, and sufficient regulatory capital. Priobank does not require to undertake additional measures.

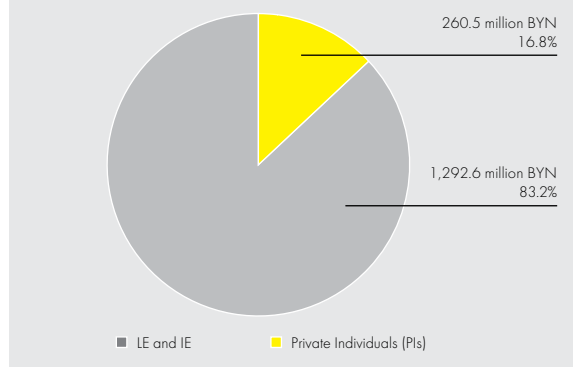
The Bank's Loan Portfolio by Customer Categories

Priobank's Loan Portfolio Dynamics



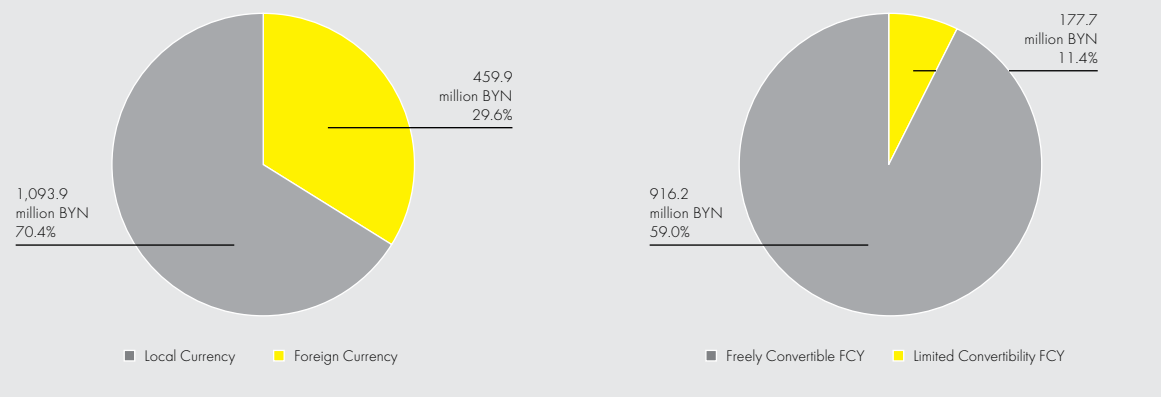
In 2016, the loan portfolio growth rate slightly increased v.s. 2015. Thus, the LE and IE loan portfolio increased by 13.1%, PIs loan portfolio increased by 17.2 (in 2015 the growth rate was 4.8% and 2.6%, respectively).

Priobank's Loan Portfolio Structure by Clients



Priobank loan portfolio structure did not significantly change. The share of loans to LE and IE in the loan portfolio structure as at 01.01.2017 accounted for 83.2% having decreased by only 0.5% v.s. early 2016.

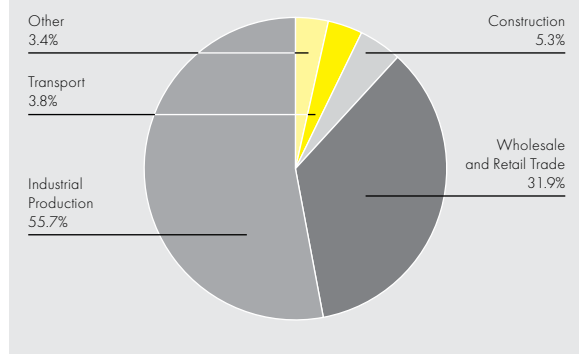
Priorbank's Loan Portfolio by Currencies



The share of FCY financing is stably high – about 70%, therefore special attention was paid to FX risk level assessment. As a rule, upon financing the preference was

given to export oriented clients (based on the situation on the respective export markets) and import substituting manufacturers.

Legal Entities and Individual Entrepreneurs Loan Portfolio Structure by Industries



The loan portfolio structure by industries remained unchanged. In the loan portfolio of legal entities and individual entrepreneurs structure in early 2017 the dominating shares belong to industrial production (55.7% of the loan portfolio); wholesale and retail trade (31.9%).

Owing to the conservative approach to lending in the turbulent economic environment; improvement of risk management criteria, procedures and system; undertaken efficient risk management measures, currently, Priorbank has significant capital cushion and acceptable assets quality.

One of the key factor of this success is high efficiency of Priorbank's credit risk management system. Its further development is the most important priority of the Bank's activities.

M. Dantsig
Good bye, Vitebsk

Oil on canvas



Personnel

Personnel

As of 01.01.2017, the headcount of the bank employees was 2,360 that includes 19.2% of male and 80.8% of female employees. Number of employees with the high education is 85.3%. 37.6 years is the average age of the employees of the Priorbank JSC. During 2016 128 employees were hired in Priorbank, including 73 employees at the age of 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 and graduated from Prior School.

Key HR priorities in 2016 were:

- **Support of the Bank innovation development by:**
 - organizing a series of training activities for managers and employees on Agile project management, digital channels development and application of modern technologies in banking business;
 - non-financial motivation of employees at individual and group level focused on collection and implementation of innovative ideas (190 ideas were generated by employees in 2016, 30 are in the process of implementation); constant training of managers and key staff on Lean methodology.
- **Development of high-quality service culture for internal and external clients:**
 - in order to further skills improvement required for high quality service provision more than 200 employees were trained on customer service quality and more than 70 various webinars organized;
 - professional knowledge testing organized on a regular basis for the employees of all business-lines;
 - internal customer satisfaction survey among HO employees was carried out;
 - implementation of a new pilot program for the bank top-managers development "Dive into the Branch" aimed at enhancing closer cooperation and interconnection between HO and Branches;
- a new database "Thanking colleagues" was created to maintain and foster cross-functional communication within the bank. A pilot was launched for the HO employees (70% of HO employees became active participants).
- **Improvement of employees motivation and retention program:**
 - further development of social package focused on highly qualified and loyal employees by means of extending the range of medical services and number of employees covered by the program.
- **Bank's results improvement through the formation of healthy competitive spirit and performance evaluation:**
 - for the purpose of team spirit support as well as healthy living propaganda in the bank the following events were held in 2016: the 20th tourist rally among bank's employees and their families, bowling, billiards, swimming, volley-ball, tennis competitions, etc. Moreover, the bank's team took part in military-patriotic sporting game "Confrontation" having won the lead;
 - to promote and encourage the most active and talented employees five contests 'The Best in Profession' were held. For achieving high performance and initiatives focused on the Bank's key priorities implementation "The Best of the Best" nominations were awarded in 2016 for the best department, the best manager, the best project and the best branches of Corporate, SME and PI business.
- **Employee Engagement level improvement:**
 - the second wave of employee engagement survey was held covering 92% of the bank employees. The total bank's result of employee engagement was 86%. Based on the outcome the Action Plan is prepared.

S. Hrynevich
Around-the-world cruise

Oil on canvas
80x80



Information Technologies

Information Technologies

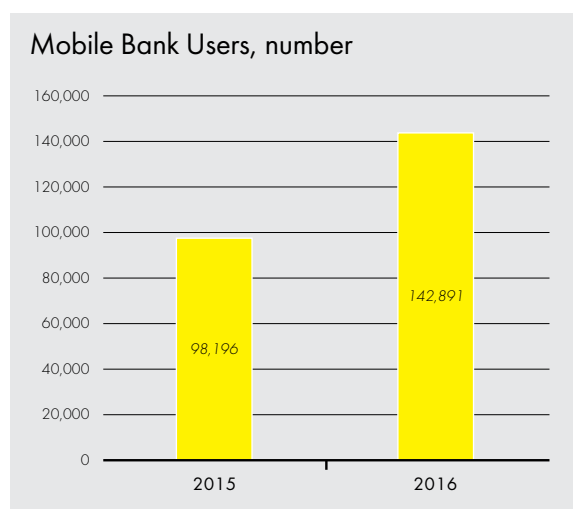
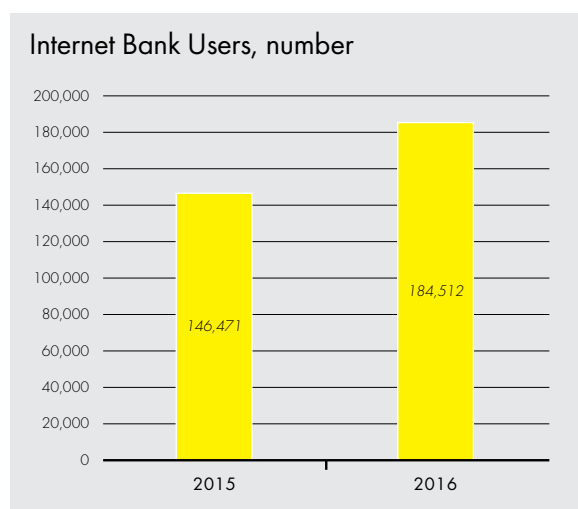
Nowadays, Belarusian banks offer a wide range of transactions via the Internet. Priorbank is one of the market leaders in terms of distant banking services, and is continuing to develop the most up-to-date technologies.

We take constant care of the customer service quality and endeavor to make the services more user friendly and convenient. In 2016, the Bank proactively developed and improved electronic distant banking service channels (DBSC).

In 2016, the Bank fully renewed the interfaces of the Internet-Bank and mobile applications based OS Android and iOS. A new version of the Internet-Bank allows users to make individual settings of the desktop, payments and other elements.

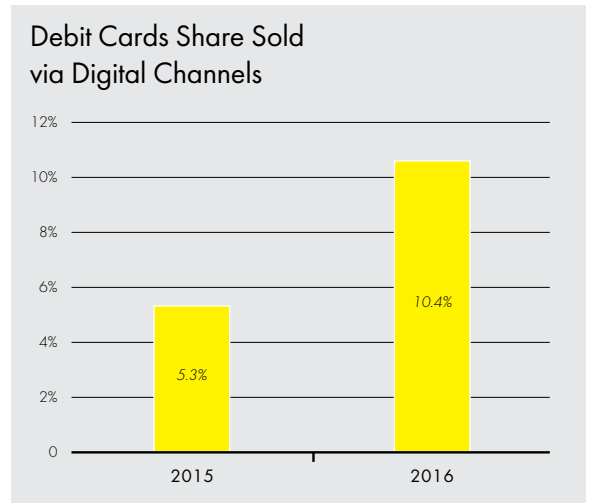
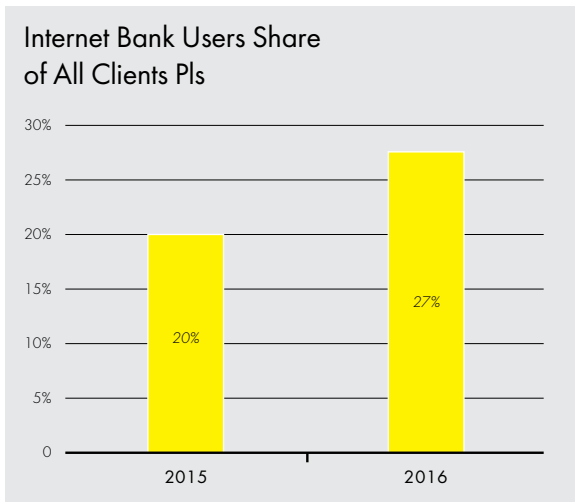
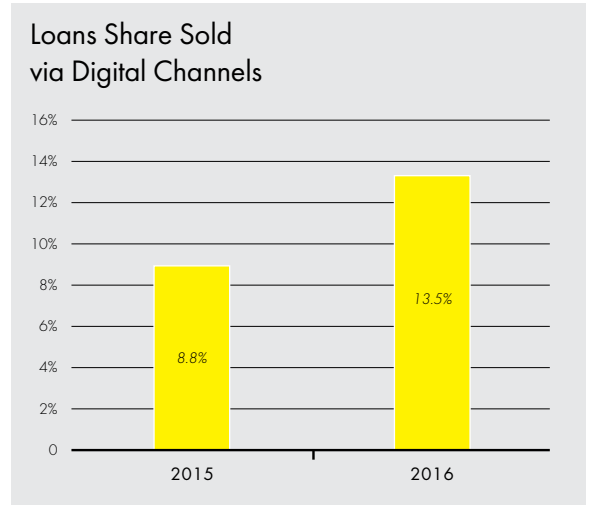
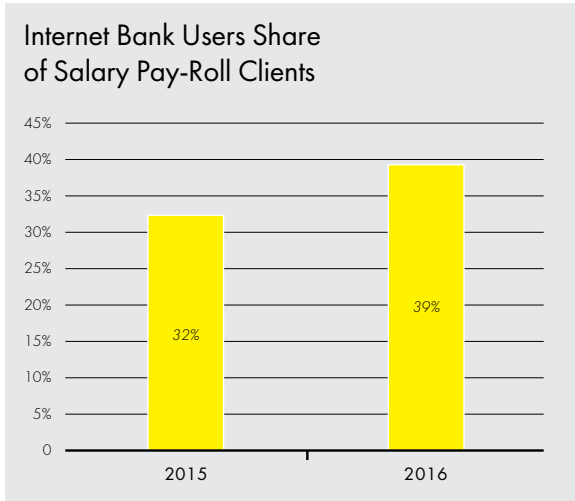
Mobile applications design and user interface were fully changed and improved. The user can save the login and password, as well as use alternative security options such as smart code, graphic key, or fingerprint.

The number of unique clients switched to various DBSC (Internet, SMS, USSD) reached 414,000. The number of active users of the Internet-Bank increased by 26%, mobile bank – by 46% (v.s. the previous year). About 25,000 of the Bank's clients monthly install mobile application Prior Online.



In 2016, the Internet Bank penetration reached 39% in the salary pay-roll segment and 27% of all clients Pls.

applications. The bank actively applied internet marketing instruments. The Bank's efforts enabled to increase the credit products sales by 1.5 times; debit cards sales increased twofold v.s. 2015. In 2016, the clients opened 12,769 deposit accounts.



The Bank paid utmost attention to sales via digital channels. New product application forms were added to mobile

One of the most important Projects in 2016 is launch of the unique public account with a function of a payment chat-bot based on the most popular messenger in the country Viber.

The first banking public account was announced on 10 November 2016 by Viber representatives at the conference 'Business Internet' in Minsk. Only about 1,000 companies all over the world have access to new format of Viber public accounts. The application has about 1,700 subscribers. The Viber-Bot enables to simply and quickly execute the most popular payments (mobile operators, Internet, utility services). It is the payment functionality that differentiates the public account from other public chats already familiar to Belarusians.

Development of Service to Legal Entities and Individual Entrepreneurs

In 2016, the Bank launched the following functionalities for legal entities and individual entrepreneurs in the Internet-Bank and Client-Bank Systems:

- conclusion of transactions under Reuters on-line quotations in the Section Trade Platform of the Internet Bank-System;
- submission of the financing application for Prior-Bonus product via the Client-Bank System;
- new requests are added to the Client-Bank System;
- a new files transmission contact channel with clients via the Client-Bank System;

- forming of register of the assigned claims under factoring;
- DBSS for legal entities and individual entrepreneurs was upgraded caused by LCY denomination.

In 2017, Priorbank is planning further DBSS development launching the following functionalities:

- launch of the System Internet-Bank 2.0 for legal entities and individual entrepreneurs;
- switch of corporate cards functionality from DBSS for Pls to DBSS for legal entities and individual entrepreneurs;
- functionality on inter-action with the Inter-bank Identification System;
- upgrade of DBSS for legal entities and individual entrepreneurs caused by switch to international bank account numbers (IBAN) and bank identification code (BIC).

V. Kozhuh
Apple tree

Oil on canvas



Translation from the original in Russian

Auditor's report on the annual individual accounting (financial) statements of Priorbank JSC for the period from 1 January to 31 December 2016

Details of the audited entity

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

Details of the audit firm

Name of the audit firm:	Ernst&Young Limited Liability Company
Legal Address:	51A, K. Tsetkin str., 15 th floor, 220004 Minsk, Republic of Belarus
State registration:	State Registration Certificate No. 190616051 issued by Minsk City Executive Committee on 15 December 2014
PIN – Payer's Identification Number:	190616051

Translation from the original in Russian



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

Audit report on the annual individual accounting (financial) statements of Priorbank JSC for the period from 1 January to 31 December 2016, prepared by the independent audit firm Ernst&Young LLC

To Mr. Sergey Kostyuchenko
Chairman of the Board of Priorbank JSC

To the shareholders, Supervisory Board and Management Board of Priorbank JSC

To the National Bank of the Republic of Belarus

We have audited the annual individual accounting (financial) statements (hereinafter referred to as the annual financial statements) of Priorbank Joint Stock Company (hereinafter referred to as Priorbank JSC or the Bank), which consists of:

- The Bank's Balance Sheet as of 1 January 2017 (Form 1)
- The Bank's Profit And Loss Statement for 2016 (Form 2)
- The Bank's Statement of Changes in Equity for 2016 (Form 3)
- The Bank's Statement of Cash Flow for 2016 (Form 4)
- Notes to the annual financial statements

The annual financial statements were prepared by the Bank's management in compliance with Law of the Republic of Belarus No. 57-Z 'On Accounting and Reporting' dated 12 June 2013; Resolution of the Board of the National Bank of the Republic of Belarus No. 728 'On the Approval of the Instructions on the Organisation of Accounting and Reporting in the National Bank of the Republic of Belarus, in Banks and Non-bank Credit and Financial Institutions of the Republic of Belarus' dated 12 December 2013; Resolution of the Board of the National Bank of the Republic of Belarus No. 507 'On the Approval of the Instructions on Preparation of Annual Financial Reporting by Banks and Non-bank Credit and Financial Institutions of the Republic of Belarus' dated 9 November 2011, and other regulations of the National Bank of the Republic of Belarus effective in the reporting period which set forth accounting and financial reporting requirements for Belarusian banks (hereinafter referred to as Belarus' accounting and financial reporting regulations).

Translation from the original in Russian

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

Audited entity's management is responsible for the preparation and presentation of the annual financial statements, attached on 67 pages, in compliance with Belarus' accounting and financial reporting regulations and for the organization of internal control system necessary for the preparation of annual 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 these annual financial statements fairness based on our audit.

We conducted our audit in compliance with Law of the Republic of Belarus No. 56-Z 'On Auditing Activity' dated 12 July 2013 and the national rules of the auditing activity approved by the Ministry of Finance of the Republic of Belarus. Those rules oblige us to comply with professional ethical standards, to plan and conduct an audit to provide reasonable assurance as to the presence or absence of material misstatements in the annual financial statements.

During the audit, we performed procedures to obtain audit evidence on the amounts and disclosures in the Bank's annual financial statements. The procedures selected depend on the auditor's professional judgment, including an assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In assessing the risk of material misstatement of the annual financial statements, we analyzed the internal control system relevant to the preparation of the annual financial statements that are free from material misstatement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system. The audit also included evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall, the grounds for the estimates made, and the overall presentation of the annual 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 annual financial statements present fairly, in all material respects, the financial position of Priorbank JSC as of 1 January 2017, its financial results of its operations and the changes in its financial position (cash flows) for the year then ended in accordance with Law of the Republic of Belarus No. 57-Z 'On Accounting and Reporting' dated 12 June 2013; Resolution of the Board of the National Bank of the Republic of Belarus No. 728 'On the Approval of the Instructions on the Organisation of Accounting and Reporting in the National Bank of the Republic of Belarus, in Banks and Non-bank Credit and Financial Institutions of the Republic of Belarus' dated 12 December 2013; Resolution of the Board of the National Bank of the Republic of Belarus No. 507 'On the Approval of the Instructions on Preparation of the Annual Financial Reporting by Banks and Non-bank Credit and Financial Institutions of the Republic of Belarus' dated 9 November 2011, and other regulations of the National Bank of the Republic of Belarus effective in the reporting period which set forth accounting and financial reporting requirements for Belarusian banks.

Other matters

The annual financial statements are not intended to present the financial position and the results of operations in accordance with accounting and reporting principles and practices generally accepted in countries and jurisdictions other than the Republic of Belarus. Accordingly, the annual financial statements are not designated for those who are not informed about accounting principles, procedures and practices in the Republic of Belarus.

We audited the Bank's annual financial statements' compliance with the requirements of the National Financial Reporting Standards only in relation to the provisions which regulate the provision and disclosure of information in the annual financial statements.

Translation from the original in Russian

Pavel Laschenko
General Director

Auditor's Qualification Certificate issued by the Ministry of Finance of the Republic of Belarus No. 0000738 dated 14 May 2003, the validity period is not limited. Certificate of compliance with the qualification and business reputation requirements imposed on the auditors of banks, banking groups, and bank holdings No. 8 dated 27 October 2004, the validity period is not limited (last tested on 21 October 2014).

Ivan Stankevich
Director for Audit

Auditor's Qualification Certificate issued by the Ministry of Finance of the Republic of Belarus No. 0002137 dated 2 October 2013, the validity period is not limited. Certificate of compliance with the qualification and business reputation requirements imposed on the auditors of banks, banking groups, and bank holdings No. 74 dated 15 January 2014, the validity period is not limited (last tested on 28 December 2016).

Olga Yarmakovich
Auditor

Auditor's Qualification Certificate issued by the Ministry of Finance of the Republic of Belarus No. 0002233 dated 10 October 2014, the validity period is not limited. Certificate of compliance with the qualification and business reputation requirements imposed on the auditors of banks, banking groups, and bank holdings No. 87 dated 26 November 2014, the validity period is not limited.

The date of the auditor's report : 15 February 2017.

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

The date of receipt of the auditor's report by the audited entity: 15 February 2017.

General Director of Ernst&Young LLC



P. Laschenko

Translation from the original in Russian

Balance Sheet

as of 01 January 2017

Priorbank Joint Stock Company

(thousand BYN)

Item	Index	Note	2016	2015	
1	2	3	4	5	
1	2	3	4	5	
1	ASSETS				
2	Cash	1101	4.1	131,787	119,918
3	Precious metals and stones	1102	4.2	297	444
4	Assets with the National Bank	1103	4.3	224,436	215,736
5	Amounts due from banks	1104	4.4	407,792	383,602
6	Securities	1105	4.5	171,175	214,591
7	Loans to customers	1106	4.6	1,553,404	1,364,971
8	Derivative financial assets	1107	4.11	162	777
9	Long-term investments	1108	4.7	6,159	4,236
10	Fixed and intangible assets	1109	4.8	170,597	150,991
11	Assets for sale	1110	4.9	8,806	2,995
12	Deferred Tax Assets	1111		–	–
13	Other assets	1112	4.10	38,752	24,957
14	TOTAL ASSETS	11		2,713,367	2,483,218
15	LIABILITIES				
16	Amounts due to the National Bank	1201	4.12	–	186
17	Amounts due to banks	1202	4.13	239,083	296,478
18	Amounts due to customers	1203	4.14	1,892,964	1,672,994
19	Securities issued by the bank	1204	4.15	3,782	7,949
20	Derivative financial liabilities	1205	4.11	51	580
21	Deferred Tax Liabilities	1206		–	–
22	Other liabilities	1207	4.10	60,060	55,701
23	TOTAL LIABILITIES	120		2,195,940	2,033,888
24	CAPITAL				
25	Authorized capital	1211	4.17	86,148	41,228
26	Paid in capital	1212		–	–
27	Reserve fund	1213	4.17	126,738	126,738
28	Balance sheet items revaluation fund	1214	4.17	84,310	78,706
29	Accrued profit	1215	4.17	220,231	202,658
30	Total capital	121	4.17	517,427	449,330
31	TOTAL LIABILITIES AND CAPITAL	12		2,713,367	2,483,218

Acting Chairman of the Board



S. Shyshou

Chief Accountant



V. Mantsivoda

Signing Date 15 February 2017

Translation from the original in Russian

Profit and Loss Statement for 2016

Priorbank Joint Stock Company

(thousand BYN)

	Item	Index	Note	2015	2014
1	2	3	4	5	6
1	Interest income	2011		313,728	319,998
2	Interest expenses	2012		67,441	125,232
3	Net interest income	201	5.1	246,287	194,766
4	Fee and commission income	2021		142,930	140,427
5	Fee and commission expenses	2022		34,688	27,452
6	Net Fee and commission income	202	5.2	108,242	112,975
7	Net precious metals and stones income	203	5.3	514	226
8	Net securities income	204	5.4	(1,079)	(1,745)
9	Net FOREX income	205	5.5	34,109	60,473
10	Net financial derivatives income	206	5.6	1,093	50,417
11	Net reserve assignments	207	5.7	82,426	176,244
12	Other income	208	5.8	26,594	55,529
13	Operational expenses	209	5.9	175,154	135,616
14	Other expenses	210		10,165	10,804
15	Profit before tax	211		148,015	149,977
16	Income tax	212		38,996	36,541
17	PROFIT	2		109,019	113,436
18	Information on a profit per share in BYN				
19	Basic profit on an ordinary share	22	4.17	0.8859	0.9218
20	Watered profit on an ordinary share	23	4.17	0.8859	0.9218

Acting Chairman of the Board



S. Shyshou

Chief Accountant



V. Mantsivoda

Signing Date 15 February 2017

Translation from the original in Russian

Statement of Changes in Equity for 2016

Priorbank Joint Stock Company

(million BYR)

		Capital Items						
Indicators	Index	Authorized Capital	Paid in Capital	Reserve Fund	Accrued Profit (Loss)	Balance Items Revaluation Fund	Total Capital	
1	2	3	4	5	6	7	8	9
Section I. For the year preceding the year under report								
1	Balance as of 1 January 2015	3011	41,228	–	94,890	158,350	71,148	365,616
1.1	Thereof: the result from changes in the accounting policy and(or) correction of the material mistake	30111	–	–	–	–	–	–
2	Change of the equity articles	3012	–	–	31,848	44,308	7,558	83,714
2.1	Thereof: gross income	30121	x	x	x	113,436	8,183	121,619
2.2	profit directed to replenishment of funds	30122	–	x	31,848	(31,848)	x	–
2.3	transactions with founders (shareholders)	30123	–	–	x	(37,905)	x	(37,905)
2.4	founders' (shareholders') contribution to authorized capital	301231	–	–	x	x	x	–
2.5	payment of shareholders' dividends	301232	x	x	x	(37,905)	x	(37,905)
2.6	transactions with own shares repurchased	301233	–	x	x	x	x	–
2.7	redistribution among equity articles	30125	–	–	–	625	(625)	–
2.8	other changes	30126	–	–	–	–	–	–
3	Balance as of 1 January 2016	3013	41,228	–	126,738	202,658	78,706	449,330
Section II. For the year under report								
4	Balance as of 1 January 2016	3011	41,228	–	126,738	202,658	78,706	449,330
5	Change of the equity articles	3012	44,920	–	–	17,573	5,604	68,097
5.1	Thereof: gross income	30121	x	x	x	109,019	7,072	116,091

Translation from the original in Russian

		Capital Items						
1	2	3	4	5	6	7	8	9
	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	44,920	x	–	(44,920)	x	–
5.3	transactions with founders (shareholders)	30123	–	–	x	(47,994)	x	(47,994)
5.4	founders' (shareholders') contribution to authorized capital	301231	–	–	x	x	x	–
5.5	payment of shareholders' dividends	301232	x	x	x	(47,994)	x	(47,994)
5.6	transactions with own shares repurchased	301233	–	x	x	x	x	–
5.7	redistribution among equity articles	30125	–	–	–	1,468	(1,468)	–
5.8	other changes	30126	–	–	–	–	–	–
6	Balance as of 1 January 2017	3013	86,148	–	126,738	220,231	84,310	517,427

Acting Chairman of the Board



S. Shyshou

Chief Accountant



V. Mantsivoda

Signing Date 15 February 2017

Translation from the original in Russian

Information on Total Gross Income for 2016

Priorbank Joint Stock Company

(thousand BYN)

Item	Symbol	Note	2015	2014	
1	2	3	4	5	
1	Profit	301211	6	109,019	113,436
2	Other gross income components	301212		7,072	8,183
2.1	Thereof: fixed assets revaluation, revaluation of incomplete construction and uninstalled equipment	3012121	4.8	7,072	8,183
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		116,091	121,619

Acting Chairman of the Board



S. Shyshou

Chief Accountant



V. Mantsivoda

Signing Date 15 February 2017

Translation from the original in Russian

Cash Flow Statement for 2016

Priorbank Joint Stock Company

(thousand BYN)

	Item	Index	Note	2016	2015
1	2	3	4	5	6
1	OPERATIONS CASH FLOW				
2	Interest income received	70100		319,165	315,695
3	Interest expenses paid	70101		(68,504)	(126,014)
4	Fee and commission income received	70102		143,526	139,542
5	Fee and commission income paid	70103		(34,548)	(27,413)
6	Net precious metals and stones income	70104		514	226
7	Net securities income	70105		(1,079)	(1,746)
8	Net FOREX income	70106		45,323	71,200
9	Net financial derivatives income	70107		1,093	50,417
10	Other income received	70108		52,344	49,511
11	Other expenses paid	70109		(152,091)	(126,304)
12	Income tax paid	70110		(38,108)	(35,319)
13	Total profit (loss) before changes in operational assets and liabilities	701		267,635	309,795
14	Net decrease (increase) of funds with the National Bank	70200		(1,277)	(581)
15	Net decrease (increase) of funds due from banks	70201		(143,525)	(163,236)
16	Net decrease (increase) of funds in securities (except for securities retained till repayment)	70202		300	–
17	Net decrease (increase) of funds in loans disbursed to customers	70203		(290,628)	119,593
18	Net decrease (increase) of funds from derivative financial assets	70204		615	101,579
19	Net decrease (increase) of funds in other operational assets	70205		(21,822)	11,715
20	Total cash flow from change in operational assets	702		(456,337)	69,070
21	Net increase (decrease) of cash funds of the National Bank	70300		–	–
22	Net increase (decrease) of funds due to banks	70301		(70,270)	(167,791)
23	Net increase (decrease) of clients' funds	70302		163,101	34,652
24	Net increase (decrease) of cash funds from securities issued by the bank	70303		(4,272)	(12,960)
25	Net decrease (increase) of cash funds from derivative financial liabilities	70304		(529)	(1,032)
26	Net increase (decrease) of funds in other operational liabilities	70305		(10,031)	(22,922)
27	Total cash flows from change in operational liabilities	703		77,999	(170,053)
28	Net operational cash flow	70		(110,703)	208,812

Translation from the original in Russian

Item	Index	Note	2016	2015
29 INVESTMENT CASH FLOW				
30 Purchase of fixed, intangible, and other long-term assets	71100		(31,959)	(26,354)
31 Sale of fixed, intangible, and other long-term assets	71101		2,668	3,918
32 Purchase of long-term financial investments to authorized capital of other legal entities	71102		(1,923)	(637)
33 Sale of long-term financial investments to authorized capital of other legal entities	71103		–	–
34 Purchase of securities retained till repayment	71104		(77,851)	–
35 Repayment (sale) of securities retained till repayment	71105		144,645	–
36 Net investment cash flow	71		35,580	(23,073)
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		(47,782)	(37,686)
42 Net financial cash flow	72		(47,782)	(37,686)
43 Influence of official exchange rate fluctuations on cash and its equivalents	73		11,972	51,982
44 Net increase (decrease) of cash and its equivalents	74		(110,933)	200,035
45 Cash and its equivalents as of the beginning of the period under report	740	7	x	479,280
46 Cash and its equivalents as of the end of the period under report	741	7	368,347	x

Acting Chairman of the Board



S. Shyshou

Chief Accountant



V. Mantsivoda

Signing Date 15 February 2017

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

Translation from the original in Russian



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Audit report of the independent audit firm on the consolidated financial statements of “Priorbank” Joint-Stock Company for the period from 1 January 2016 to 31 December 2016

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

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

Opinion

We have audited the consolidated financial statements of “Priorbank” Joint-Stock Company and its subsidiaries (hereinafter, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with 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 International Standards on Auditing (ISA). Our responsibilities under those rules and standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit

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

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

Allowance for impairment of loans to customers

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

The use of various models and assumptions significantly affects the estimates of allowances for impairment of loans to customers. Due to the significance of the loans to customers, which account for 61% of total assets, and due to the high level of subjectivity, the estimation of the allowance for impairment is one of the key audit matters.

Our audit procedures were planned and performed to cover the increased risks related to the allowance for impairment of loans to customers. Our audit strategy with regard to the allowance for impairment of loans to customers was based on performing substantive procedures. We assessed the methodology used to calculate allowance for impairment of loans to customers, including analysis of models, test of input data used in those models, analysis of the Group's assumptions used to calculate a collective allowance for impairment. With regard to allowance for impairment of significant individually assessed loans, we inspected assumptions used by the Group to identify impairment indicators, their quantitative assessment, including forecasts of future cash flows, and the measurement of the fair value of the collateral.

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

We performed procedures in respect of information disclosed in Notes 4, 9 and 26 to the consolidated financial statements.

Assessment of liabilities under the defined benefit plan

As detailed in Note 25, the Group has a defined benefit plan with net liabilities of BYN 20,562 thousand as at 31 December 2016.

Assessment of retirement and other liabilities to employees is a key audit matter as the management determines carrying values of the defined benefit plans and the discounted value of the respective liabilities on the basis of actuarial methodologies that rely on certain assumptions and the amount of liabilities under the defined benefit plans as at the reporting date is highly sensitive to changes in those assumptions. Such assumptions include, but are not limited to, mortality, both during and after employment, rates of employee turnover, discount rate, future salary and benefit levels as well as the expected return on plan asset. In order to measure the carrying value of the plan, the management of the Group engaged independent actuary.

In the course of our audit procedures we assessed competence and integrity of the independent actuary engaged by the Group, analyzed the above assumptions, performed sample testing of the Group's employee data used for actuarial calculations, as well as performed analytical procedures in respect of the carrying value of liabilities under the defined benefit plans and their changes during the period. To perform such audit procedures we engaged our actuarial experts.

We performed procedures in respect of information disclosed in Notes 3, 15, 24 and 25 to the consolidated financial statements.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Law of the Republic of Belarus “On Auditing Activity” of 12 July 2013, National Rules for Auditing Activities effective in the Republic of Belarus and ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Translation from the original in Russian

We communicate with the Supervisory Board and the Audit Committee of “Priorbank” JSC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Supervisory Board and the Audit Committee of “Priorbank” JSC, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the engagement resulting in this independent auditor’s report is P.A. Laschenko.

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



20 April 2017

Details of the audited entity

Name: “Priorbank” Joint-Stock Company

“Priorbank” Joint-Stock Company was registered by the National Bank of the Republic of Belarus on 12 July 1991, registration No. 12.

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

Details of the audit firm

Name: Ernst & Young Limited Liability Company

Certificate of State Registration No. 190616051 issued by the Minsk City Executive Committee on 15 December 2014

Address: 220004, Republic of Belarus, Minsk, Klary Tsetkin str., 51a, 15th floor

Translation from the original in Russian

Consolidated statement of financial position As at 31 December 2016

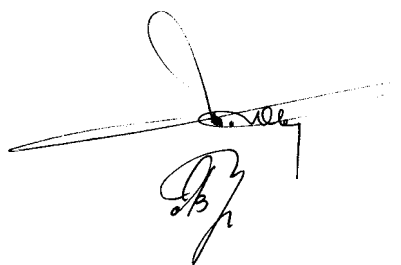
(thousands of Belarusian rubles)

Item	Notes	2016	2015
Assets			
Cash and cash equivalents	6	799,436	769,994
Amounts due from credit institutions	7	40,822	23,935
Derivative financial assets	8	681	751
Loans to customers	9	1,939,278	1,756,744
Held-to-maturity investment securities	11	172,625	214,093
Property and equipment	12	132,167	126,103
Intangible assets	13	27,313	24,547
Current income tax assets		3,567	34
Other assets	15	77,157	58,184
Total assets		3,193,046	2,974,385
Liabilities			
Amounts due to credit institutions	16	404,765	513,061
Derivative financial liabilities	8	464	578
Amounts due to customers	17	1,860,559	1,647,013
Amounts due to international financial institutions	18	11,771	17,466
Debt securities issued	19	2,676	6,889
Current income tax liabilities		761	5,607
Deferred income tax liabilities	14	70,938	62,749
Other provisions	10	518	480
Other liabilities	15	76,933	67,187
Total liabilities		2,429,385	2,321,030
Equity			
	20		
Share capital		341,828	296,908
Additional paid-in capital		193	193
Foreign currency translation reserve		1,693	1,758
Retained earnings		403,226	343,368
Revaluation reserve for the net pension liability		(4,482)	(6,781)
Total equity attributable to shareholders of the Bank		742,458	635,446
Non-controlling interests		21,203	17,909
Total equity		763,661	653,355
Total equity and liabilities		3,193,046	2,974,385

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

21 April 2017

Translation from the original in Russian

Consolidated income statement for the year ended 31 December 2016

(thousands of Belarusian rubles)

Item	Notes	2016	2015
Interest income			
Loans to customers		333,556	331,371
Held-to-maturity investment securities		10,373	13,010
Cash and cash equivalents		9,674	10,726
Amounts due from credit institutions		1,180	743
		354,783	355,850
Securities designated at fair value through profit or loss		14,962	8,372
		3,642,224	2,767,947
Interest expense			
Amounts due to customers		(52,302)	(99,523)
Amounts due to credit institutions		(22,508)	(26,357)
Debt securities issued		(724)	(4,931)
Amounts due to the National Bank of the Republic of Belarus		-	(2,071)
Amounts due to international financial institutions		(144)	(164)
		(75,678)	(133,046)
Net interest income		294,067	231,176
Charge of allowance for loan impairment	9	(46,145)	(62,678)
Net interest income after allowance for loan impairment		247,922	168,498
Fee and commission income		128,152	120,390
Fee and commission expense		(59,525)	(44,178)
Net fee and commission income	22	68,627	76,212
Net gains from foreign currencies:			
- dealing		12,348	79,113
- translation differences		36,598	91,033
Other income	23	8,511	8,347
Non-interest income		57,457	178,493
Personnel expenses	24	(83,323)	(67,507)
Depreciation and amortization	12, 13	(19,268)	(17,374)
Other operating expenses	24	(62,783)	(49,767)
Taxes other than income tax		(3,403)	(2,699)
Other provisions	10	(38)	(110)
Non-interest expense		(168,815)	(137,457)
Income before income tax expense		205,191	285,746
Income tax expense	14	(49,088)	(69,081)
Profit for the year		156,103	216,665
Attributable to:			
- shareholders of the Bank		152,772	210,207
- non-controlling interests		3,331	6,458
		156,103	216,665

Translation from the original in Russian

Consolidated statement of comprehensive income for the year ended 31 December 2016

(thousands of Belarusian rubles)

Item	Notes	2016	2015
Profit for the year		156,103	216,665
Other comprehensive income			
Other comprehensive income to be subsequently reclassified to profit or loss subject to certain conditions:			
Exchange differences on translation of the financial statements of a foreign subsidiary	20	(102)	2,790
Net other comprehensive income/(loss) to be subsequently reclassified to profit or loss subject to certain conditions		(102)	2,790
Other comprehensive income not to be subsequently reclassified to profit or loss subject to certain conditions			
Actuarial gain/(loss) on defined pension plan	20	3,065	(4,325)
Income tax effect	20	(766)	1,081
Net other comprehensive income/(loss) to be subsequently reclassified to profit or loss when specific conditions are met		2,299	(3,244)
Other comprehensive loss for the year, net of tax		2,197	(454)
Total comprehensive income for the year		158,300	216,211
Attributable to:			
- shareholders of the Bank		155,006	208,721
- non-controlling interests		3,294	7,490
		158,300	216,211

Translation from the original in Russian

Consolidated statement of changes in equity for the year ended 31 December 2016

(thousands of Belarusian rubles)

	Attributable to shareholders of the Bank							Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Revaluation reserve for the net pension liability	Total			
At 31 December 2014	296,908	193	–	171,065	(3,537)	464,629	10,419	475,048	
Profit for the year	–	–	–	210,207	–	210,207	6,458	216,665	
Other comprehensive income/(loss) for the year	–	–	1,758	–	(3,244)	(1,486)	1,032	(454)	
Total comprehensive income for the year	–	–	1,758	210,207	(3,244)	208,721	7,490	216,211	
Dividends declared and paid to shareholders of the Bank (Note 20)	–	–	–	(37,904)	–	(37,904)	–	(37,904)	
At 31 December 2015	296,908	193	1,758	343,368	(6,781)	635,446	17,909	653,355	
Profit for the year	–	–	–	152,772	–	152,772	3,331	156,103	
Other comprehensive income/(loss) for the year	–	–	(65)	–	2,299	2,234	(37)	2,197	
Total comprehensive income for the year	–	–	(65)	152,772	2,299	155,006	3,294	158,300	
Increase in share capital (Note 20)	44,920	–	–	(44,920)	–	–	–	–	
Dividends declared and paid to shareholders of the Bank (Note 20)	–	–	–	(47,994)	–	(47,994)	–	(47,994)	
At 31 December 2016	341,828	193	1,693	403,226	(4,482)	742,458	21,203	763,661	

Translation from the original in Russian

Consolidated statement of cash flows for the year ended 31 December 2016

(thousands of Belarusian rubles)

Item	Notes	2015	2014
Cash flows from operating activities			
Interest received		349,281	361,614
Interest paid		(76,361)	(133,658)
Fees and commissions received		127,904	120,648
Fees and commissions paid		(60,886)	(44,014)
Gains less losses from foreign currencies		11,313	245,825
Other income received		8,497	7,209
Personnel expenses paid		(80,347)	(70,736)
Other operating expenses paid		(62,263)	(43,070)
Cash flows from operating activities before changes in operating assets and liabilities		217,138	443,818
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(16,887)	(6,147)
Loans to customers		(131,665)	132,124
Other assets		(29,814)	18,565
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(127,811)	(165,365)
Amounts due to international financial institutions		(6,457)	(6,366)
Amounts due to customers		157,766	57,059
Other liabilities		12,561	8,176
Net cash from operating activities before income tax		74,831	481,864
Income tax paid		(50,044)	(36,424)
Net cash from operating activities		24,787	445,440
Cash flows from investing activities			
Purchase of held-to-maturity investment securities		(79,486)	–
Proceeds from redemption of held-to-maturity investment securities		144,645	–
Purchase of securities at fair value through profit or loss		(3,727,243)	–
Proceeds from disposal of securities at fair value through profit or loss		3,727,243	–
Proceeds from sale of property and equipment and intangible assets		2,436	3,080
Purchase of property and equipment and intangible assets	12, 13	(31,707)	(26,845)
Net cash used in investing activities		35,888	(23,765)
Cash flows from financing activities			
Proceeds from issue of bonds		442	846
Redemption of bonds		(4,695)	(13,786)
Dividends to shareholders of the Bank		(47,994)	(37,904)
Net cash used in financing activities		(52,247)	(50,844)
Effect of exchange rates changes on cash and cash equivalents		21,014	109,626
Net increase in cash and cash equivalents		29,442	480,457
Effect of inflation on monetary items		–	(579,835)
Cash and cash equivalents, beginning		769,994	289,537
Cash and cash equivalents, ending	6	799,436	769,994

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

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Raiffeisen Bank International at a glance

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 30 years, RBI has been operating in 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. In CEE, at the end of 2016, around 46,000 RBI employees served some 14.1 million customers in around 2,500 business outlets. In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and large multinational corporate customers operating in CEE. All in all, RBI employs about 49,000 people and has total assets of approximately € 112 billion.

Raiffeisen Zentralbank Österreich (RZB AG) was established in 1927 as “Girozentrale der österreichischen Genossenschaften” and at that time served as the liquidity balancing center for Austria’s agricultural cooperatives, as envisioned by social reformer Friedrich Wilhelm Raiffeisen.

RZB AG had one of the largest banking networks in CEE through its subsidiary, Raiffeisen Bank International (RBI AG), which has been listed on the stock exchange since 2005. At the end of 2016, RZB AG held approximately 60.7 per cent of RBI’s stock, with the remaining shares in free float. RZB AG was primarily owned by the eight Raiffeisen regional banks and served as their central institution pursuant to the Austrian Banking Act (BWG). Following the merger between RZB AG and RBI AG, effective retroactively as of 30 June 2016, RBI AG will assume the role of RBG’s central institution by way of universal succession.

Raiffeisen Glossary

Gable Cross

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

Raiffeisen Bank International

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

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

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

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

RZB

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

RZB Group

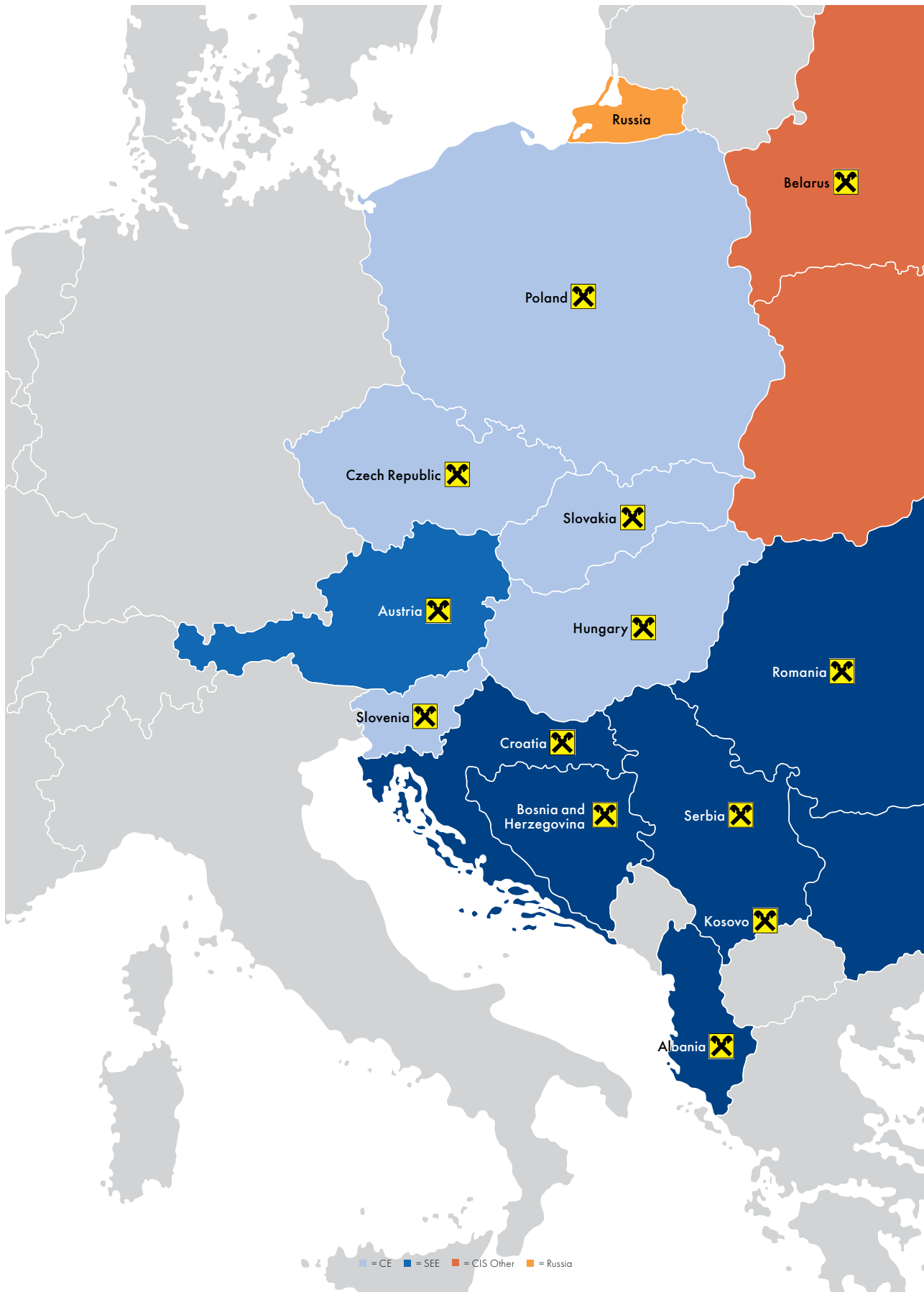
The Group owned and steered by RZB. Raiffeisen Bank International is the Group's largest unit.

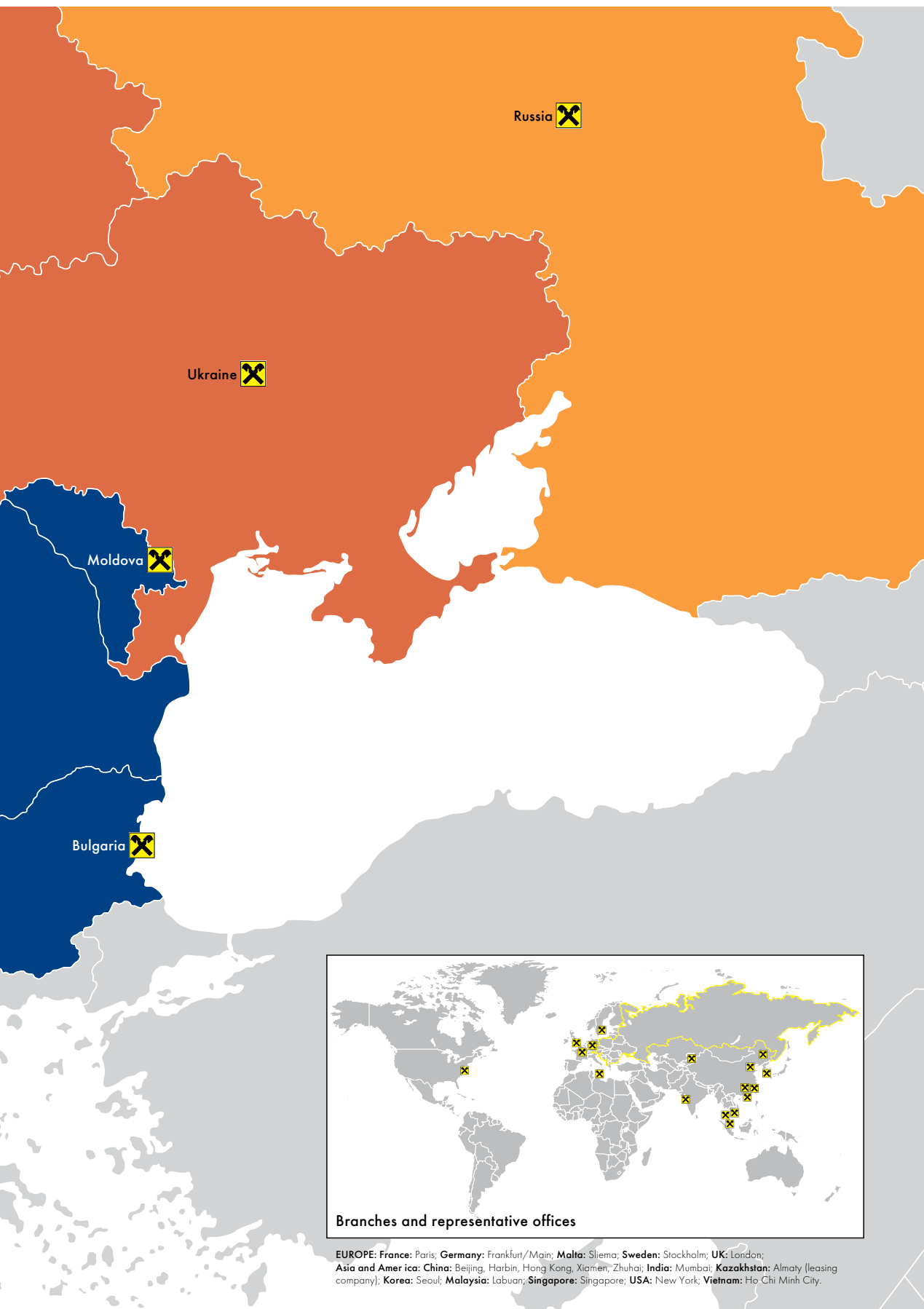
Raiffeisen Banking Group

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

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

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





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