

APPROVED BY
The General Meeting of Shareholders of
OJSC AK BARS BANK
(Protocol No _____ dated _____ 2011)

Pre-approved by the Board of Directors of
OJSC AK BARS BANK
(Protocol No14/21-04-11 dated 21.04.2011)

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CONTENTS

The Address of the Chairman of the Board of Directors	3
The Address of the Chairman of the Management Board	4
The Report of the Board of Directors on the outcomes of the Bank's development in priority areas:	
1. The state of the banking industry and the market positions of the Bank	5
2. The key indicators of the Bank's performance	6
3. The development of the Bank business in 2010	7
3.1 Corporate business	7
3.2 Retail business	9
3.3 Investment business	12
3.4 Social activity	13
4. Development prospects for OJSC AK BARS BANK.....	14
The Corporate Management	
• Shareholders.....	16
• The Board of Directors.....	17
• The Management Board.....	28
• Dividend Policy	32
• Risk management	33
• Human resource management.....	37
• Major transactions	39
• Related party transactions	39
• Amount of consumed power resources	39
Financial reporting	
• The Balance sheet as of 1 st January 2011	40
• The Income Statement for 2010	43
• The Report on capital adequacy, value of reserves for doubtful loans and other assets ..	45
• Information on statutory requirements	47
• The Cash Flow Statement	49
• The Audit Report	51
• Information on Auditors.....	52
Reference information (basic facts about the Bank, details, licenses, membership).....	54

The Address of the Chairman of the Board of Directors

Dear shareholders, partners and customers of the Bank!

The year of 2010 became a recovery period for the world's and Russian economy during the post-crisis times. AK BARS Bank managed to overcome the liquidity squeeze, maintain market positions and continue to expand business volumes in all priority areas. Therefore, despite the influence of downturn after-effects upon the banking industry, the Bank still demonstrates financial stability and strengthens its reputation in the Russian and international business community through following the conservative policy and the principles of business's social responsibility.

When speaking about the last year results, it is necessary to distinguish the key point - that the Bank applied the rational development tactics to all business areas. Such approach took into account the situation and capabilities of customers together with potential risks that allowed both to maintain the client base and also to extend it.

The Board of Directors adjusted the strategic tasks for the Bank in 2011-2013 based upon changes in the environment conditions and activity priorities. The key aim of the Bank's strategy will be the development of branch network in priority regions on a federal level and within the Republic of Tatarstan. This will allow to retain and to increase the market share; to gradually develop the retail and corporate business and advanced banking technology, which will eventually let the Bank elevate return and profitability of transactions and enhance the Bank's capitalization.

In conclusion, on behalf of the Board of Directors I would like to express our appreciation to all Bank shareholders, partners and clients for their trust, fruitful co-operation and support for our work. I believe that AK BARS Bank has the potential for achieving new strategic goals due to its well-knit team of professional and conscientious employees.

Respectfully yours,

The Chairman of the Board of Directors of OJSC AK BARS Bank
R. Musin

The Address of the Chairman of the Management Board

Dear shareholders, partners and customers of the Bank!

The elapsed year of 2010 showed that despite major changes in the country's and world's economy, AK BARS Bank remains a secure financial institution which is prepared to face any difficult situation, is able to evaluate efficiently its own capabilities and move forward through adapting its strategy according to the current situation. The Bank keeps making progress every year by adhering to its key principles: conservatism, reliability and responsibility, upon which the customer-oriented model of business conduct is based.

The Bank places emphasis on partnership relations with its customers in the context of existing conditions in various sectors of national economy. Our choice always tends towards achieving the maximum level of reliability within given specific conditions, which ensures unconditional conservation and accrual of funds accredited by our clients and depositors. Priority activity areas of the Bank remain financing real sector of the economy and working in the sphere of lending to small and medium-sized businesses. Apart from that, the improvement of quality and versatility of private banking is one of the most important tasks for the Bank development.

In 2011, AK BARS Bank tries to increase business performance by switching from balanced moderate growth tactics to full-scale development strategy implementation. The Bank seeks to strengthen its market positions in Tatarstan and to increase its market share in other priority regions. In order to achieve its strategic goals, the Bank will apply all its potential capabilities and available resources regardless of significant complications in conditions for conducting business in the Russian bank services market.

In relation to this, one of the key factors for the further development of the Bank is trust and support of our shareholders, clients and partners, to whom on behalf of the Management Board I would like to extend our appreciation for mutually beneficial co-operation. I would also like to thank the entire staff for high professionalism and contribution to the development of AK BARS Bank.

Kindest regards,

The Chairman of the Management Board of OJSC AK BARS Bank

R. Minnegaliev

The Report of the Board of Directors on the outcomes of the Bank's development in priority areas

1. The state of the banking industry and the market positions of the Bank

In 2010, the bank system continued to recover after the downturn period. The tendency for consolidation of banks through mergers and acquisitions became distinctive, with large amount of deals made because of reorganization of troublesome banks. The consolidation priority was the quality of assets. Since the consolidation processes accelerated, the number of banks reduced. Within the next one and a half year up to 200 other banks might cease to exist: nonviable banks are leaving the market.

All these processes led to the transformation of the banking system and the emergence of three bank groups: state banks, commercial banks and banks with foreign participation. The planned acquisitions will lead to the increase of state banks sector and the enforcement of the government function. Despite the fact that state banks announce their privatization in 2011, control over the banking industry will stay in the government's hands.

The last year's key trends were as follows: liquidity stayed at the sufficient level; growth of assets accelerated due to the crediting recovery; increase of lending portfolios for legal entities and individuals restored; banks funds grew slightly; asset growth rate of legal entities accelerated and asset growth rate of individuals increased.

Thus, according to the results of 2010, assets of credit institutions increased by 2.4%. Bank assets grew by 14.9% last year. Such a rise in asset growth rate was caused by the banks tending to enhance retail lending by 14.3% (since the beginning of the year) and by the accelerating rate of legal entity lending (12.2%).

According to the results of 2010, there was a downward trend in the share of overdue debts within the Russian banking industry in the volume of principal receivables of nonfinancial entities, and the share of principal receivables of individuals grew slightly. The situation with overdue debts growth flattened out. As for the reporting year, the share of overdue debt in aggregate corporate credit portfolio amounted to 5.97% as of 1st January 2010, and by the end of the year it reached 5.19%. The overdue share of individuals in the aggregate credit portfolio was 6.8% as of 1st January 2010, and reached 6.9% by the beginning of 2011.

As for raised funds, the volume of individual deposits increased by 31.2% in 2010 and their share in the banking sector liabilities grew from 25.4% to 29.0%. Thus, savings of Russian citizens remain the primary resource base for bank operations. The volume of deposits and other funds raised from legal entities in 2010 increased by 16.7%, their share in banking sector liabilities grew from 31.8% to 32.3%. Banks started to assess financial circumstances of loan recipients more favourably and, as a

consequence, to accumulate LLP (Loan Loss Provision) more slowly and also to dissolve some of previously composed provisions.

In the current situation, the Bank conducts its activity while holding top positions. AK BARS Bank places 17th in the Russian banks rating for the equity capital stock and 20th for the amount of assets (as of 01.01.2011). Within the Republic of Tatarstan, AK BARS Bank assets account for 38% of total assets of banks registered in the region, and its equity capital takes 50% of the market. As for the reporting date, the Bank holds a 35% share of Tatarstan's market in the volume of allocated loans and 40% of the volume of raised funds.

2. The key indicators of the Bank's performance

Indicators	Units of measure	As of 01.01.2010	As of 01.01.2011	Variance	Growth rate
Assets	mln.rubles	226 550	240 742	14 193	106%
Capital (incl. the subordinate loan)	mln.rubles	36 351	35 329	-1 022	97%
Stock capital	mln.rubles	28 215	28 215	0	100%
Net loans receivable	mln.rubles	163 087	150 243	-12 844	92%
Net investments in securities	mln.rubles	19 863	41 768	21 905	210%
Customer deposits	mln.rubles	121 188	149 588	28 400	123%
Legal entities	mln.rubles	89 797	102 441	12 644	114%
Natural persons	mln.rubles	31 391	47 147	15 756	150%
Profit	mln.rubles	626	651	26	104%
Net profit	mln.rubles	602	568	-34	94%
Branch network	Branch offices	326	327	1	100%
Indicators	Units of measure	As of 01.01.2010	As of 01.01.2011	Variance	Growth rate
Number of legal entity customers	Units	44 271	47 149	2 878	107%
Number of natural person customers	Units	2 058 661	2 195 756	137 095	107%

3. The development of the Bank business in 2010

3.1 Corporate business

Quality corporate customer service has traditionally been one of the Bank's advantages. Product catalogue for corporate customers contains 41 product types as of 1st January 2011 and covers comprehensive range of services.

From the first year of its operation the Bank has been expanding its presence in the corporate services market, and today its market share within the Republic of Tatarstan exceeds 34%, reaching 4% in other regions of the Russian Federation. According to the results of 2010, the key target of the Bank was to strengthen its positions in the bank services market and to upgrade business processes.

In 2010 OJSC AK BARS Bank faced the challenge of retaining the client base and improving the quality of credit portfolio.

The number of corporate customers increased by 6.6% in 2010; the volume of corporate customers credit portfolio as of 01.01.2011 decreased by 5.5% as compared to that of 01.01.2010 and amounted to 128.1 billion rubles.

In 2010, the Bank took part in calls for tenders for depositing budget's and large enterprises' funds. As a result, major deposits were attracted from the budget of St.Petersburg, the Federal Fund for Promotion of Housing and Utilities Development in St.Petersburg, JSC 'AIJK' in Moscow, the Ministry of Finance of the Republic of Tatarstan, and pension funds under the auspices of VneshEeconomBank.

From the moment of its foundation the Bank put emphasis on the diversification of its sales. Meanwhile, the key role has always been given to small and medium-sized businesses. The Bank's credit portfolio for small businesses as of 01.01.2011 equaled 16.5 bln.rubles. And the share of small business in the Bank's total credit portfolio was 12.86%.

The Bank's credit portfolio for medium-sized business as of 01.01.2011 equaled 7.6 bln.rubles. And the share of medium-sized business in the Bank's total credit portfolio was 5.9%.

In 2010, 723 loans in the total sum of 18.2 bln.rubles were granted to small and medium-sized enterprises.

Apart from that, the Bank offers loan products to small businesses within the State Programme for Financial Support of Small and Medium-sized Enterprises implemented together with OJSC Russian Bank for Development; within joint regional programmes for the support of small businesses implemented with State Nonprofit Organization 'Investment and Venture Fund of the Republic of Tatarstan' and Small and Middle-sized Enterprises Development Committee of the Republic of Tatarstan; and within joint programmes with organizations comprising the support infrastructure for

small and medium-sized enterprises in such regions as the Republic of Udmurtia, the Republic of Bashkortostan, the Republic of Mordovia, the Republic of Mari El, the Krasnodar Territory, the Altai Territory, the Perm Territory, the Ulyanovsk Region, the Chelyabinsk Region, the Krasnoyarsk Region, the Novosibirsk Region, the Samara Region, the Orenburg Region, and city of St.Petersburg.

189 small business enterprises obtained loans in the total sum of 568 mln.rubles within the Republic's programme of Guarantee Fund for Ensuring Obligations Performance of the Small Business Entities in the Republic of Tatarstan. In order to implement the Programme in 2010, the Bank received additional funds in the amount of 188.4 mln.rubles, with available credit reaching 730.6 mln.rubles.

The State Programme for Financial Support of Small and Medium-sized Enterprises implemented together with OJSC Russian Bank for Development features setting regional quotes, which allow the Bank to grant loans to small and medium-sized businesses. The quota imposed for the Bank was 2 099 mln.rubles, including 510 mln.rubles quota for within the Republic of Tatarstan.

In 2010, AK BARS Bank incremented attraction of funds for its clients under the 'Buyer credit' scheme from foreign banks on security of state export credit agencies of exporting countries. Volumes of attracted international structured financing increased more than two-fold as compared to 2009.

In 2010, the Bank signed loan agreements with UBS AG (Switzerland), Commerzbank AG (Germany), Unicredit Bank Austria AG (Austria), within the framework of which medium-term and long-term contracts of Bank clients were financed to procure medical equipment, machinery for agriculture, automaking and other industries with the participation of export credit agencies of European countries.

AK BARS Bank has long experience in the field of international trade finance and cooperates with leading European and Asian banks, whose total trade finance limit with AK BARS Bank is nearly 150 mln.euros.

Due to country's gradual recovery from the economic downturn, enterprises resumed their foreign economic activity, and number of Bank transactions with international letters of credit in 2010 increased by 19.5% as compared to 2009.

In 2010, OJSC AK BARS Bank participated actively in financing investment projects in housing construction, such as: "Sun City", "Dubrava", "Molodezhniy", along with projects of infill residential development in towns across Tatarstan. At the end of 2010, OJSC AK BARS Bank together with Eastfield Group of companies (Slovakia) initiated an investment project for the development of a complex with a five-star "Hilton" hotel on site. May 2010 featured an opening ceremony of multi-purpose complex "Palace of Martial Arts AK BARS", which was developed with financial support from OJSC AK BARS Bank. 4 apartment buildings with total floor area of 27 265 sq.m. were commissioned as a part of implementing the "Sky Seven" residential development project. "Kazan

Usadba” villa community is currently under construction with the participation of OJSC AK BARS Bank.

3.2 Retail business

Working with funds from the public was one of the Bank’s priorities in 2010. As a result, the amount of natural persons’ funds on the Bank accounts increased greater than in the banking system of the Russian Federation in whole – 50% and 31% respectively. The volume of fixed-term deposits by natural persons grew steadily and systematically – the increase in deposited funds from the public amounted to 14 399.5 mln.rubles or 59.8%.

The range of loan products was widened by new specialized loan programmes for specific client segments – civil servants, public sector officials, business owners and sole traders, National Pension Fund clients whose savings are under the trust management of Management Company AK BARS CAPITAL Ltd. In addition to that, terms were upgraded for emergency needs financing and for “Corporate loan” programme; Bank participation pattern in the State car disposal programme was implemented; and participation in the State concessional auto loan programme was prolonged.

Within the framework of retail lending for real estate acquisition in 2010, the Bank switched to the strategy of dynamic mortgage portfolio accumulation and cancelled a requirement of mandatory loan sale to OJSC “AIJK” operators. In order to achieve given tasks, the Bank elaborated and launched its own mortgage lending programmes. The Bank continued to perfect mortgage lending programmes (lending rates were reduced, loan terms were simplified), and introduced loan programmes for buying private houses and real estate under construction.

As a result of macroeconomic stabilization, the public’s demand for retail loan products started to recover. While the competition among banks in the credit market and easing of credit terms escalates, the growth of personal loans market reached 14.3% in the Russian Federation.

Further development and expansion of commission products is one of the most important areas of bank activity. In relation to this, the Bank continued to widen the list and further develop the range of provided retail services: taking payments, money transfers, safety-deposit boxes, and distant banking service. At present, the Bank operates money transfers through such systems as Western Union, Contact, InterExpress, and through the Bank branch network. For the purpose of further service development and co-operation with existing and new money transfer systems, 4 systems of possible co-operation were selected in 2010: Zolotaya Korona, Migom, Bystraya Pochta, and Unistream. Negotiations resulted in a process of concluding cooperation agreements.

Year 2010 featured continuous contracting for taking payments from natural persons toward legal entities. 516 new contracts were signed during the year, so there were 1320 valid contracts for taking payments from natural persons toward payees as of 1st January 2011.

The options for taking payments from the public expanded – it is now possible to pay for specific settlements via ATMs (utilities, cell phone connection and so on), self-service terminals (tax payments), “Distant banking service” and “SMS-Banking”.

It is possible to talk about significant achievements and changes in the field of payment system development in 2010. The number of ATMs reached 768 pcs. (increase of 74 pcs. per annum) and of terminals at trade and service outlets – 1487 pcs.(increase of 434 pcs. per annum). The number of valid cards reached the index of 786 762 pcs. It should be mentioned that the Bank received the Principal member status in IPS VISA Int. This is the highest category of membership in the payment system for banks. This status raises the Bank to the level of direct interaction with the payment system and allows handling settlements with the payment system and counterparties all by itself.

In the elapsed year the Bank completed certification for EMV acquiring in International Payment Systems. As a result, most Bank’s ATMs started to support EMV in August 2010, which helped to eliminate bank card fraud and improve the risk management efficiency.

Year 2010 featured the startup phase for Internet-acquiring certification in MasterCard Worldwide payment system, which will allow introducing a new activity area in the Bank – Internet-acquiring.

In 2010, OJSC AK BARS Bank, MasterCard and LLC “Drug kompanii” signed Memorandum on joint loyalty programme implementation called “Drug kompanii” based on MChip4 and PayPass technology provided by MasterCard. Due to new technology, a card product with innovative functionality is created.

One of major changes in the market situation is implementation of a project on establishing a Russian payment system on the grounds of OJSC “Universal electronic card”. AK BARS Bank acts as one the most active participants of this project, first of all as a co-founder of OJSC “UEC” together with Uralsib Bank and Sberbank of the Russian Federation.

At present, a pilot project on “Universal electronic card” is being implemented, within the framework of which the Bank introduced interhost connection between OJSC AK BARS Bank and Uralsib Bank, and also was one of the first banks in Russia to issue Universal electronic cards.

The Bank started servicing Info-machines of the Electronic Government of the Republic of Tatarstan in branches across Tatarstan as a part of previously launched joint project with the Centre of Information Technology of the Republic of Tatarstan.

The Bank also pays attention to taking part in the implementation of the following National Projects:

- National Project “Housing”, subprogramme “Providing housing for young families in the Republic of Tatarstan”

Within the present contract OJSC AK BARS Bank elaborated and adopted the loan programme for young families wishing to buy dwelling. According to the approved loan programme, the Bank examines the young family’s solvency and draws a conclusion on possibility of mortgaging.

Under the “Providing housing for young families in the Republic of Tatarstan” programme the Bank granted 1030 loans in 2010 in the total sum of 651 032 ths.rubles.

- National Programme “Development of Agriculture”, subprogramme "Financing private farms"

In compliance with the programme terms, AK BARS Bank grants concessional loans within the priority project “Agribusiness development in the Republic of Tatarstan” in order to stimulate small husbandries growth.

Loans are granted to those who keep personal subsidiary plots.

In 2010, the Bank granted 742 loans in the total sum of 108 536 ths.rubles.

- National Programme “Development of Agriculture”, subprogramme "Providing housing for young families and young professionals in the rural areas of the Republic of Tatarstan"

Within the implementation of "Providing housing for young families and young professionals in the rural areas of the Republic of Tatarstan" programme, OJSC AK BARS Bank steps in to credit subsidies to the participants’ personal accounts.

From the beginning of the programme and to 31.12.2010:

Number of families – programme participants was 3284 families;

Amounts transferred to the Bank for the programme participants’ accounts reached 2 554 712 ths.rubles.

- “Mail-Bank” Project

Since 2004, OJSC AK BARS Bank together with Federal postal service offices “Tatarstan Pochtasy” – branch of “Russian Post” Federal state unitary enterprise has been working on a “Mail-Bank” project, which let the Bank obtain new customer service outlets for deposit and credit operations; lowered the load on Bank’s cash desks; and gave depositors an opportunity to choose from a variety of service outlets, which is particularly important for the Bank’s programme on concession monetization, and from pension payments programmes.

The total number of post offices connected to the united network reached 450 branches. Customer service network covers all 17 districts of the Republic of Tatarstan.

“Mail-Bank” spread beyond the Republic’s borders. At the end of year 2007, the agreement with Postal service office of the Republic of Udmurtia – branch of “Russian Post” was concluded, which led to connecting 12 post offices.

3.3 Investment business

Throughout the year OJSC AK BARS Bank actively develops the investment banking sphere. OJSC AK BARS Bank holds a professional participant of the securities market license for dealing, brokerage, custody business and securities management; and is an active bidder in both main stock exchanges and OTC market.

AK BARS Group of companies offers comprehensive services to its clients for effective investment of funds in the securities market in the mode of a 'financial supermarket':

- brokerage service in the securities market, Internet trading (there were cross-sales of investment services via Bank branch offices throughout 2010. According to the results of 2010, agency turnover reached 200 bln.rubles);

- trade analytics;

- collective investments (unit investment funds) and trust management (together with the Management Company AK BARS Capital Ltd.).

There are 18 unit investment funds (one is currently at the formation stage), individual trust management funds, resources of Russian Federation Pension Fund, assets of non-state pension funds and insurance companies, means of SRO compensation funds – in the total sum of 33.8 bln.rubles - under the control of Management Company AK BARS Capital Ltd.

- derivatives market (together with Investment company CJSC AK BARS Finance).

Investment company AK BARS Finance is a 100% subsidiary of OJSC AK BARS Bank. AK BARS Finance is steadily included in the TOP-50 stock market operators for the volume of exchanges.

Those customers, who are willing to do exchange transactions in the real-time mode by themselves, can use the Internet-trading systems: 'ITS-Broker' and QUIK. Systems workstations have a simple and convenient interface and are installed to the client's computer. By virtue of this clients received the following:

- opportunity to follow the trading process on stock exchanges in the real-time mode;

- opportunity to use borrowed funds on-line for marginal transactions (together with Investment company CJSC AK BARS Finance);

- opportunity to bid;

- opportunity to place a bid in the 'ITS-Broker' system with electronic digital signature, which guarantees full protection from unauthorized access and external intervention into the 'ITS-Broker' system and eases the flow of documents between the client and the Bank.

- opportunity to keep records of transactions on-line independently, and many others.

OJSC AK BARS Bank offers a full range of investment services for corporate financing for Russian and foreign organizations, including:

- issuing activity for debt securities (ruble bonds, bills of exchange, loan notes, Eurobonds and other) and equity securities (shares);
- performance of underwriter services for debt security issue;
- performance of restructuring services for enterprises, including mergers and acquisitions (M&A);
- performance of services in passing securities to the Russian and international financial markets, inclusion of securities in quotation lists of leading trading floors.

In 2010, the Bank mastered a new borrowing instrument by registering two issues of triennial stock bonds in the sum of 5 bln.rubles each on MICEX.

Placement of given issued stock bonds is planned for 2011.

3.4 Social activity

By orientating its business towards the society, AK BARS Bank united its interests with those of staff, general public and government. In the course of many years the Bank managed to gain recognition for its achievements in social activity, learned to examine and plan its responsibility to employees and society in whole. And despite tough economic situation, which has developed in world financial markets in recent years, AK BARS Bank continued to fulfill the undertaken social commitments.

Social programmes.

Treatment of children with serious congenital and evoked diseases is one of the most popular types of medical care assisted by AK BARS Bank. In 2010, the Bank financed treatment of 17 seriously ill children. Derbyshkinsky orphanage for mentally-retarded children was granted with funds for the development of a park and a playground. Likewise, AK BARS Bank has supported Yelabuga orphanage on a regular basis over a long term of years.

Public health promotion. Sports support.

AK BARS Bank participates in the construction of medical and sports facilities and provides financial help to healthcare institutions. In 2010, AK BARS Bank again sponsored the women's volleyball club "Dynamo-Kazan" and the basketball club "UNICS". Also amidst other sports charity programmes is the assistance to the Judo Federation of the Republic of Tatarstan in organizing the Youth Championship of the Republic of Tatarstan among men and women and regular financial support to the Specialized Youth Sports School of the Olympic Reserve No 12.

Educational programmes of the Bank

AK BARS Bank pays much attention to the education and training of young people.

A gift for every first grader of Tatarstan on the Day of Knowledge is one of the traditional programmes of AK BARS Bank aimed at the education support. OJSC AK BARS Bank Nominal Grant contest is held annually to encourage and to attract the most talented students of the leading Russian universities to take part in its practical training.

Support of arts and cultural programmes

Participation in preservation and development of cultural and spiritual values takes a special place in the activities of AK BARS Bank. In 2010, OJSC AK BARS Bank became a member of the board of trustees of public cultural newspaper of the Tatar community in St. Petersburg and Leningrad Region "Nur-Petersburg". In the fall of 2010, Moscow Art Theatre named after A. Chekhov and the "Turetsky Choir" music band came to Kazan on tour due to the financial support from AK BARS Bank. AK BARS Bank largely supports the development of children's creative works. In the past year, financial aid was granted to the choreographic ensemble "Happy Childhood" for holding international children's folklore festival in Kazan and to pop-folk ensemble "Happy Volgari" for attending the international festival in France.

Social and cultural activities

Within the framework of social support programme implementation, help was rendered to the veterans of Great Patriotic War, veterans of work and the disabled citizens of Kazan and some districts of Tatarstan on the Victory Day. AK BARS Bank sponsors celebration of the Republic Day and the City Day, provides financial support for celebration of Sabantuy in villages, settlements, districts, towns, capital of Tatarstan, Moscow, St.Petersburg and in many other regions of the country as well as parts of the world where Tatars live.

4. Development prospects for OJSC AK BARS BANK

The key strategic goal of the Bank, defined by its shareholders, is the increase of its value and performance efficiency.

AK BARS Bank's development strategy is aimed at retaining the market share within the Republic of Tatarstan and the dynamic development in key regions with the purpose of gaining significant shares of the existing market. Gain of target market shares is intended by the means of further development of retail and corporate business and technology upgrade.

The retail business development strategy expects the growth of credit portfolio to be more dynamic than the average market rate and the increase of market share in most promising regions to be achieved by improving the product range, developing sale techniques and raising efficiency of business processes.

The corporate business development strategy implies the introduction of active sales of bank products, where medium-sized business is the top priority. The development strategy assumes the diversification of credit portfolio, including expanding the business beyond the borders of the Republic of Tatarstan.

Moreover, while being an economic agent of Tatarstan, one of the key goals for AK BARS Bank activity is to do everything possible for the Republic's economic development as a part of the common Russian economic space.

In years to come OJSC AK BARS Bank will continue its development as a large full-service bank of federal scale, whose tasks include further growth and prosperity in the Russian banking market.

The Corporate management

Shareholders

At present, the authorized capital of OJSC AK BARS Bank equals 28 215 396 326 rubles and is divided into 28 215 396 326 registered ordinary (voting) shares with nominal value of 1 (one) ruble each.

All shares have been placed. The authorized capital of the Bank has been paid in full.

The Articles of OJSC "AK BARS" Bank provide for the availability of 9 800 000 000 declared registered ordinary shares with nominal value of 1 (one) ruble each.

The total number of the Bank shareholders is 45, of which:
35 are legal entities; 10 are natural persons.

Information on the Bank owners and other persons, who have direct or indirect effect on the decisions made by the Bank managing bodies, can be found on the official website of OJSC AK BARS Bank in the Internet and is available to public.

As of the end of 2010, the structure of share capital is as follows:

The shareholder's name	Share in the authorized capital (%)
Open Joint Stock Company "Svyazinvestneftekhim"	18,492
The Republic of Tatarstan in the person of the Ministry of Land and Property Relations	15,309
Limited Liability Company "IKS-LUCH"	13,600
Company "OSMAND HOLDING LIMITED "	11,611
Limited Liability Company "Investments and Consulting"	11,528
Company "Sinek Investment &Development Limited"	9,213
Open Joint Stock Company "Holding Company AK BARS"	8,955
Closed Joint Stock Company "Eurobest"	3,400
Company KIT Finance Europe	2,426
Open Joint Stock Company "Nizhnekamskneftekhim"	2,127
Private Company limited by "Brass Holdings Limited" shares	1,678
Limited Liability Company "Planeta"	1,210
Shareholders possessing less than 1% of the authorized capital	0,451
Total:	100

The Board of Directors

In 2010, the General Shareholders Meeting elected new composition of the Board of Directors in quantity 11 people, four of them being independent directors: Andrei Vernikov, Ruslan Ilyasov, Juri Levin, and Sergey Shibaev.

The newly elected Board of Directors of the Bank composes the Standing Committees (for audit, human resource and remuneration, strategy, and risks), which act as advisory and consultative bodies for the Board of Directors and are designed to preliminary examine certain matters within the scope of the Board's competence and elaborate professional recommendations to the Board in order to assist the decision-making on these matters.

The Auditing Committee controls financial and economic activities of the Bank, compliance with the legal regulations of the Russian Federation and reports directly to the General Shareholders Meeting.

The control over the Bank's current operations is exercised by the sole executive body, namely the Chairman of the Management Board, and by the collective executive body, namely the Management Board. The executive bodies are responsible for the everyday Bank routine and its compliance with the financial and economic plan, exercise the regulatory functions, and execute the decisions by the Board of Directors and the General Shareholders Meeting in a timely, scrupulous and effective manner.

For the purpose of efficient Bank management, its executive bodies – the Management Board and its Chairman – are vested with high-level autonomy in compliance with the Articles. The Management Board makes decisions concerning the most complicated issues in the Bank's current operations.

The Members of the Management Board and the Chairman of the Management Board are elected and early exempted from their functions by the Board of Directors. As of 31st December 2010, the number of members of the Management Board is 10 people.

The Chairman of the Management Board heads and supervises the work of the Management Board; ensures and controls the accomplishment of key financial and business objectives of the Financial and Economic Plan and the development strategy; defines the duties of the vice-chairmen and coordinates the work of the structural divisions' Heads; and immediately makes decisions concerning the Bank activities with regard to the changing economic situation.

The composition of the Board of Directors of OJSC AK BARS Bank

1. Igor Avanesyan

Was born in 1953.

Graduated from Moscow Institute of Petrochemical and Gas Industry named after Gubkin in 1975 and from the School of Financial Management of the Academy of National Economy under the Government of the Russian Federation in 2000.

From 1991 – the Director of OJSC "PETROKAM";

From 2003 – Member of the National non-government pension fund council;

From 2004 - Member of the Board of Directors of OJSC "TECHNOFORM";

From 2007 – the President of CJSC "United leasing company 'CENTER-CAPITAL'", from 2010 – the Chairman of the Board of Directors of CJSC "United leasing company 'CENTER-CAPITAL'";

From 2004 till 2007 – Member of the Board of Directors, the General Director of CJSC "UK Eurooil Management";

From 2003 till 2010 – Member of the Board of Directors of OJSC "Tatoilgas";

From 2004 till 2010 - Member of the Board of Directors of OJSC "Bank ZENIT".

No share in the authorized capital of the Bank as of 31st December 2010.

2. Andrei Vernikov

Was born in 1960.

Graduated from Moscow State Institute of International Relations in 1981, Doctor of Science in Economics.

From 2006 –Professor of State University – Higher School of Economics (the city of Moscow);

From 2007 - Member of the Board of Directors of CJSC "MIEL-Nedvizhimost" (the city of Moscow);

From 2005 till 2006 - the Chairman of the Board of Directors of OJSC "MDM-Bank";

From 2007 till 2009 –Member of the Supervisory Board of OJSC "Snoras Bank" (the city of Vilnius, Lithuania);

From 2007 till 2009 - Member of the Supervisory Board of OJSC Joint Stock Commercial Bank «InvestBank» (the city of Kaliningrad).

No share in the authorized capital of the Bank as of 31st December 2010.

3. Ruslan Ilyasov

Was born in 1962.

Graduated from Military Institute awarded with the Order of the Red Banner (the city of Moscow) in 1984; from International Management Center (Hungary) in 1992; from Weatherhead Business School of Case Western Reserve University (USA) in 1998.

From 2008 – the Vice-President for human resources of LLC "Eldorado";

From 2005 till 2008 – the Director of Human Resources of "Alkoa Russia";

From 2005 till 2008 - Member of the Board of Directors of OJSC "Alkoa Metallurg Rus".

No share in the authorized capital of the Bank as of 31st December 2010.

4. Juri Levin

Was born in 1953.

Graduated from the Department of International Economic Relations of Moscow Finance Institute (now Finance Academy under the Government of the Russian Federation) in 1975 and completed his postgraduate studies in the Institute of World Economy and International Relations of the USSR Academy of Sciences (now the Russian Academy of Sciences) in 1979; Candidate of Economic Sciences, PhD in Economics (Stanford University).

From 1997 – the Managing Director, Member of the Management Board "B.V. Murray & Co., Inc.";

From 1997 – the Councilor of the Management Board of "Bank 'Winter & Go., AG'" (Vienna);

From 2001 – the Managing Partner of the Company "BVM Capital Partners Ltd".

No share in the authorized capital of the Bank as of 31st December 2010.

5. Robert Minnegaliev

Was born in 1972.

Graduated from Kazan Finance and Economic Institute in 1993, from Chicago University (USA) in 2007. Candidate of Economic Sciences. Honoured Economist of the Russian Federation.

From 2003 – the Chairman of the Management Board of OJSC AK BARS Bank;

From 2004 –Member of the Board of Trustees of the State Nonprofit Organization "Investment and Venture Fund of the Republic of Tatarstan»;

From 2006 - the Chairman of the Board of Directors of the LLC "Ak Bars Gallery";

From 2006 - the Chairman of the Board of Directors of CJSC "Investment Company AK BARS Finance";

From 2006 - the Chairman of the Board of Directors of the LLC "AK BARS IPOTEKA";

From 2007 - the Chairman of the Board of Directors of LLC "Insurance Company AK BARS – Med";

From 2007 - Member of the Board of Directors of OJSC "Cherkessky Chemical Production Association named after Z. Tsakhilov";

From 2008 - Member of the Board of Directors of CJSC "AK BARS-Strakhovanie";

From 2009 – Member of the Board of Directors of OJSC “Tatneftekhiminvest-holding”;

From 1999 till 2003 – First deputy Minister of Finance of the Republic of Tatarstan – Head of Treasury Department of the Ministry of Finance of the Republic of Tatarstan;

From 2006 till 2010 - the Chairman of the Board of Directors of OJSC "Transport Card";

From 2008 till 2009 - the Chairman of the Board of Directors of OJSC "SafPet".

No share in the authorized capital of the Bank as of 31st December 2010.

6. Robert Musin

Was born in 1964.

Graduated from Kazan Finance and Economic Institute in 1985. Honoured Economist of the Republic of Tatarstan. Awarded with 2nd degree National Order of Merit in 2009.

From 2002 - the Chairman of the Board of Directors of OJSC AK BARS Bank;

From 2006 - Member of the Board of Trustees of State Nonprofit Organization "Mortgage and Insurance Stabilization Fund of the Republic of Tatarstan";

From 2006 - the Chairman of the Board of Directors of OJSC "Yelabuzhsky meat cannery";

From 2006 - the Chairman of the Board of Directors of OJSC "Kazanskiy meat-packing plant";

From 2007 - the Chairman of the Board of Directors of OJSC "Khiton";

From 2007 - Member of the Board of Trustees of Kazan State Finance and Economic Institute;

From 2007 - the Chairman of the Board of Directors of OJSC "KMK-Investor";

From 2007 - the Chairman of the Board of Directors of OJSC "Leasing Company of AK BARS Bank 'Finance Economic Group'";

From 2008 – the Director of LLC "'AK BARS' Development";

From 2008 - the Chairman of the Board of Directors of OJSC "Cherkessky Chemical Production Association named after Z. Tsakhilov";

From 2010 – the Chairman of the Management Board of OJSC "JSCB Tatfondbank";

From 1998 till 2002 – the Minister of Finance of the Republic of Tatarstan;

From 2004 till 2009 - Member of the Board of Directors of OJSC "Tatneftekhiminvest-holding";

From 2006 till 2008 - the Chairman of the Board of Directors of OJSC "Shemordansky meat-packing plant".

From 2008 till 2009 - Member of the Board of Directors in OJSC "KZGA–Vesta".

No share in the authorized capital of the Bank as of 31st December 2010.

7. Raisa Sakhieva

Was born in 1951.

Graduated from Kazan State University named after V. Ulyanov-Lenin in 1979. Candidate of Law.

From 2005 - Member of the Board of Directors of OJSC "Svyazinvestneftekhim";

From 2006 - Member of the Board of Directors of CJSC "Transnational Financial Industrial Company 'Ukrtatnafta'";

From 2008 - Member of the Board of Directors of OJSC "Network Company";

From 2008 - Member of the Board of Directors of OJSC "International Airport 'Kazan'";

From 2008 - Member of the Board of Trustees of Nonprofit Organization "State Housing Stock under the President of the Republic of Tatarstan";

From 2008 - Member of the Board of Directors of OJSC "Generating Company";

From 2010 – the Vice-Chairman of Constitutional Court of the Republic of Tatarstan;

From 1991 till 2010 – the Head of the State Legal Directorate at the Office of the President of the Republic of Tatarstan.

No share in the authorized capital of the Bank as of 31st December 2010.

8. Valeriy Sorokin

Was born in 1964.

Graduated from Kazan State University named after V. Ulyanov- Lenin in 1986.

From 2003 – the General Director of OJSC "Svyazinvestneftekhim";

From 2005 - Member of the Board of Directors of OJSC "Tatneft";

From 2006 - Member of the Board of Trustees of Non-profit organization «The Fund for the Promotion of Special Economic Zone of 'Alabuga'";

From 2006 - Member of the Board of Trustees of Non-profit organization "Regional Fund for the Social and Economic Development 'Tugan II'";

From 2006 - Member of the Board of Trustees of Non-profit organization "Regional Fund for the Economic Development";

From 2006 – the Director of LLC "Investneftekhim";

From 2006 - Member of the Board of Directors of OJSC "Tatenergo";

From 2007 - Member of the Board of Directors of OJSC "TatkhiminvestHolding";

From 2007 - Member of the Board of Directors of OJSC "Tattelecom";

From 2007 - Member of the Board of Directors of LLC "First Construction Administration";

From 2008 - Member of the Board of Trustees of State Nonprofit Organization "Mortgage and Insurance Stabilization Fund of the Republic of Tatarstan";

From 2008 – the Director of the Company "SINEK INVESTMENT & DEVELOPMENT LIMITED";

From 2008 – the Director of the Company "SINEK INVESTMENT MANAGEMENT LIMITED";

From 2004 till 2009 - Member of the Board of Directors of OJSC "Holding Company 'AK BARS'".

No share in the authorized capital of the Bank as of 31st December 2010.

9. Yevgeny Tikhturov

Was born in 1960.

Graduated from Moscow Institute of Management named after S. Ordzhonikidze in 1982.

From 1999 - the Head of Financial Management, Member of the Management Board of OJSC

"Tatneft" named after V. Shashin;

From 2001 - Member of the Board of Directors of OJSC Bank "Devon-Credit";

From 2004 - Member of the Board of Directors of OJSC Bank "ZENIT";

From 2005 - Member of the Board of Directors of OJSC "JSCB Tatfondbank";

From 2005 - Member of the Board of Directors of CJSC "Furniture factory 'Olkhovskaya'";

From 2006 - Member of the Board of Directors of the International Petrochemical Investment Fund (open investment company) INTERNATIONAL PETRO-CHEMICAL GROWTH FUND LIMITED;

From 2006 - the Chairman of the Board of Directors of OJSC "LDS-1000";

From 2008 - Member of the Board of Directors of CJSC "Chulpan";

From 2008 - Member of the Board of Directors of CJSC "Severgasnefteprom";

From 2008 - Member of the Board of Directors of CJSC "Severgeology";

From 2010 – Member of the Board of Directors of OJSC "Tatoilgas".

No share in the authorized capital of the Bank as of 31st December 2010.

10. Midkhat Shagiakhmetov

Was born in 1969.

Graduated from Kazan Finance and Economics Institute in 1991. Doctor of Science in Economics.

From July 2010 – the Minister of Economy of the Republic of Tatarstan;

From 2010 – Member of the Board of Directors of OJSC "Kazanorgsintez";

From 2010 – Member of the Board of Directors of OJSC "Tatspirtprom";

From 1998 till 2007 – the Deputy Head of Federal Tax Service Office in the Republic of Tatarstan;

From 2007 till 2009 – the Head of Federal Tax Service Office in the Republic of Tatarstan;

From 2009 till 2010 – the Aid to the Prime Minister of the Republic of Tatarstan;

From 03.2010 till 07.2010 – the Aid to the President of the Republic of Tatarstan.

No share in the authorized capital of the Bank as of 31st December 2010.

11. Sergey Shibaev

Was born in 1959.

Graduated from Moscow State Institute of International Relations of the Ministry of Foreign Affairs of USSR in 1981; from 1995 – the Certified Accountant, the Association of Chartered Certified Accountants (ACCA) (Great Britain); from 1997 - the Master of Business Administration (MBA), Henly Management College (Great Britain). Candidate of Economic Sciences.

From 2007 – the Director of the "Kafa Finance Inc." Company, Canada;

From 2008 - Member of the Board of Directors of OJSC "RESO-Guarantee";

From 2009 - Member of the Board of Directors of OJSC "Kazcommercebank";

From 2010 – Member of the Board of Directors of “Centravis Ltd.” (Cyprus);
From 2004 till 2007 – the Partner of "Roland Berger Strategy Consultants", Russia and Germany;
From 2007 till 2009 - Member of the Board of Directors of OJSC "EMAlliance";
From 03.2008 till 10.2008 - Member of the Board of Directors of OJSC "Sobinbank";
From 07.2007 till 04.2008 - Member of the Board of Directors of OJSC "Peoplework";
From 2008 till 2010 - Member of the Board of Directors of OJSC "Sotsgorbank".
No share in the authorized capital of the Bank as of 31st December 2010.

The Board of Directors Activity

In 2010 Ak Bars Bank continued its activity aimed towards the effective progress and improvement of corporate management system, focusing on the best international standards in this area. The quality of corporate management mainly depends on the existence of the effective and active Board of Directors. By supervising the activity of senior managers, the Board of Directors makes decisions that become a valuable contribution to the company growth; plays the key role in forming the Bank strategy; defines the priorities for its development; facilitates the enforcement and protection of shareholders' rights; and assists in the resolution of corporate conflicts.

In 2010, one of the priority tasks in the work of the Board of Directors of Ak Bars Bank was the correction of a medium-term strategy for the Bank development, the search for optimal ways of its growth under the current market conditions considering the socio-economic forecasts for Russia in the next few years. The Board of Directors updated the Bank's strategic objectives for 2010-2013 taking into account the new priorities.

During the past year, the Board of Directors regularly heard the reports of the Management Board on the implementation progress of OJSC Ak Bars Bank's financial and economic plan for 2010; meanwhile, the main objective was to control the maintenance of high-level indicators of the Bank stability. At its meetings, the Board of Directors also routinely heard the reports of the Internal Control Service on the results of the Bank audits and the reports of OJSC AK BARS BANK's Inspector as a professional securities market participant. In the reporting year, the Board of Directors gave its detailed attention to the improvement of the internal control system and the staff motivation system, as well as to performance evaluation of risk management and control systems. Apart from that, the activity of the Bank's Board of Directors in 2010 resulted in the following: increased transparency of the information policy; advancement of the Board's approval procedures for transactions of persons connected with OJSC AK BARS Bank and for related party transactions; regular review of the reports on retail and corporate business development, and so on.

Under the supervision of the Board of Directors, the charity work and sponsorship activity was continued and systematized, and the priority areas and objects for social acts funding were determined.

The Board of Directors paid significant attention to the improvement of the internal documents of the Bank. In compliance with the Work Plan, the Board of Directors approved a number of regulatory documents that govern the activity of the Bank and go beyond the framework of the mandatory minimum and consider the best international practices of corporate management. For instance, the internal documents that regulate Ak Bars Bank policy in the sphere of banking risks (operational, legal, reputational, credit and others) management were updated; and in order to increase the informational transparency of the Bank and to comply its information policy with the Russian legislative requirements, new edition of the Statement “On the information policy of AK BARS BANK” was approved.

The Corporate secretary of the Bank, Sergey Mironov, executed the function of the Secretary of the Board of Directors. According to the regulations of the Statement “On the Corporate secretary of OJSC AK BARS Bank”, the Corporate secretary is accountable to and reports directly to the Board of Directors, and is appointed by decision of the Board of Directors. On the 26th of February 2010, the Board of Directors made the decision to extend the term of the Bank’s Corporate secretary tenure, namely S. Mironov, for 3 years (until April 12th, 2013).

Committees of the Board of Directors

Specialized Committees (for audit, human resource and remuneration, risks and strategy) of the Board of Directors continued their work in 2010. The elected Chairmen were independent directors, which increased fairness and independence of judgements during the in-depth analysis of the examined questions and the preparation of professional advice for the Board of directors, as it isolated the members of the Committee from possible negative influence from the managers and controlling shareholders. Within the scope of their competence, Committees worked closely with the Bank’s management and control bodies, auditors and consultants.

The Auditing Committee

The Chairman of the Committee, independent Director – Sergey Shibaev

Members of the Committee:

- Ruslan Ilyasov (independent Director)
- Juri Levin (independent Director)
- Yevgeny Tikhturov

During the year the Committee brought up several questions essentially important for the Bank development according to the standards of the international banking practice. The priority task for the Auditing Committee in 2010 was providing practical help for the Bank management by giving advice on subjects of the internal control system improvement, the performance enhancement of the newly

created subdivision in the organizational structure of the Bank called the Department of Internal and Compliance Control.

The Human Resource and Remuneration Committee

The Chairman of the Committee, independent Director – Ruslan Ilyasov

Members of the Committee:

- Igor Avanesyan
- Andrei Vernikov (independent Director)
- Robert Musin

In 2010, the Human Resource and Remuneration Committee put emphasis on improving the performance of the Board of Directors and the Bank's Management Board. In regard to this, self-assessment of the Board of Directors and its relevant Committees was organized. Also, members of the Committee approved the evaluation system for the Management Board activity as a collegiate executive body and advised on its evaluation questionnaire.

The Risks Committee

The Chairman of the Committee, independent Director – Juri Levin

Members of the Committee:

- Raisa Sakhieva
- Valeriy Sorokin
- Yevgeny Tikhturov
- Sergey Shibaev (independent Director)

In 2010, the Risks Committee focused on improvement of the banking risks management system by concentrating main efforts on performance evaluation of control and risk management systems, as well as on the activities for the implementation of development stages of the Bank's internal business processes. In addition, the Committee carried out considerable work to minimize banking risks in the sphere of related party transactions approval.

The Strategy Committee

The Chairman of the Committee, independent Director – Andrei Vernikov

Members of the Committee:

- Igor Avanesyan
- Robert Minnegaliev
- Robert Musin
- Midkhat Shagiakhmetov

One of key tasks of the Strategy Committee in 2010 was the adjustment of the medium-term development strategy of Ak Bars Bank for 2011-2013 and determination of the further areas of its

development in regards to the emerging trends of business activity recovery in the Russian economy and the banking sphere.

The activities statistics of the Bank executive bodies in 2010

Throughout the year 2010, two General Meetings of OJSC AK BARS BANK shareholders were held (1 annual meeting with combined attendance by shareholders and 1 extraordinary meeting with absentee voting). 9 issues were examined at the General shareholders meetings (8 at the annual and 1 at the extraordinary meetings).

Information on compliance with the Code of Corporate Management

Further formation of the corporate management system in compliance with foremost global practice is considered by the Bank as the essential factor of successful development and capitalization growth. The foundation of the corporate management of AK BARS Bank is the effective interaction between all its managing bodies – General Shareholders Meeting, The Board of Directors, the Management Board, the Chairman of the Management Board, and specialized Committees of the Bank.

In its activity the Bank follows the rules and principles stated in the Code of Corporate Management, which was approved by the Board of Directors of the Bank on 20 February 2008. The Code contains certain rules that regulate the enforcement and protection of the rights and legitimate interests of shareholders, which let the Bank strengthen the trust of its clients and increase its investment attractiveness.

The main directions of corporate management of AK BARS BANK are as follows:

- Separation of the authorities, competency issues and accountability between the management bodies; organization of effective work of the Board of Directors and the Management Board of the Bank;
- Strategic management of the Bank activity by the Board of Directors;
- Formation of the balanced system of relations and prevention of conflict of interests between the shareholders, the Board of Directors and the Management Board members, bank employees, clients and counterparts;
- Equal attitude towards all shareholders of the Bank; granting an opportunity of the effective protection in case of violation of their rights;
- Achievement of the high level of information transparency (determination of procedure and control over timely disclosure of complete and accurate information about the Bank);
- Effective control over financial and economic activities of the Bank in order to protect the rights and legitimate interests of shareholders;

- Compliance with legislation of the Russian Federation, founding and internal documents of the Bank.

The Management Board

The Members of the Management Board of OJSC AK BARS Bank, the collegiate executive body (as of January 1, 2011):

Robert Minnegaliev

Was born in 1972.

Graduated from Kazan Finance and Economic Institute in 1993 majoring in “Accounting, control and analysis of economic activity”.

Candidate of Economic Sciences, Honoured Economist of the Russian Federation and the Republic of Tatarstan.

Started his career in 1987. Beginning from 1993 – the Deputy Chief Accountant, subsequently – the Deputy General Director and the Head of the Finance Center at Kazan Dairy Plant.

In 1996 was appointed the Head of the Banks and Extrabudgetary Funds Department at the Ministry of Finance of the Republic of Tatarstan.

From September 1997 headed the Special Purpose Funds Management Department at the Ministry of Finance of the Republic of Tatarstan.

In July 1998 was appointed the First Deputy Minister of Finance of the Republic of Tatarstan.

In 1999 - 2003 – the Director of the Treasury Department at the Ministry of Finance of the Republic of Tatarstan.

From April 2003— the Chairman of the Management Board of OJSC AK BARS Bank.

Zufar Garaev

Was born in 1972.

Graduated from Kazan State University named after V. Ulyanov-Lenin majoring in “Jurisprudence” in 1994, from International Academy of Marketing and Management majoring in “Finance and Credit” in 1996.

The Honoured Economist of the Russian Federation and the Republic of Tatarstan.

Began his career in 1992 as a legal adviser at the Republic Centre of Emergency Medical Service.

Worked as a legal adviser, later on became the Deputy Head of the Department of Foreign Exchange Transactions and International Settlements at the Kazan branch of “Mezhkombank”, the Vice-Chairman of the Management Board – the Managing Director of Kazan branch of LLC "Kamsky Commercial Bank".

In July 2003 became the First Vice-Chairman of the Management Board of OJSC AK BARS Bank.

Marat Shagitov

Was born in 1968.

Graduated from Kazan Finance and Economic Institute majoring in “Economics and Sociology of Labour” in 1993.

Started his career in 1993 as the Chief Accountant of Limited liability partnership “Rummad”.

Subsequently worked as the Head of Funds Department, the Chief Financial Officer of Joint-Stock Company "Group Light".

From 1998— the Head of the Department, then the Director of the Department of Treasury— the First Deputy Minister of Finance of the Republic of Tatarstan.

From May 2007— the First Vice-Chairman of the Management Board of OJSC AK BARS Bank.

Radik Salyakhutdinov

Was born in 1971.

Graduated from Kazan State University named after V. Ulyanov-Lenin majoring in “Applied Mathematics” in 1993 and later on from Kazan Social and Legal Institute majoring in “Law” in 2002.

The Honoured Economist of the Republic of Tatarstan.

Started his career in 1993 as the laboratory assistant-technician at the Academy of Sciences of the Republic of Tatarstan.

From 1994 - the Expert of the Bank’s Department of Interbank Relations, after that worked as the Head of the Department of Interbank Settlements and Crediting.

In 1998 was appointed the Chairman of the Management Board of OJSC “Volzhsko-Kamsky Joint-Stock Bank”.

In January 2000 returned to the Bank as the Director of Treasury.

From October 2000 – the Deputy Chairman of the Management Board of OJSC AK BARS Bank.

Ifan Gubaidullin

Was born in 1975.

Graduated from Kazan State University named after V. Ulyanov-Lenin majoring in “Jurisprudence” in 1998 and Kazan Finance and Economic Institute majoring in “Management” in 2001.

Began his career at OJSC AK BARS Bank in December 1997 as an Expert of the Department of Foreign Relations and Legal Department operations.

In 1999 was appointed the Head of the Corporate Clients Department.

From February 2004 – the Deputy Chairman of the Management Board of OJSC AK BARS Bank.

Bulat Davletshin

Was born in 1974.

Graduated from Moscow State University of Commerce majoring in “Management” in 1996 and Higher School of Corporate Management of the Academy of National Economy under the Government of the Russian Federation majoring in “Euro-Management– Executive Master of Business Administration” in 2010.

Started his career in 1996 in OJSC “Tatneft” as a software engineer in the Information Processing Service of the Oil-And-Gas Production Department “Almetievneft”.

From 1997 - the Regional Representative and from 1999 – the Director of the Almetyevsk branch of CJSC “Finance Leasing Company”.

From 2003 – the Head of the Department of Project Finance of the Bank.

From October 2006 - headed the Department of Project Finance.

From August 2009 – the Deputy Chairman of the Management Board of OJSC AK BARS Bank

Rustem Khadiullin

Was born in 1964.

Graduated from the Department of Physics of Kazan State University named after V. Ulyanov-Lenin in 1986 majoring in “Physics”, completed KSU postgraduate school in 1991, took a number of courses at Amsterdam Institute of Finance in 1999 – 2001, graduated from the University of Chicago Booth School of Business, USA, with an Executive MBA degree in 2007. Candidate of Sciences, Master of Business Administration.

Before 1993, worked as a researcher at Kazan Scientific Centre of the USSR Science Academy.

In February 1994 started to work for the Bank as an expert of the Department of Interbank Settlements.

Later worked as the Director of the Department of Interbank Relations, the Head of the Foreign Economic Transactions Department, the Deputy Chairman of the Management Board and the Director of Moscow Regional Center of OJSC AK BARS Bank. From 2000 – the Deputy Chairman of the Management Board in OJSC AK BARS Bank.

Airat Bayazitov

Was born in 1971.

Graduated from Kazan Finance and Economic Institute majoring in “Accounting, control and analysis of economic activity” in 1992.

Started his career in 1992 in a commercial bank named "Selskie dorogi" (Rural Roads) as the Deputy Chief Accountant.

From November 1993 — the Chief Accountant of OJSC AK BARS Bank.

Gulnara Galiakberova

Was born in 1966.

Graduated from Kazan Finance and Economic Institute majoring in “Accounting, control and analysis of economic activity” in 1987, completed the MBA “Banks” Programme of the Academy of National Economy under the Government of the Russian Federation focusing on “Bank management” in 2009.

The Honoured Economist of the Republic of Tatarstan.

Started her career in 1987 as an engineer at the State Institute of Applied Optics.

Has worked in OJSC AK BARS Bank since 1994 - first as an expert of the Accounting Department, then as the Head of the Accounting Management Department. Later headed the Operations Department.

In June 2007 was appointed the Director of the Customer Service Department.

Lyalya Kudermetova

Was born in 1965.

Graduated from Kazan Finance and Economic Institute majoring in “Accounting, control and analysis of economic activity” in 1986 and in “Euro-management – Executive MBA” programme in 2010.

The Honoured Economist of the Republic of Tatarstan.

Started her career in 1986 as an accountant in the Tatarstan Office of Sstroybank.

Worked as an economist in the Tatarstan Branch of Promstroybank, the Head of the Foreign Economic Department of the Commercial Investment Trust Bank “Kazansky”, the Manager of the International Settlements and Currency Control group, and subsequently the Head of the Customer Service Department of the Bank of Foreign Trade.

From June 2004— the Director of Kazan branch of OJSC AK BARS Bank.

From October 2008 — the Deputy Chairman of the Management Board of OJSC AK BARS Bank, the Director of Kazan branch of OJSC AK BARS Bank.

Dividend Policy

In accordance with the Statement “On dividend policy of OJSC AK BARS BANK” approved in 2007, which set the basic principles of the Dividend policy of the Bank, the recommended amount of dividend payments is determined by the Board of Directors based on the financial results of the Bank activity, and the decision on the dividend payment is made by the Annual General meeting of shareholders on the basis of the recommendations of the Board of Directors.

In 2010 the Annual General meeting of Bank shareholders made the decision not to pay the dividends on ordinary nominal shares of OJSC AK BARS BANK according to the results of the financial year of 2009.

Risk management

The concept of the risk management system is based on the suggestions of the Basel Committee on banking activity control and the recommendations of the central Bank of Russia.

Credit risks

One of the main risks for AK BARS Bank is still **the credit risk**. Credit risk management includes the evaluation and monitoring of credit risk inherent in for both individual borrowers and groups of related borrowers. The effectiveness of credit risks management is achieved through accurate regulation of risk assessment process, decision making on loan granting, creating an adequate provision for possible loan losses and further monitoring of credit risks on every transaction. There are effectively functioning collegiate bodies established in the Bank (Limit and Credit Committees), whose tasks are to determine the limits for counterparties and to make decisions on loan granting and other investments implementation. Evaluation and regular monitoring of credit risks are accomplished using the methodology elaborated in the Bank based on the rating evaluation of counterparties. The system of reasoned estimation of credit risk level for every counterparty also operates in order to form adequate provisions.

Country risks

The main activity of the Bank is concentrated within the territory of Russian Federation and the Republic of Tatarstan. The stability of political and economical situation in Russia as a whole and in the Republic of Tatarstan significantly decreases the influence of this particular type of risk on the activity of the Bank. The support from the Government of the Republic of Tatarstan stabilizes the positions of the Bank in the given region. With the expansion of the regional network the influence of regional risks can increase, but present strategy of Bank development presumes to open the branch offices in the most economically developed and prosperous regions of Russia, which allows to minimize the influence of regional risks on the Bank activity.

The biggest branch offices of the Bank (outside the Republic of Tatarstan) are placed in successfully developing regions, most of which are the donors of the federal budget system. The Bank does not expect any major social or political conflicts, which can lead to material or any other type of damage to the Bank.

The Bank activity is mainly oriented on active operations with the counterparties who are residents of the Russian Federation.

OJSC AK BARS BANK transacts actively with non-resident banks from countries with high investment and credit ratings that belong to the group of “developed countries”. The financial position of these counterparties and countries is stable and approved by the leading rating agencies.

Market risks

Currency, fund and interest risks belong to this group.

To manage the market risks, the Bank accepted the system of limits which restrict potential losses from the unfavourable changes in the market conjuncture. The limits are set and adjusted according to total VaR assessment of price risks on the components of securities portfolio, currency risks and interest risks. The limits system includes the limits on the investments amount, the value of opened positions, the maximum amount of affordable losses, and so on. Potential market risks should not exceed the planned quarterly profit. The estimation of the market risks level is carried out on a monthly basis. It can be also estimated at any other moment, for instance, in case of abrupt changes in market conjuncture.

Fund risk

Fund risk management is carried out through active management of trading securities portfolio, including regular revision of the portfolio according to the changing trends of its fair value.

Currency risk

Currency risk management is accomplished using VaR methodology. The Bank handles the currency risks using general methods of management, maintaining the indication and the volume of currency positions consistent with the observed and predicted dynamics of exchange rate changes and limits for opened currency positions.

Interest risk

Interest risk management is done by limiting the difference in volumes (“gap”) between the volume of assets and liabilities, sensitive to basic interest rates changes with mutual correlation of these rates. Total “gap”, assets and liabilities “gaps”, sensitive to the changes of the same basic interest rates are being limited.

Liquidity risk

According to the viewpoint of management technology, the Bank allocates the risk of instant liquidity of the trading day, risk of current urgent liquidity and risk of structured balance liquidity. баланса.

Liquidity risk in the Bank is limited by a range of internal rules and is regulated daily by the Liquidity Management Committee on the basis of obtained information on assets and liabilities ratio on terms of maturity date and the payment calendar. The share of liquid assets is maintained at the level sufficient enough to satisfy the responsibilities to the customers at any changes of the external environment.

Bank liquidity is kept at a sufficient level, and in case of emergencies, leading to the liquidity decline, the Bank disposes of the emergency activities plan, which can return the liquidity rates to a safe level in a short period of time. AK BARS BANK steadily meets the requirements of the Central Bank of the Russian Federation on mandatory economic standards execution. The economic standards indicators are sufficient for normal functioning in the conditions of current financial situation.

Operational risk

Operational risk is a risk arising from direct and indirect losses resulting from the disparity to the character and the scale of the bank activity and/or to the current legislation requirements, internal rules and procedures of bank operations execution or other transactions and their violation by the Bank employees and/or other persons.

Among the main reasons of operational risk are the staff risk, automated banking system and technology risk and the risk of physical action. The control of the operational risk events and indicators is held online using the specially developed database of operational risks. Apart from that the Bank has clearly regulated internal rules and procedures that minimize the operational risks caused by staff risk and automated banking system risk. Physical risk management is controlled by the insurance system, which also reduces possible negative consequences of force majeure.

Legal risks

Legal risk is a risk of Bank's possible losses caused by the influence of internal and external factors of legal nature. The distinctive feature of a legal risk is the possibility to control its scale by full compliance with current legislative and regulatory acts, internal documents and Bank procedures.

Legal risk management is the integral part of the Bank Risk Management System. The combination of such risk management methods as authorities and decision-making system, information system, legislation monitoring system is used for monitoring and maintenance of the Bank legal risks on the acceptable level.

The whole claim work is carried out routinely in the Bank. The emergency legal risks are not expected. Structured business units operate within the framework of the existing limited structure for the counterparties, positions, instruments, units, profit and losses restrictions, and personal limits of responsibility.

Risk of business reputation loss (reputation risk).

Reputation risk is a risk of possible losses caused by negative changes in business reputation due to the influence of external and internal factors of non-financial nature. **Business reputation** is a qualitative evaluation of the Bank activity, Bank owners' actions, affiliated parties, subsidiaries and dependent organizations by the participants and the society.

In its activity, the Bank follows the "Know your employee" and "Know your customer" principles recommended by the Central Bank of the Russian Federation.

One of the indicators of the reputation risk level is the published information about the Bank, its shareholders and affiliated parties in the Mass Media. It should be noted that the majority of published information on the Bank traditionally has a positive nature. Thus, the level of risk of business reputation loss of the Bank is evaluated as low.

Strategy risk

Strategy risk is a risk of losses due to the mistakes (disadvantages), wrong choices for the Bank development strategy or failure to fulfill its guidelines.

Management of this type of risk is ensured by the adequate planning of economic transactions of the Bank. Adequacy of the planning system is achieved by multi-variance and continuity of planning, centralization of methodological and supervisory functions in the sphere of planning, clarity of set goals and personal responsibility for their achievement, and constant monitoring of the implementation process.

The existing risk-management system in the Bank proved its efficiency both during the crisis of 2008-2009 and during the post-crisis period. The Bank continues to effectively minimize the losses caused by realization of certain risk types; meanwhile risk management procedures and evaluation methods applied in the Bank are subject to regular upgrade and verification.

Human resource management

The average number of the bank employees amounted to 5007 people in 2010.

In 2010, the work on the implementation of the Main directions of AK BARS Bank development for 2009-2012 (elaborated in cooperation with BCG consulting company) was continued, including the realization of the Bank HR-strategy.

Activities for the realization of HR Management Strategy are presented in the following strategic initiatives:

- Employee training and development
- Staff motivation
- Strengthening of recruiting functions
- Organizational changes
- Corporate culture development

Following the global trends AK BARS Bank took over the functions of a business school. It means that one of the main areas of the staff policy is continuous professional training and qualification improvement. In 2010, over 9 million rubles were spent on external education of the employees. 92% of these costs were spent on the professional training, seminars and conferences participation, and qualification improvement training sessions.

The Bank constantly works on the improvement of its customer service quality. Compliance with customer service standards is one of the main criteria of the staff evaluation during the quarterly session called “Secret customer”. 145 Bank branch subdivisions were included in the session’s participants list.

Particular attention is paid to the adaptation of new employees. The Bank utilizes the distant adaptation programme for newcomers. 13 training programmes were developed for key areas of banking.

Distant education system became one of the effective measures for the improvement of the educational level of the Bank employees. In 2010, significant work was continued to fill the testing base on internal regulatory documents. Currently, there are more than 1000 tests at the Bank’s disposal to test the employees' knowledge.

The staff motivation system, adopted in 2007 and based on the KPI in the framework of the project “Efficiency Management System”, proved its strength. The system develops according to the new strategic business objectives.

KPI incentive system received a new stage of development in 2010. The KPI cascading process to the departments and independent divisions within the departments was held at the

Head office, which allowed to evaluate the contribution and to tie the bonus system of each structural unit with the overall performance of the Department.

Every year the Bank implements a number of programmes aimed at the education development:

- Nominal scholarships

There is a traditional contest for OJSC AK BARS Bank Nominal scholarships held to encourage and later recruit the most talented students from the leading universities to the internships. 85 people from 19 cities of the Russian Federation participated in the contest in 2010.

- Cooperation with the universities

The innovative “Open University” programme based on the grounds of Kazan State Technical University (Kazan Aviation Institute) ended in June 2010. 15 students took part in the programme and were employed by the Department of Information Technology of the Bank. Kazan (Volga region) Federal University and Kazan Finance and Economics Institute joined the given programme in December 2010.

Major transactions

Within the reporting year of 2010, the Bank did not carry out neither transactions recognized as major transactions by the Federal Law “On Joint Stock Companies”, nor related party transactions as defined by the Statement on transactions with persons connected with OJSC AK BARS BANK (Protocol 14/07-12-19 as of 24 December 2007, approved by the Board of Directors).

Related party transactions

Within the reporting year, all transactions considered to be the related party transactions according to the Federal Law “On Joint Stock Companies” were approved by the Board of Directors or by the General Shareholders Meeting in compliance with the authorities of OJSC AK BARS Bank’s executive bodies. The subject matters of these transactions were loans, credit lines, pledge agreements, guarantees, overdrafts, interbank loans, purchase/sale of the securities, and reverse/direct repurchase agreement.

All related party transactions were concluded within the framework of the Bank’s license and Articles.

Information on the Bank’s accomplished related party transactions is disclosed on the corporate website in the materials for the reference of persons with the rights to attend the Annual General Meeting of shareholders.

Amount of Consumed Power Resources

In 2010 OJSC AK BARS BANK consumed the following types of power resources:

Name	quantity	cost, rubles
Thermal energy, (Gcal)	3 991,65	4 837 213,97
Electrical energy, (kWh)	5 126 088,00	21 023 835,03
Natural gas, ths. cubic meters	81 968,00	312 319,00
Water supplies, (cubic meters)	33 686,00	918 985,79
Car petrol, (litre)	517 648,00	11 457 699,00
Diesel fuel, (litre)	28 680,00	532 053,00
Total		39 082 105,79

The Audit Report

In our opinion, the Annual Report of Joint-Stock Commercial Bank AK BARS (Open Joint-Stock Company) reliably reproduces all essential aspects of its financial position as of December, 31, 2010 as well as the results of its financial and economic activities and cash assets flow for 2010 in full compliance with the established report composition requirements for credit institutions of the Russian Federation.

Dated March 30, 2011

Director of LLC "Sredne-Volzhsky expert bureau"

_____ A. Falaleev

Auditor's Qualification certificate No K 018882, issued by the decision of the Central certification and Licensing Audit Commission (TsALAK) of the Ministry of Finance on 28.06.2001 (record No 94), confers the right to implement activities in the field of general audit from 15.11.2004 for an unlimited period.

Main registration number of the record of the self-regulatory organization of auditors "Non-profit Partnership 'Russian Collegium of Auditors'" into the Register of Auditors and Audit Organizations - 20105023296

Head of audit:

_____ N. Tuzankina

Auditor's Qualification certificate No K 000720, issued by the decision of the Central certification and Licensing Audit Commission (TsALAK) of the central Bank of the Russian Federation on 21.12.1995 (record No 10) confers the right to implement activities in the field of bank audit from 26.08.2002 for an unlimited period.

Main registration number of the record of the self-regulatory organization of auditors "Non-profit Partnership 'Russian Collegium of Auditors'" into the register of Auditors and Audit Organizations" - 29505023054

Auditor:

_____ V. Fedosova

Auditor's Qualification certificate No K 012879, issued by the decision of the Central certification and Licensing Audit Commission (TsALAK) of the central Bank of the Russian Federation on 16.01.2001 (record No 1) confers the right to

implement activities in the field of bank audit from 24.02.2004 for an unlimited period.

Main registration number of the record of the self-regulatory organization of auditors “Non-profit Partnership ‘Russian Collegium of Auditors’” into the register of Auditors and Audit Organizations” - 20105023364

Information on auditors

1. The information on the audit organizations authorized to implement the audit of Bank reports in compliance with the Russian Accounting Standards (RAS) for the 2010 financial year:

Full name of the organization	Limited liability company "Sredne-Volzhsky expert bureau"
Abbreviated name of the organization	LLC "SVEB"
Address	60 Vosstaniya st., Kazan, the Republic of Tatarstan, Russian Federation, 420039
Telephone and fax numbers	+7 (843) 555-62-92, 555-62-52
E-mail address	sveb@mi.ru
Main registration number of the record of the self-regulatory organization of auditors "Non-profit Partnership 'Russian Collegium of Auditors'" into the register of Auditors and Audit Organizations"	10205008931
Information on the auditor's membership in collegiums, associations or other professional unions (organizations)	The member of the self-regulatory organization "Non-profit Partnership 'Russian Collegium of Auditors'".
Financial year (years) for which the auditor conducted the independent revision of the accounting and financial (accounting) reporting of the credit institution – emitter.	2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010
Director of the audit Organization	Alexander Falaleev

2. Information on the audit organization authorized to implement the audit of the Bank in compliance with the International Financial Reporting Standards (IFRS) for the 2010 financial year:

Full name of the organization	Closed Joint-Stock Company "PriceWaterHouseCoopersAudit"
Abbreviated name of the organization	CJSC "PriceWaterHouseCoopersAudit"

Address	Business center “Belaya Ploschad”, 10 Butyrskiy val st., Moscow, Russia, 125047
Telephone and fax number	Telephone: +7 (495) 967-6000 Fax: +7 (495) 967-6001
E-mail address	www.pwc.ru
Number, date of issue and duration of license for auditing activity	No E 000376 Dated May 20, 2002 (date of issue) (extended from May 20, 2007) From January 1, 2010 the activity is no longer subject for licensing
The body which issued the license	The Ministry of Finance of the Russian Federation
Information on the auditor’s membership in collegiums, associations or other professional unions (organizations)	CJSC “PriceWaterHouseCoopersAudit” is the member of self-regulatory organization of auditors “Non-profit Partnership ‘Audit Chamber of Russia’” (NP ACR) according to the decision of the Board of NP ACR from 22.04.2004 and has the registration number 870 in the register of NP ACR members, the Main Registration Number of the Record (MRNR) in the public register of auditors and audit organizations 10201003683.
Financial year (years), for which the auditor conducted the independent audit of the accounting and the financial (accounting) reporting of the credit institution – emitter.	Annual accounting reports for 1997, 1998, 1999, 2001, 2002, 2003, 2004, 2005, 2006 Consolidated reports for 2006, 2007, 2008,2009,2010
Partner of the audit organization	Sergey Nekludov

Reference information

Joint-Stock Commercial Bank AK BARS (Open Joint-Stock Company) is registered in the Central Bank of the Russian Federation and has successfully operated in the financial market of Russia since 1993.

The licenses of the Bank

AK BARS Bank possesses all necessary licenses to conduct the banking activity.



General License for banking operations in rubles and foreign currency
Issued by: The Central Bank of the Russian Federation
Number: 2590
Date of issue (exchange): 02.09.2002



License to conduct banking operations with the right to attract precious metals to deposits and allocate them and to other precious metals operations in compliance with the Russian legislation
Issued by: The Central Bank of the Russian Federation
Number: 2590
Date of issue (exchange): 02.09.2002



License of the professional participant of the securities market to perform the brokerage activities
Issued by: Federal Commission for Securities Market (FCSM)
Number: 116-03460-100000
Date of issue (exchange): 17.12.2000



License of the professional participant of the securities market to perform dealer activities
Issued by: Federal Commission for Securities Market (FCSM)
Number: 116-03564-010000
Date of issue (exchange): 07.12.2000



License of the professional participant of the securities market to perform the management of securities
Issued by: Federal Commission for Securities Market (FCSM)
Number: 116-03666-001000
Date of issue (exchange): 07.12.2000



License of the professional participant of the securities market to perform the depository activity
Issued by: Federal Commission for Securities Market (FCSM)
Number: 116-04175-000100
Date of issue (exchange): 20.12.2000

AK BARS BANK is the participant of:

- Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T),
- Information-dealing system “Reuters Dealing”,
- Russian National Association of Securities Market Participants,
- Moscow Interbank Currency Exchange (MICEX),
- Association of the Participants of Bills Market,
- Russian Trading System (RTS) and Association of the Russian Banks.

AK BARS BANK details

Full name	Joint-Stock Commercial Bank AK BARS (Open Joint-Stock Company)
Abbreviated name	OJSC AK BARS BANK
Brand name used for external economic activity	AK BARS Bank
Registration date in the Bank of Russia	29.11.1993
Main State Registration Number	1021600000124
Legal address	1, Dekabristov st., Kazan, The Republic of Tatarstan, Russia, 420066
Physical address	1, Dekabristov st., Kazan, The Republic of Tatarstan, Russia, 420066
Telephone and fax number	+7(843) 519-3999, 519-3975
E-mail address	kane@akbars.ru
The Chairman of the Board of Directors	Robert Musin

The Chairman of the Management Board	Robert Minnegaliev
Correspondent account in Payment Processing Center of the National bank of the Republic of Tatarstan	3010181000000000805
Taxpayer Identification Number	1653001805
Tax Registration Reason Code	165801001
Bank Identification Code	049205805
All-Russian Classifier of Businesses and Organizations Code	13001745
Government Agency Code System (National Classifier of Government Entities and Administration)	5054
Indications System of Administrative-Territorial Formations (All-Russian Classifier of Political Subdivisions)	92401377000
All-Russia Classifier of Types of Activity	96190
All-Russia Classifier of Forms of Ownership	17
All-Russia Classifier of Forms of Incorporation	48

The Chairman of the Board of Directors of OJSC AK BARS bank

R. Musin

/Signature/

The Chief Accountant

A. Bayazitov

/Signature/