

JOINT STOCK COMMERCIAL BANK AK BARS
(Open Joint-Stock Company)

AK BARS BANK

APPROVED BY
The Decision of the Management Board of
OJSC AK BARS BANK
dd. “ ”
Protocol No

SOCIAL REPORT
Of AK BARS BANK - 2013

Kazan
2014

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Introduction

Dear friends!

We present the Social Report of AK BARS Bank 2013 for your attention, which covers key priorities, objectives and activity areas in the social policy field. From the moment of its creation, the Bank started providing charitable support and took on social responsibilities and a community-engaged role. Contribution of business and its consolidation with state institutions help to resolve many social issues. AK BARS Bank invests in the most promising assets - health and community welfare by making the best use of available resources to promote social, sporting, cultural and educational programs, as well as to improve life quality and working conditions of its employees.

1. The Address of the Bank's Management

The last year of 2013 was saturated with interesting events and achievements. For the Bank, as well as for the whole country, it was closely linked with sports. AK BARS Bank acted as the General Partner and the Official Supplier of banking services of the 27th Summer Universiade in Kazan. We also celebrated AK BARS Bank's anniversary and summarized the results of the Bank's activities and development for the last two decades. Furthermore, year 2013 was marked with new achievements in domestic and international financial markets.

However, success in business is defined both by economic performance as well as the impact upon social values which indicate everyone's good living standards. The Bank confirms its title of a socially responsible institution as it is deeply integrated into the society.

Through the support of initiatives in medicine, education, culture, sports and promotion of healthy living, the Bank utilizes an opportunity to contribute into the life quality of our citizens and to support those who for various reasons are in difficult life situations.

It is important to note that in its activities AK BARS Bank continues to apply the most advanced standards of corporate governance following the principles of information disclosure and financial transparency. Being a socially responsible and public company and making Tatarstan an attractive investment destination, AK BARS Bank annually allocates significant funds to support regional non-profit projects and participates in social activities of non-government organizations and charity funds.

In 2013 we continued to implement programs aimed at engaging both qualified personnel and young professionals. We keep promoting the idea of a healthy lifestyle and the development of social, cultural and sports programs. We remain committed to the highest standards of corporate ethics and effectively combine financial activity with constructive work for the society's benefit.

Kind regards,

The Chairman of the Board of Directors of AK BARS BANK V.Sorokin

The Chairman of the Management Board of AK BARS BANK R. Minnegaliev

2. General Information on OJSC AK BARS Bank

Joint-stock commercial bank AK BARS (Opened Joint-stock Company) is officially registered with the Central Bank of the Russian Federation and has successfully and consistently operated on the financial market of Russia since 1993.

AK BARS Bank is a socially responsible, stable and advancing financial institution. AK BARS Bank is in the top-20 largest financial institutions of Russia, ranked 17th by equity and 19th by assets as of 1 January 2014.

AK BARS Bank offers a wide range of products and services to corporate clients, small and medium businesses and individual clients. The Bank renders services to the key industries of the Russian economy - chemical and petrochemical industries, mechanical engineering, fuel, food, transport, power engineering, construction, communications, agribusiness, trade and others.

The Bank holds strong positions in all main markets of banking services. AK BARS Bank offers the full range of services to corporate clients: loans and credit lines, overdraft loans, project finance, placements, cash settlements, trade finance, operations with precious metals, payroll programs, remote banking, and programs for small and medium businesses.

Retail business is of strategic importance to the Bank. Individuals are offered a full range of services for mass consumers, affluent customers and VIP clients: loans, mortgages, deposits, cash settlements, bank cards, precious metals, AK BARS Online remote banking system, SMS Banking, and so on.

The bank comprises 37% of assets of the entire banking system of the Republic of Tatarstan, and 45% of equity¹. Today OJSC AK BARS Bank is a universal credit institution of federal importance. The Bank operates in the Republic of Tatarstan, Moscow, Saint Petersburg and other regions of Russia.

The bank stands for strong commitment to its customers through comprehensive long-term relationships, combining standard banking services with customer-oriented approach.

Over 2.9 million individuals and over 53 thousand corporate entities are current clients of AK BARS Bank. The Bank's regional network includes 44 branches, one subsidiary bank, 224 supplementary offices, 117 stand-alone cash desks, and 14 operational offices.

Along with improving the quality of our products, upholding the highest standards of our services, developing new technologies and building a strong team, we pay great attention to social activities. This year we continue to be engaged in the matters of all those who live and work with us.

3. The Structure and Principles of Corporate Governance

AK BARS Bank believes that efficient corporate governance is the key factor of stability and successful business performance.

To meet the interests of shareholders, creditors, customers, business partners and counterparties, AK BARS Bank constantly monitors its compliance with the guidelines of the AK BARS Bank Corporate Governance Code. The document is available to everyone and can be found on the Bank's official website (www.akbars.ru) and on the website of 'Interfax' news agency.

Guided by the principles of disclosure and financial transparency for the public, the Bank discloses in time full and authentic statements on its financial status, economic indicators, ownership structure and so on, providing the shareholders and investors with opportunity for rational decision making.

With regards to the principles of responsibility and legitimacy, the Bank strictly conforms to the generally recognized rules of international law, Russian legislation and relevant legal acts. It also meets its responsibility to the shareholders for its performance, to the clients for the quality of banking services, and to its business partners for handling its duties.

Following the equity principle, the Bank provides equal treatment of shareholders regardless of capital contribution and enforces their rights and legitimate interests.

The Bank recognizes that improvement of corporate governance practices ensures stability and success of the financial markets, as well as maintains high standards of corporate governance and ethics for successful business. One way to such improvement could be development and establishment of new internal corporate governance standards, thus in 2013 AK BARS Bank was constantly working on bringing its internal regulatory framework in line with multiple changes in the Russian legislation in the corporate governance field. In addition, the Bank continued to apply the advanced standards of corporate governance in its operations focusing on transparency of corporate procedures and the role of the Board of Directors in its strategic and control functions.

¹ According to 'Bankovskiy Vestnik' bulletin of the National Bank of the Republic of Tatarstan of 01.01.2014.

¹ As of 01.01.2014.

In addition to that, following the practice pattern, the Board of Directors annually assessed the Bank's corporate governance (the matter was reviewed at the Board of Directors meeting on 17 February 2013) and self-assessed its own work along with the performance of its main Committees (the matter was reviewed at the Board of Directors meeting on 18 December 2013). As a result of such assessment, different measures were elaborated and carried out to eliminate the revealed flaws.

The corporate governance structure of AK BARS Bank supports well-proportioned balance between the governance bodies, clearly assigns authorities and distinguishes management instruments used by the shareholders, the Board of Directors and the Bank's executive bodies.

Shareholders. Capital Structure

The General Meeting of shareholders is the highest governance body in the Bank, which makes decisions on key work matters. The holding of General Meetings lets the Bank inform its shareholders of its performance, achievements and plans; engage them in discussions and decision-making on the most important matters of the Bank's work no less than once a year.

The Bank gives an opportunity to shareholders to exercise their rights to participate in the company by receiving full and accurate information on its financial status, performance outcomes, corporate governance practices, principal shareholders, and any major facts that impact the financial activity of the company. The annual General Meeting of Shareholders took place in May 2013 and reviewed issues related to the approval of annual financial statements, the distribution of profit, the dividend payments, the amendments to the Charter and the Bank's internal documents, the approval of related party transactions, and so on. In addition, the Bank's auditor was approved and the new members of the Board of Directors and the Auditing Committee were elected.

The implementation of decisions made by the General Meeting of shareholders is under constant supervision by the Bank management bodies. The relationship between the Bank and the shareholders is based upon the direct constructive dialogue with unconditional compliance with the Russian legislation and maximum compliance with the international standards and global common practice. All main issues in the Bank's activity are agreed upon between the joint owners by participation of representatives in the Board of Directors and General Meetings of shareholders.

The Bank strives to increase transparency across all of its businesses and activities and provides equal and timely access of shareholders and investors to the company information to enforce their rights, their ownership interests and Bank's business reputation.

The authorized capital of OJSC AK BARS equals 28 215 396 326 rubles and is divided into 28 215 396 326 uncertified registered ordinary shares with nominal value of 1 (one) ruble each.

The Bank shareholders used their right to freely dispose of their shares in 2013 in accordance with the current Russian legislation.

Last year deals with the company's shares on secondary market resulted in some minor changes in the ownership structure of the Bank's shareholders structure. Thus OJSC 'Nizhnekamskneftekhim' increased its share in the Bank's equity to 2.482 % by buying the Bank shares from its subsidiary companies – LLC 'Polimer-NKNH' and OJSC 'NefteKhimSevilen'.

The Bank publicly discloses information on all significant events and facts, which influence its performance and which may affect the value of Bank's securities including the information on ownership structure (final beneficiaries).

Facts on the Bank owners along with the information on the structure and the Bank's shareholders equity participation owning at least 1 percent of its authorized capital are officially available on AK BARS Bank website. The ownership structure of the Bank is presented on the website in the form of relationship diagram and the list of persons controlling or significantly influencing the Bank, contains information on major shareholders and is available to public.

The Activities of the Board of Directors and Its Committees

The Board of Directors is a collegial governing body which handles overall management of the Bank in between the annual meetings of shareholders, has extensive powers and bears responsibility for the inadequate performance of its duties. It is appointed by the General Meeting of shareholders through elections for a fixed term.

The annual General Meeting of shareholders in 2013 elected its new Board of Directors consisting of 11 members. Five independent directors were included in the Board of Directors to ensure the objectivity in decision-making and to support the interests of all related parties.

The Board of Directors bears responsibility for the activities of the Bank as a whole, so it used its powers to address the issues of business strategy and risk management, financial stability and corporate governance, exercised effective control over the executive bodies, acted in the shareholders' best interests across all of the Bank's operations, and so on. In order to strengthen the adherence to international standards and enhance the efficiency of economic and social activities, the Board of Directors in 2013 paid considerable attention to the improvement of corporate procedures and internal regulatory framework, internal control system and risk management, promotion of transparency for all related parties.

In the reporting period the Board of Directors continued its work which had started in 2012 on controlling the implementation of a project implemented together with the PWC consultant 'Implementation of the key initiatives plan for the Bank's performance improvement' (including the branch network optimization). During the year, the Board of Directors reviewed the reports of the Bank's Management Board on the project progress primarily focusing on risk management. Then they discussed together the Project of Efficiency Improvement through implementation of international approaches in accordance with Basel II and Basel III standards.

In December 2012 the Board of Directors approved AK BARS Bank's annual financial plan (budget) for 2013, and throughout 2013 it regularly reviewed the reports by the Management Board on the progress of its implementation. The Board of Directors regarded the control over maintaining high stability indicators as the key target. Besides, the reports by the Internal control Service on audit results in the Bank and the reports by AK BARS Bank's Inspector on its professional participation in the securities market were reviewed at the Board of Directors' meetings regularly.

Significant attention was given to upgrading the internal documents of the Bank, especially the documents related to risk management. Thus, in 2013 the Board of Directors approved AK BARS Bank's Regulation 'On compliance risks management principles in AK BARS Bank', as well as the amendments to the following Regulations: 'On risk management principles in AK BARS Bank', 'On operational risks management principles in AK BARS Bank', 'On legal risks management principles in AK BARS Bank', 'On reputational risks management principles in AK BARS Bank', 'On market risks management principles in AK BARS Bank', 'On stress testing in AK BARS Bank' and 'On corporate secretary of AK BARS Bank'.

Under the auspices of the Board of Directors, the Bank's charity and sponsorship activities were continued. Each year the Board of Directors offers the General Shareholders' Meeting its recommendations on distribution of the profit, received during the financial year, to specialized funds, including sponsorship funds and charity organizations. In 2013 the financial resources of such fund were used to sponsor the programs aimed at the sports development and public health promotion, the programs supporting severely ill children as well as cultural and social projects.

Committees of the Board of Directors

In 2013, the specialized committees of the Board of Directors (Auditing, Human Resources and Remuneration, Risks, Strategy) diligently continued their work.

The Committees worked closely with the Bank's management and control bodies, auditors and consultants within their competences.

● **Auditing Committee**

The committee consists of solely independent (3 Committee members) and non-executive (1 Committee member) directors which indicates the improvement of the Committee's composition quality. Sergey Shibaev is the Head of the Committee.

Committee's activities in 2013 were in line with the approved Activity plan, in accordance with its responsibilities and functions, as well compliance with the global practice benchmark for audit committees. The Committee's attention was focused on the implementation of measures aimed at improving the effectiveness of internal control, control of financial and economic activities of the Bank. In the reporting period, the Committee regularly reviewed the plans and reports on the work of the Internal Control Service of the Bank, including information on the main identified violations, mistakes and shortcomings in the activities of the Bank, as well as on measures taken to eliminate the revealed violations. The members of the Auditing Committee followed the prevailing practice of active cooperation with the external Bank auditors by inviting them to their meetings and discussing the preliminary procedures and audit stages. This let the Committee members have full and accurate information on the course of the Bank's financial statements audit. The Committee also consistently monitored the independent and objective assessment of the Bank's financial statements audit.

● **Committee of Human Resources and Remuneration**

The Committee consists of 4 members of the Board of Directors, the Chairman of the Committee (non-executive director) – Igor Avanesyan.

In 2013 the Committee was primarily focused on the analysis of the personnel performance and personnel costs in the context of the Bank's organizational structure transformation as a part of the efficiency improvement plan. The Committee members maintained their focus on issues related to the monitoring of the staff turnover. Committee members initiated the optimization of personnel incentive system of AK BARS Bank in line with the new operational model of the Bank. During the course of the year, the Committee also reviewed issues relating to the Bank's strategy realization in labour remuneration, including in terms of regions, the 'Human Resource Pool' programme implementation and the work plan implementation for sharing the corporate values were constantly supervised.

● **Risks Committee**

The Committee consists of 5 members of the Board of Directors, three of which are independent directors which indicates the improvement of the Committee's composition quality. The Chairman of the Committee is the independent director – Juri Levin.

In 2013 the Committee paid significant attention to controlling the joint project with the PricewaterhouseCoopers consultants on the Bank's Efficiency Improvement through implementation of international approaches in accordance with Basel II and Basel III standards. The Committee members reviewed the key indicators of the Bank's performance under the main principles and requirements of Basel III to risk management system, as well as the figures for Bank's capital calculation in compliance with Basel III regulations and principles.

In the given period, the Committee continued to work on banking risks minimization by improving the approval procedures by the Board of Directors for transactions mainly concerning AK BARS Bank affiliates and related parties.

The Risks Committee members also paid significant attention to the Bank liquidity, its maintenance measures, and the analysis of asset and liabilities quality.

● **Strategy Committee**

In practice, the absence of strategic planning committee in the structure of the Board of Directors among Russian companies indicates a weak strategic performance of the Board of

Directors and a lack of clear delineation of roles, a lack of clear segregation of duties and responsibilities among its members. The Board of Directors of AK BARS Bank follows the best practices and makes strategic development its key and constant priority.

The Committee consists of 4 members of the Board of Directors. The Head of the Committee is the Chairman of the Board of Directors (non-executive director) – Valery Sorokin.

In 2013 full attention was given to the improvement of the Bank's performance which resulted in the gradual reform of the operational model aimed at achieving an optimal business performance with lower costs. Furthermore, the Committee regularly heard the reports of the Management Board on the implementation of the Bank's budget and the main development areas of AK BARS Bank for the 2012 – 2015. Among the priority questions reviewed in 2013 were issues related to corporate and retail business. Committee members approved the key tasks and events for the development of retail and corporate business in 2014 and also concentrated on the following priority projects of the Bank: the distribution of the Accelerated loan programme for small and medium businesses, the Internet banking and the 'Universal electronic card' program.

4. Intracorporate Banking Policy

Human resources are the most valuable and essential part of AK BARS Bank's productive forces. Its business performance heavily relies upon the personnel qualifications, their ranking and employment.

Main efforts of the intracorporate policy were devoted to the recruitment and training of employees, the increase of the employees' engagement in their performance results by means of the effective motivation system tailored to an individual employee of the Bank.

Also the performance enhancement project was initiated in 2012. The realization of the Bank's HR-strategy was implemented jointly with PWC consultants - the key events were defined and organized in 2013 and included the following:

- Organizational changes;
- Development of a new model of recruitment;
- Personnel motivation
- Employee training and development
- Corporate culture development

• **Organizational changes** – the organizational structure of the Bank's head office and its branch network went through some changes in 2013 as a result of the main initiatives of the Bank's Efficiency Improvement project developed by PricewaterhouseCoopers Company (PwC).

The main idea: reduction of non-selling functions in the branch network as a result of centralization of middle, back-office and support functions based in the new operating unit – the Unified service center (USC). The initiatives led to: the focus on sales and Bank's business development in the regions; the improvement of performance and work quality through standardization and simplification of business processes at the level of USC and Calculations and Information Center.

• **Development of a new model of recruitment** – the elaboration and implementation of new method for assessment and coordination of candidates at the recruitment process into the Unified service center, personnel rotation, innovative programs for cooperation with higher educational institutions, including the implementation of "Educational and scientific unit 'Business School'", the joint project of AK BARS Bank and Kazan (Volga Region) Federal University, development of strategic recruitment, development of approaches for recruitment centralization in the regions, development of description for the main positions to be used in personnel evaluation at the recruitment stage.

• **Personnel motivation** - development and implementation of the motivation system for the front office personnel based on their individual performance to increase sales across the Bank's branch network; generation of key performance indicators and the staff motivation for the Unified service center employees, maintenance of competitive salaries based on the studies

of labour markets and constant improvements of living standard evaluation methods in the Bank's regions of presence.

• **Employee training and development** – introduction of the program for the systematic staff development; annual implementation of a comprehensive training plan for all staff categories, including programs of adaptive education, professional training, business skills and managerial competencies development, and training on customer service standards. As part of the Bank's efficiency improvement project, the personnel training covered new business processes, product lines, as well as the new sales skills for retail and corporate products.

• **Corporate culture** - the implementation of programmes to support the image of the 'preferred employer'.

Smart corporate social policy offers high-quality educational, healthcare, cultural services to the Bank employees, and supports its veterans. By doing so, the business practically creates new social standards which are then passed onto the public. Not only it enhances the company's image, but also assists the development and support of good social values.

4.1. Socially Responsible Regulations on Labour and Employment

AK BARS Bank takes care of the welfare and social security of its employees and their families. The system of socially responsible regulations on labour and employment is based upon the Bank's own extensive experience, as well as the international standards on corporate social responsibility.

The social policy of AK BARS Bank is implemented in accordance with the adopted regulations, such as the Regulation 'On the social responsibility of AK BARS Bank', which defines the commitments to socially responsible management of labour and employment matters, the improvement of life and working conditions of employees and their families, as well as the development of education and science.

The Regulation 'On social support of AK BARS Bank employees' facilitates the environment for the full realization of the abilities and professional skills of employees, as well as the decent social security offset.

The Bank provides the following benefits within the framework of the social support of employees:

- Social benefits;
- Vital benefits;
- Business benefits.

Social benefits are related to the provision of different benefits to employees or paying for services and include incentives, guaranteed social benefits and discount programs.

Vital benefits are related to granting or paying for those services and benefits for employees which support and recover their working efficiency and improve their life quality.

Business benefits are related to the comfort of work and are aimed at maintaining the focus of employees on work.

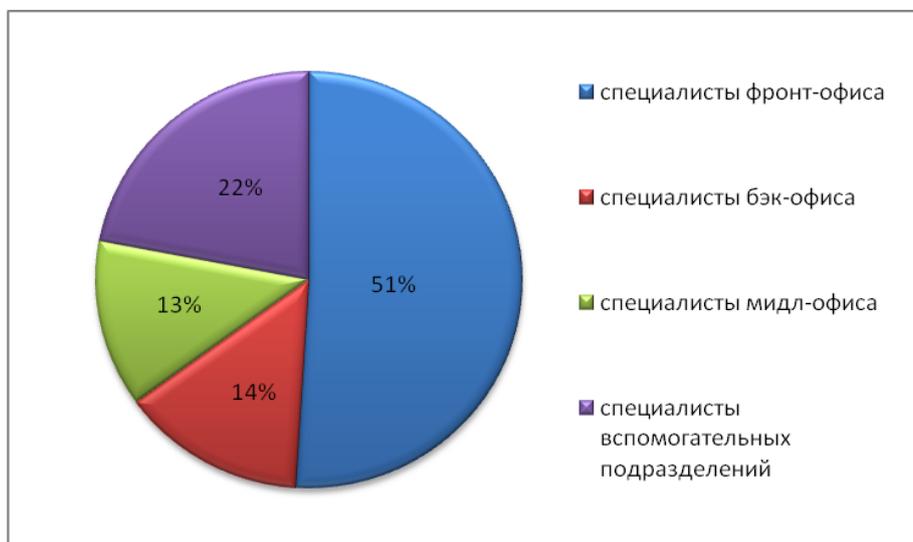
4.1.1. Personnel Structure

In 2013, the average number of the Bank employees amounted to 6 299 people, of which the branch network employees accounted for 69.8% (4 402 people), the employees of the Unified service center (the new unit of the Bank) accounted for 3.3% (208 people), and by the end of 2013 the total number of the Unified service center employees accounted for 851 people.

The integration of the middle-office and back-office operations was held throughout the year on the basis of the Unified service center and led to the reduction of such operations for the front-office staff members and the optimization of the branch network composition. 20 orders were issued in 2013 on the reduction of the branch network personnel in the amount of 961 staff positions. The actual lay-off in 2013 was 41 people because of optimization effect deferred to 2014 and wise staff relocations within the Bank.

The greatest share of personnel was the number of front-office employees - 51%, who were exempt of the middle and back office personnel functions. The number of personnel of support units was 22%. The total number of the middle office and back office specialists increased comparing to 2012 because of the integration of their functions with the Unified service center: back office specialists - 13%, and the middle office specialists - 14%.

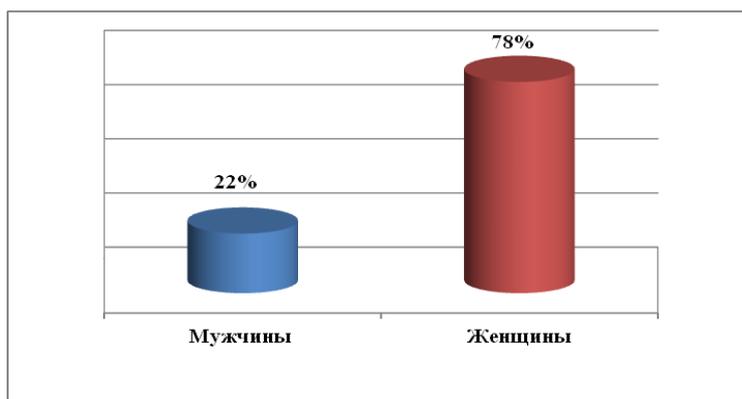
Distribution of employees over the Bank divisions:



Distribution of employees over the divisions

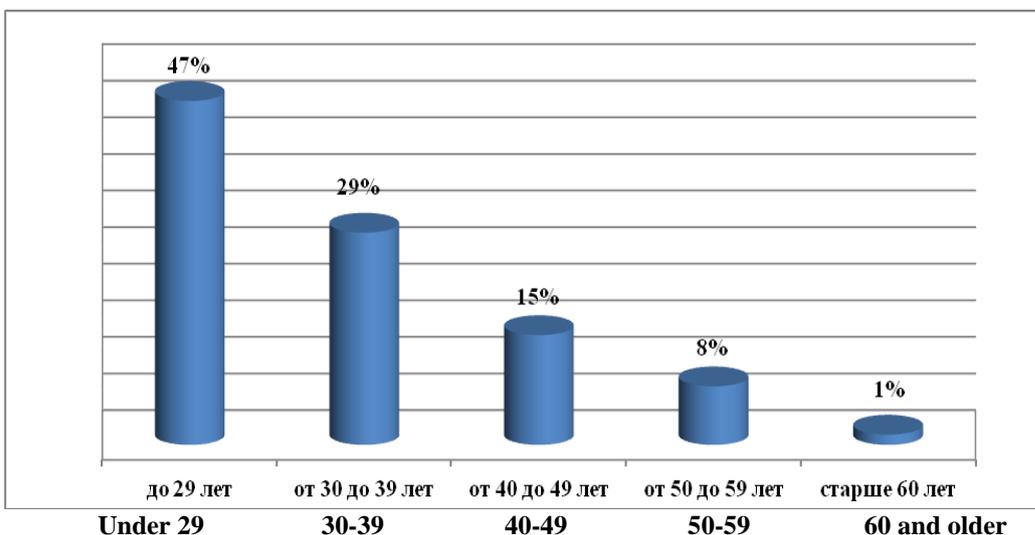
- 51% - Front office employees
- 14% - Back office employees
- 13% - Middle office employees
- 22% - Support unit employees

The female-to-male ratio in 2013: the share of female employees was 78%; the share of male employees was 22%.



- 78% - Women
- 22% - Men

While developing the business and increasing the number of staff, the Bank sources young professionals and graduates of higher educational institutions, cooperates with universities and specialized institutes across Russia and this affects the age composition of the staff. In 2013, the number of employees aged 29 and younger was 47% of the total number of the Bank employees. The number of employees aged 39 and younger is 29%.



4.1.2. Wages and Incentive Policy

AK BARS Bank considers remuneration of labour to be a part of the integrated system of tangible and intangible incentives for the staff, which lets the company maintain its competitive strength by recruiting and employing highly qualified and committed employees. The Bank monitors the situation in the labour market by participating in the nationwide salary surveys.

The changes in remuneration affect both the basic wages and the bonuses for achieving KPIs by the Bank employees.

In 2008, the new system of basic labour remuneration was introduced, which takes into account the cost of banking specialists at the labour market, and allows to vary the salaries depending on qualifications and performance of the employees, and all of that allows to retain the key employees in the Bank. The present system also helps to control labour costs by using clear rules of positioning the wages within the salary range established for a certain position.

Bonuses for work performance

The KPI-based incentive system went through a new stage of development in 2013: the current KPI-based remuneration system within the branch' KPI decomposition by structural units excluded the front-office employees working with individual clients and front-office employees responsible for the development of corporate businesses.

Front office working with individuals

In 2013, the practice of developing the individual bonus systems was continued. After examining the results of the pilot projects on switching to the new operating model of lending to individuals – ‘sales’ and ‘sales support’ on the basis of Kazan and North-West branches, the Bank developed the transitional system of motivation for the front-office employees working with individual customers. The main difference between the new form of motivation and the current one is the direct correlation between the bonus amount and personal performance. Targeted motivation system evaluates performance results in the context of a certain position based on KPIs and on total points. The main difference of the scoring incentive policy is that an employee receives bonuses for every product sold to the customer, so there is no lower or upper threshold for bonuses.

Front office working with corporate business

In 2013, following the reorganization of the corporate unit of the branch network, the personal motivation system of the whole department/group of corporate business development

was transmitted to the employees of corporate business sales department/group and those of the department/group of small business development in branches.

In order to improve sales of corporate products and reduce the personnel turnover, the Bank designed the motivation system for sellers of corporate products in the branch network. This pilot project was launched in 5 branches in December 2013. Like with the targeted motivation system of the front-office employees working with individuals, the performance indicators are based within a position and depend on the personal KPI and the points score.

Unified service center

In 2013 the newly elaborated motivation system was applied to the employees of the Unified service center. The individual incentive policy or bonuses is based on the performance of the structural unit depending on the division type.

In order to increase sales of the Bank's products through the effective customer informing and attracting via electronic communication channels, the personal motivation system for the employee of telemarketing group of the Contact Center of USC was developed.

The key target of the new incentive policy model in 2013 was to increase the efficiency of individual employees with regards to the risks undertaken by the Bank.

4.1.3. Non-material Personnel Motivation

AK BARS Bank understands that it is impossible to achieve financial success without motivated employees. Needless to say, the decent salary has major effect on the employer's positive image. But the non-material personnel motivation is also extremely important as it is a powerful stimulus for better performance, which is the key component of the corporate culture. This is why the Bank uses a wide range of instruments for non-material motivation.

Thus, in 2013 the establishment of the Unified service center took into consideration such factors important for the personnel as convenient office location, traffic interchange, comfortable working conditions, adaptation programme including mentoring, short-term training in universities on the new activity profile, growth and motivation programmes for the staff.

One of the major factors of non-material motivation in the Bank is the recognition of the employees' achievements. 32 employees of the Head office and the branch network were nominated for external awards in 2013, tied to the Bank's 20-th anniversary.

The Bank also continues to use such a multifunctional instrument for incentive and loyalty enhancement purposes as staging of corporate contests. 260 children of the Bank employees took part in creativity contest 'An anniversary gift for the Bank'. 300 arts and crafts pieces were presented for the contest all accomplished in different techniques: paper towels, clay, lace, wood, beads, glass, applications, etc. The contest winners were defined in 3 age categories and the showcase of the best pieces was displayed in the settlement center of the Head office.

In addition, the competition 'The Olympics in Sochi Olympics waits for the strongest' by the VISA payment system was held in the Bank from June 17 to October 30, 2013, inviting for participation the employees who are responsible for attracting legal entities to the payroll cards project. By the end of the contest all winners received valuable prizes, and the employee of Kazan branch office won the trip to the Olympics in Sochi, and the employee from the Ural branch went on a trip to Cyprus.

Corporate events are an important part of the corporate culture and corporate values policies.

Corporate events as the common cause join people together allowing them to be on the same wavelength. This is the unique opportunity to get to know your colleagues from the new angle and to communicate with them in an informal environment. Corporate events for the employees of AK BARS Bank became a good tradition.

The main corporate event for the employees of AK BARS Bank in 2013 was the 20th anniversary of the Bank organized for the Bank clients and the employees of the Head office and

the Unified service center on November 29 at the Opera and Ballet Theater. Corporate events related to the anniversary celebration have been also organized in the branch network offices.

In 2013 a lot of internal corporate events have been held in conjunction with the Universiade Kazan 2013. Branch network employees actively participated in the Universiade torch relay, welcoming the torchbearers in their towns wearing special clothes with the Bank logos. 32 employees of the Head office who were actively involved in preparation and organization of the 'Universiade Kazan 2013' project were invited for the special corporate event held on October 19.

As a part of the tradition the structural units of the Head Office organized their corporate summer field out of town trips seeking for communication opportunities within an informal environment: the whole Department of corporate business spent time in 'Sviyaga' country club, the IT Department spent the weekend exploring the caves of the Republic of Tatarstan.

In 2013 the programmes of career development and horizontal job rotation which lets every employee to be promoted to a more interesting position and obtain a wider work experience were carried on. The human resource pool allows complying with the key principle of AK BARS Bank – harmony of interests, since the new vacancy in the same Bank is more convenient and beneficial for an employee, and the Bank nurtures its own personnel and develops their professional skills and competences.

2013 was marked with closing the newly opened job vacancies through human resource pool candidates. Throughout the year there was an urgent need to close the vacancies of the Head office opened as a result of the establishment of the Unified service center within the Bank's project of efficiency improvement. Thus, for example, 50 line employees of the Head office included in the human resource pool were assigned for upper management position. At the same the personnel rotation to managerial positions was applied to close newly opened senior positions in the Unified service center and structural units of the Head Office. In addition, the active rotation of 90 employees of Kazan office allowed to keep qualified personnel members by filling the positions of the Unified service center and enable professional growth to other employees.

4.1.4. Corporate Values

Common corporate values enable trust and connect the company into one single organism. They are also the image of a team which distinguishes it in all activities.

The key principles and corporate behaviour rules and business ethics of AK BARS Bank are regulated by the adopted Code of Ethics. Corporate values of AK BARS Bank which form its corporate spirit rely on 20 years of work history and let abide by a unified culture of business conduct.

The transmission of corporate values is conducted through consistent educational and training projects and by means of internal and external PR. For instance, the corporate portal is widely used to transmit corporate values and contains articles with outlines of behavior standards and guidelines of the Bank's corporate culture.

The main and the most vibrant events of the life of the Bank in 2013 were reflected in 8 news articles, telling about the basic standards and principles of the Bank's corporate culture and covering the following topics: the implementation of the Bank's Project of efficiency improvement ('The Bank's personnel composition within the structure renovation process'), and the whole series of articles related to 'Universiade Kazan 2013' project.

4.1.5. Labour Rights of Employees

The Bank's activity is directed towards the implementation of principles of equal rights and opportunities for all the employees and the prevention of any forms of discrimination and forced labour; and it promotes professional and personal growth of its employees. These principles are stated in local acts and regulations of the Bank on the Human Resource management, which are approved in accordance with the requirements of

international and Russian legislation.

According to the Recruitment Regulations, the Bank follows the principle of equal rights and opportunities for the job candidates while assessing their applications at the recruitment stage. Other local acts determine the equality of the labour and freedom rights during the evaluation procedures, promotion, remuneration and training of employees.

4.1.6. Education and Training

In order to maintain the qualifications at the level of current and perspective business needs and to regularly renew the theoretical and practical knowledge of managers and specialists, a continuous system of learning was established in the Bank.

Training in the Bank includes the following:

- External training of managers and specialists from the Bank's Head office at professional programmes, seminars, forums and conferences;
- Training of managers and specialists of branch network by engaging external providers of educational services in the corporate format;
- Internal training in the corporate format when managers of various Bank subdivisions share their knowledge with other employees from the Head office or the branch network;
- Internal training of employees through in-house educational programmes by the Centre of assessment and development of the Bank.

Staff training and development programmes in 2013 involved the employees of the branch network and the newly established structural divisions of the Bank - the Unified service center. Total investment into staff training and development in 2013 amounted to 18 800 000 rubles.

In 2013, 250 employees of the Head office took part in the external educational courses: seminars, conferences and forums.

In 2013 the programmes of education for the employees have been organized in conjunction with the major projects – the Universiade in Kazan and the Bank's Project on efficiency improvement.

The Universiade

The Evaluation and development center trained 190 employees of the cash settlement unit of Kazan office, Head office and additionally the employees serving non-resident customers – the participants and guests of Summer University Games. The training procedure included the use of the new Bank Directory of Banking Operations in 6 foreign languages, behavior scenarios in off-standard situations and also communication skills with customers in English language.

Project of Efficiency Improvement

The key aspect for successful realization of the Project of efficiency improvement was the organization of complex classroom training programmes which included the knowledge assessment procedure for all branch network front-office employees.

Training programs have been focused on studying the new business processes, product line, automated banking systems, as well as learning the skills of retail and corporate products sales.

The two-day classroom training programmes have been organized for the branch network front-office employees: 1165 employees of the retail unit and 70 managers of the corporate unit.

Due to the changes in lending operating model and cash and settlement services for individuals and legal entities, the directors and deputy directors of the branch offices have been invited to participate in various activities and roundtable discussions on 'Bank's Development Prospectives within the Project of efficiency improvement realization' with the participation of heads of structural units of head office and Unified service center.

The newly hired employees of the Unified service center went through separate professional training courses including the internal educational programmes and programmes developed by Kazan (Volga Region) Federal University and AK BARS Bank business school.

The internal five-day adaptation programmes called 'The school of a verifier' and 'The school of an underwriter' have been successfully completed by 82 new staff members with final evaluation.

Training within professional activities

For managing the current tasks the Bank put emphasis on the internal employee training and this choice demonstrated its advantages, such as adaptability of internal programmes to the Bank specifics; quick reaction of courses to the changes in the internal and external environment; focus of training programmes on the achievement of Bank's strategic targets.

The system of internal training in the Bank is the complex of the following educational events:

- Adaptation training programmes aimed at minimizing operational risks and supervising the probation period of newcomers and promoted Bank employees. Adaptation is offered face-to-face or distantly. Face-to-face adaptation programmes in 2013 have been organized for the front-office experts within the branch network.

The introduction sessions ('Welcome training') have been put into practice since 2009 in the Head office and the branch network. 27 educational programmes have been arranged for 700 newly hired employees of the Head office and the Unified service center.

- Strategic sessions for heads of branch business units, within which the participants learn the strategic business goals, perspective plans for the year, changes in regulatory framework, product lines and business-processes; and analyze and discuss current issues and matters. 6 strategic sessions were held in 2013 for 280 branch network employees;

Innovative Technology in Training

The webinar technology in the form of an interactive online seminar in the real time mode was used by the operating units of the Head office in half of their training activities in 2013. Webinars gained popularity due to their efficiency and convenience of distance learning channel in cases of operational introduction to changes in the Bank's business processes or products.

4.1.7. Personnel Evaluation

In order to control the compliance with the Customer service standards applied to individual clients, 4 quarterly assessments were carried out to appraise the service quality rendered by the front-office employees of the branch network using the 'Secret visitor' method. In total, 248 locations and 443 employees who assist and consult individuals on deposit, loan and debit card products were tested. The assessment revealed the following positive trends in 2013:

- The indicator for the quality of payment and cash services to individuals increased as compared to the figures of 2012 by 2% (from 85% to 87% on average per year). This indicator demonstrates consistent growth since 2010.
- The indicator for the quality of consulting services on car and consumer loans to individuals increased by 5% since the beginning of 2013 (from 77% to 82%). The increase of this indicator is related to a better professional identification of client's needs and presentation of a retail loan product.

The transition to the new lending operating model and update in cash and settlement services for individuals initiated total testing for the retail unit employees. Testing on new business processes and products have been arranged for 1165 employees just before including the branch offices into the Bank's Project of efficiency improvement.

4.1.8. Social Guarantees for the Bank Employees

The essential component of the Bank's social policy is social guarantees for its employees. These benefits apply to all personnel of the Head Office and branch network offices regardless of position, status and work experience.

The corporate social guarantees of the Bank are divided into social, vital and business benefits.

Social benefits are connected with a range of services and advantages, which the Bank offers or pays to the employees to save their money, time and efforts. Social benefits include the following:

- Stimulating payments (KPI-based bonuses, bonuses for the work experience in the Bank, and the retirement benefits);
- Guaranteed social payments (family benefits, emergency payments);
- Discount programmes (offering discounts to the Bank employees on the products and services of the Bank and its affiliates).

The Bank employees can participate in the loyalty programmes including the following:

- Products and services of the Bank;
- Products and services of affiliates;
- Products and services of the Bank partners.

Bank's loyalty programmes are developed on a regular basis and applied to the most popular banking services: loans (mortgage and consumer loans, car loans, loans solutions for bank accounts and bank cards), cash and settlement services and other products and services.

Concessional lending (mortgage and consumer loans, new and used car loans, loans for credit card accounts) gives advantage to the Bank personnel in terms of simplified loan approval; low commissions or no commissions on bank transactions, shorter timeframes of applications review, forms of loan provisions, proof of income and so on.

Loyalty programmes for the products and services of affiliates let the employees and their family members receive special treatment by affiliate insurance companies on property insurance (transport, housing, and third party social insurance), life and health insurance (accidents), healthcare and other services from the affiliate companies.

Loyalty programmes for products and services of the Bank partners also let the personnel buy them on favourable terms.

The **vital benefits** include guarantees in various spheres, such as sport, physical education and health improvement, recreation and gifts. The Bank supports the promotion and development of a healthy lifestyle in the following ways:

- Stages sport tournaments (Spartakiada competition among the Bank employees; mini football tournament; volleyball, hockey, tennis competitions, and so on);
- Supports health promotion policy, organizes mass sport events for the employees and their family members, provides them with access to sports facilities, arranges workouts and competitions among the Bank employees;
- Supplies the Bank employees with discount membership to gyms or sport centers and discount passes to sport events;
- According to the approved budget, organizes health screenings for the Bank employees to prevent or detect serious diseases in time and vaccination campaigns in order to decrease the sickness rate during the epidemiological outbreaks;
- Offers financial compensation for the vouchers to sanatoriums and recreation camps for the children of the Bank employees.

The Bank allocates financial rewards to the employees for holidays and anniversaries, organizes corporate celebrations and festive events, as well as gifts for the children and for non-working retired employees of the Bank.

The **business benefits** are offered to the employees of special position categories or due to operational necessities. Business benefits of the Bank include the following:

- Company vehicle with a driver or taxi for those who work the night shifts;
- Payment for mobile communication;
- Educational and professional development trainings, including the external forms of trainings (seminars, courses, conferences, educational programmes, internships, President educational programme, MBA and etc) and internal forms of trainings for the Bank employees.

Thus, the well-built and well-organized system of benefits and guarantees allows the Bank to regulate labour and employment matters in a socially responsible way, to improve the quality of living and working conditions of the employees and their families, and also to provide the Bank with highly professional and loyal staff members.

4.2 . Quality of Working and Living Conditions of Employees

High efficiency and productivity of labour is ensured by comfortable workplaces meeting the latest requirements. Modern and comfortable workplace encourages efficiency and develops the potential of each employee. The bank complies with all the requirements of the workplace organization, both when opening a new point of presence and during the process of its operation.

In addition, the Bank approved the Rules of the internal working order that govern the process of hiring and dismissing the employees, the basic rights and liabilities, working hours, resting periods, rewards and penalties and other matters of labour.

Taking into account the interests of retail customers and standardizing the work of the branch network, the Bank introduced the new Standard on ‘AK BARS Bank customer service in the branch divisions which provide retail products’. This document regulates the work of branch subdivisions and sets a single working mode, while improving the AK BARS Bank brand awareness.

4.2.1. Sport, Recreational and Cultural Events

It is a known fact that the company’s success is closely linked to corporate recreation. Corporate events promote teambuilding and allow them to get to know each other better, find common interests and even show their personal skills in the informal environment. Corporate events are good for teambuilding, stress and tension relief for the employees.

Sport is an excellent thing to support corporate spirit. Team sports help to bring together disparate team members and help them to build connections.

A lot of internal corporate events were related to the Universiade Kazan 2013. Branch network employees actively participated in the Universiade torch relay, welcoming the torchbearers in their towns wearing special clothes with the Bank logos

4.2.2. Social Support of Families

The Bank's management cares both about its employees and about their families by providing them with a whole range of packages of social benefits and guarantees.

In 2013, the Bank employees received the following social payments:

Guaranteed social payments – 10.7 million rubles:

- One-time allowance given to the first-time legally married couples;
- One-time allowance for the birth of a child (adoption of a child);
- Monthly allowances to non -working mothers (the Bank employees) with children aged 1.5 to 3;
- Payments related to the death of close relatives (parents, children, husband, wife);
- Anniversaries;
- Commencement of retirement;
- By the Decision of the Committee on social matters;

- Financial aid for families in case of the employee's death.

Payments for motherhood and childhood support:

- Compensation of vouchers for children's recreational facilities. Total amount paid from the funds of the Bank in 2013 amounted to 316 280 rubles;
- Compensation of vouchers for 'Mother and Child' programmes. Total amount paid from the funds of the Bank in 2013 amounted to 870 885 rubles.

4.2.3. Support to the Elderly and Non-working Pensioners

AK BARS Bank takes into account the vulnerable non-working pensioners and systematically supports its retirees. During 2013 they received payments for major anniversaries and for the commencement of retirement as an acknowledgement of their hard work. And the non-working pensioners are traditionally invited to attend the festive events with tea and gifts for the International Day of Older Persons.

4.3. Development of Education and Science

At present, the development and implementation of efficient mechanisms helping to strengthen coordination between a business and higher educational institutions is crucial for training highly qualified professionals for the human resource needs and the federal tasks. AK BARS Bank continues to develop cooperation programmes with the educational institutions of the Republic of Tatarstan and the Russian Federation to source young professional talents and to form the external human resource pool.

In 2013, a few major programmes for recruiting young professionals and promoting the AK BARS Bank's positive image of a potential employer among students of higher institutions and specialized professional colleges were carried out, i.e. 'Business School', 'Private Scholarship Programme', 'Open University', Business Game and Bank internship.

The abovementioned projects had good media coverage in the Republic of Tatarstan and Russian regions: television, websites of the Bank and the higher educational institutions, and social networks.

In 2013 the Bank signed cooperation agreement on strategic partnership and implementation of the joint project 'AK BARS Bank Business school' and Kazan (Volga Regional Federal University (K(V)FU) Educational and research unit'. Within a year 5 groups have successfully completed 2 jointly developed programmes ('Banking support of loans to legal entities' and 'Credit analysis of the bank customers – individuals'), 50 people took the courses and 47 people were hired in the Head office and the Unified Service center based on the examinations results.

'The Open University' project was implemented in 2013 on the basis of Kazan Banking School (college) of the Central Bank of the Russian Federation, the project covered the following courses: 'Cash and settlement services' and 'Back office'. The programme is aimed at developing professional skills and corporate competencies. With this programme AK BARS Bank provided training and adaptation programmes for professionals and of the Unified service center and the Head office in the short-term.

On 5 September 2012 the winners AK BARS Bank Private Scholarship programme have been awarded. 10 best students received honorary diplomas and multiservice MasterCard PayPass Unembossed cards with their scholarships.

In 2013, 70 students from 19 cities of the Republic of Tatarstan and the Russian Federation took part in the competition: Balakovo, Barnaul, Bugulma, Volgograd, Yekaterinburg, Yoshkar-Ola, Kazan, Krasnoyarsk, Moscow, N.Chelny, Omsk, Orenburg, Samara, Saint-Petersburg, Saratov, Ulianovsk, Ufa, Cheboksary and Chelyabinsk. The most active participants were from Kazan (Volga Region) Federal University, Orenburg State University, Balakovo Institute of Engineering, Management and Technology (the Branch of Yuri

Gagarin State Technical University of Saratov), Bashkir State Pedagogical University named after M.Akmulla, Omsk State University, Orenburg State University of Management.

The ‘Business Game’ project is held on a regular basis among students of higher institutions and specialized professional colleges in order to assess the professional knowledge and personal characteristics of participants. In May 2013 the ‘Business Game’ was arranged for Kazan banking school (college) of the Central Bank of the Russian Federation. The group consisted of 9 people, the last year students. 3 participants were included in the human resources pool. In December 2013, the Business Game was held at Kazan (Volga Region) Federal University. The assessed group consisted of 12 3rd-6th year students representing different faculties of K(V)FU. 4 of them were included in the human resources pool and one of them was successfully hired by the retail department of the Head office.

To further realize the strategic HR-initiative and engage young promising students in the internships with the possibility of future full-time job placement, AK BARS Bank participated in Career Expos.

The Bank actively encourages students to participate in internships and pre-diploma trainings. In 2013, the Bank welcomed 200 interns, 90 of them were directed to the Head Office and others to branch subdivisions.

4.4. Labour Protection

Working conditions affect both labour productivity and other performance indicators. Personnel’s health as the key productive force, living conditions and all-round development depend mostly on the labour protection policy of a company. AK BARS Bank sets important goals related to labour protection and finds solutions which provide the maximum level of health security for the employees in their daily working activities.

AK BARS Bank strives to comply with international standards stated in GOST 12.0.230-2007 ‘Occupational safety standards system. Occupational safety and health management systems. General requirements’ to continuously improve its labour protection activities.

Every year AK BARS Bank approves the Activities plan aimed at the improvement of labour conditions. To prepare the plan, the working conditions and workplaces are being examined within operational monitoring procedures and workplace based assessment. Thus, last year the assessment of over 100 workplaces was arranged.

In the reporting period, injury and accidents prevention traditionally was taken care of as well as the training and knowledge assessment to increase awareness on labour safety. In 2013, more than 140 people attended the external training courses and were then grouped into committees for each bank divisions to examine labor protection knowledge of other colleagues. In order to introduce the employees with the labor protection issues, there is a special electronic source which is available from any computer.

According to the adopted Activities plan in 2013 the expenses on labour protection amounted to nearly 16 million rubles, at a cost of 2.5 thousand rubles per person.

As a part of constant health monitoring programme the employees undergo preventive medical examinations which help to detect and resolve the emerging problems in time. In case of any medical contraindications, the employee is transferred to another job with no exposure to harmful factors. When the disease is detected, the employees are sent to additional examination at the expense of the Bank. In 2013, 4940 employees underwent medical examinations.

The employees of certain occupations are provided with special working clothes, working footwear and other items of personal protective equipment (PPE) for secure protection from the exposure of harmful occupational hazards. 343 employees received PPEs.

Accidents at work in 2013	
Average number, people	6 299
Number of accidents	1

Percentage of accidents, %	0.01
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Accidents investigation is carried out strictly in accordance with the Labour Code of the Russian Federation:

- Registration and storage of documents related to labour protection requirements in accordance with established deadlines is provided;
- Measures are taken to improve working conditions and to eliminate detected violations.

In 2013, the lighting conditions at the workplaces were improved in order to conform to the Sanitary Standards and Regulations on pulsation coefficient at workplaces with personal computers; and the personal computers power ground effectiveness was examined in order to protect the staff from the harmful effects of electromagnetic radiation.

In order to control the level of radiation of the received banknotes, the cash desks of the Bank received over 560 radiation monitors MKS-01 SA1M and DRGB-01 EKO 1. Relevant staff members took ‘Radiation control of banknotes’ educational course.

Overall, the Labour protection service of the Bank received 1000 applications from employees. Each of them was reviewed and followed by the detailed advice on legal regulations of labour protection law provided by the experts.

5. Socially Responsible Participation of the Bank in Public Life

Corporate social responsibility is a voluntary contribution of business into the development of community in social, economic and other areas, as it is directly related to the company’s core operations and beyond.

Modern business-community is an integral part of our society, where all participants permanently influence each other. This multi-layered environment is the catalyst for the region development where people do their business and the indicator of competitiveness level at the market.

Being a responsible company is integral to our efficiency. AK BARS Bank strives to be engaged in charity activities related to support of public health, assistance to disadvantaged population groups, support of sports, cultural, environment programmes – all of these are the key principles of the Bank’s social policies.

5.1. Charity

AK BARS Bank has developed charity and sponsorship programmes which are the fundamental part of its social policy. The Bank has a long history of helping individuals, organizations, government agencies, non-government and ecological organizations, pays considerable attention to seriously-ill children.

Many charity projects were targeted and executed jointly with AK BARS ‘SOZIDANIE’ Charity fund. The overall social investments of AK BARS Bank in the reporting period exceeded 200 mln rubles.

5.1.1. Committee on charity and sponsor support

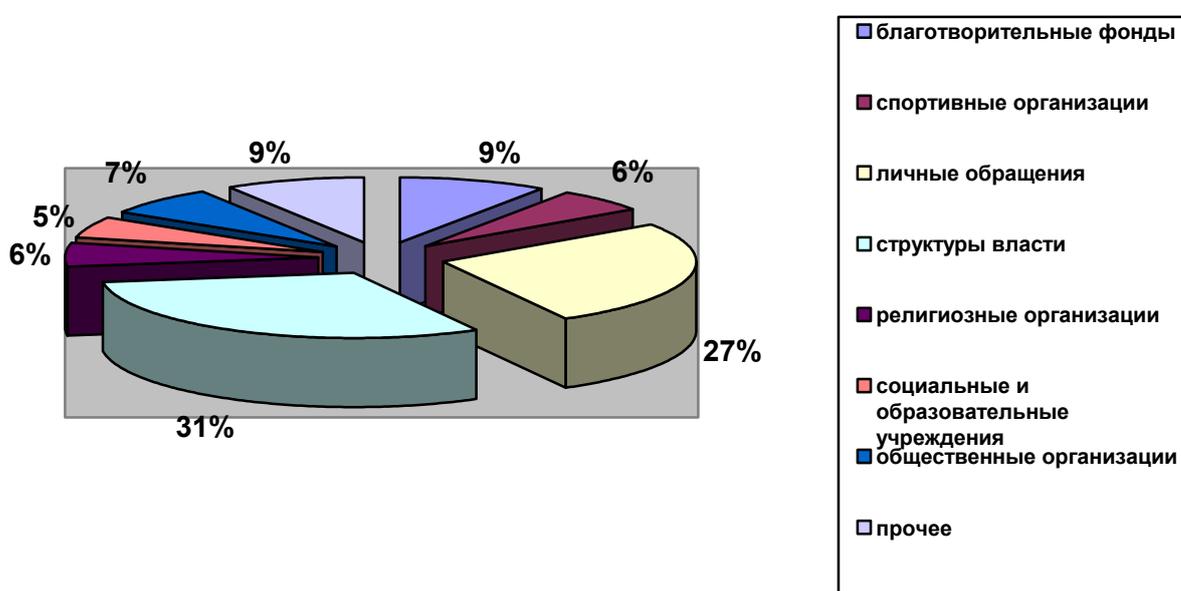
Charity strategy of AK BARS Bank as accomplished by the Committee on charity and sponsor support of AK BARS Bank (hereinafter - the Committee) established in April 2003. The purpose of its formation was the need for clear and transparent criteria in the evaluation and selection procedures of sponsorship projects and help-seeking requests, as the financial and organizational support for social and cultural projects, charity donations to community organizations, medical and child care and so on. AK BARS Bank was among the first in Russia to acquire the status of socially responsible Bank and to this day it continues to actively develop in this direction.

Committee on charity and sponsor support designs an effective policy of the Bank for its charity activities: works with citizens and organizations, makes decisions on assistance to people, and determines the main directions of its activity.

The Committee consists of the Chief Accountant, Head of Advertising and Public Relations Division, Deputy Director of Risk Department, Head of Regional Business Department. Commission is chaired by Deputy Chairman of OJSC AK BARS Bank Ilfan Gubaidullin. Solution for assistance is made on a collective basis by the majority of votes of the members of the Committee. Meetings are held upon the necessity, but not less than once a month, the Secretary of the Committee controls over the execution of accepted decisions.

In 2013, members of the Committee examined 446 letters from citizens and organizations from different regions of Russia. 195 were positively resolved (43.7 %). A total of 20 meetings of the Committee have been organized.

The structure of requests from organizations and citizens to the Charity and Sponsorship Committee



- Charity funds 9%
- Sports organizations 6%
- Personal requests 27%
- Government agencies 31%
- Religious organizations 6%
- Social and educational institutions 5%
- Non-government organizations 7%
- Other 9%

5.1.2. Assistance to Educational Institutions

School books for the first graders

For 16 years AK BARS Bank organizes the charity give-away of textbooks for the first graders on the Day of Knowledge on 1 of September. The books were given not only to the first graders of the Republic of Tatarstan but also to scholars of Nizhny Novgorod Region, Bashkortostan, Udmurtiya and others regions with large Tatar population. The children received the textbooks and CDs helping to learn Russian and Tatar languages.

‘The gift for a first grader’ is the unique book, annually developed by the professional employees of AK BARS Bank in cooperation with leading methodologists and art designers; it does not duplicate the standard curriculum and builds a language rich environment for a child through interesting activities. The 2013 edition was dedicated to the history of writing. The

colourful book was titled 'Barsik and the Knowledge Book' and it came together with interactive educational game. Within the game the children solve logical problems, develop their physical and mental skills, and acquire values and knowledge. And most importantly enrich their Russian and Tatar language vocabulary in an informal way.

47 000 children received this gift on 1 September 2012.

5.1.3. Assistance to Children with Disabilities and Children in Difficult Life Circumstances

Children-addressed charity programmes of AK BARS Bank are annually accomplished jointly with the Charity fund AK BARS 'SOZIDANIE'. Their aim is to fulfill social projects supporting children with disabilities and children left without parental care. Social support of these people is an important aspect of Bank's charity programmes. Investments into health and well-being of young generation are the investment into the future of our country.

Assistance to children's social institutions

Yelabuzhsky orphanage has been under the patronage of AK BARS Bank since 2008. The Bank not only provides regular targeted financial assistance to the children, but is also involved in the process of education and support of the future citizens of our country, including the search of gifted children.

In 2012 the resident of Elabuzhsky orphanage Natalia AGAFONOVA became the runner-up of the 'Little Princess of Tatarstan' republican contest and became Vice-Little Miss of the Republic. Last year encouraged by her success the orphanage prepared for the contest another resident - Yulia GRECHNEVA who got the title 'Miss Actress'. Later on Yulia also participated in the 'The Childhood Planet' international competition of musical and artistic creativity, where she was awarded with the Prize winner Diploma in the age category up to 11 years old in the 'Costume Contest' nomination and 1st degree diploma in the 'Pop vocal' nomination.

Thus, the Bank sets as its primary purpose the support and participation in the development of new personalities who are free and confident in their choices socially adapted and focused on further self-development.

Christmas holidays are a special occasion for the residents of this orphanage. Last year the orphanage received 3 home cinema systems, professional photo camera and sweats packages for the children. The children also received gifts for their birthdays in September through December: make up sets, photo frames, sleigh and more. Ded Moroz (Russian Santa Claus) and his grand daughter Snegurochka (Snow girl) made the holiday memorable and exciting. And throughout the year the handcrafts fairs of things made by Yelabuzhsky orphanage students and by other orphans of the Volga federal district are organized on a regular basis.

'Getting ready for school'

This charity project was initiated by the President of the Republic of Tatarstan. In 2013 the Bank allocated funds to Zainskiy, Tukaevsky, Kamsko-Ustyinsky, Aznakaevsky, Nizhnekamsky, Tetushskiy districts of Tatarstan. The children from low-income and troubled families received stuffed backpacks, school and sports uniforms and shoes.

'Mobile giving'

On April 30 2013 AK BARS Bank together with AK BARS 'SOZIDANIE' Charity fund launched the 'Mobile Giving' campaign aimed to fundraise money to support seriously ill children. The campaign helped to raise 83 700 rubles, which were transferred for MINGAZOVA Zilya diagnosed with cerebral palsy.

The campaign is still actively promoted. In order to help children send an sms from your mobile phone using the 'CHANCE' keyword on the short number 7715 indicating the amount of your donation through the space key (for more information, please, visit:

www.akbarssozidanie.ru). AK BARS Bank expresses its gratitude to all people who help to support children in their maladies and give them hope for recovery.

5.1.4. Social Protection of the Elderly, Assistance to Socially Disadvantaged Groups and People with Disabilities

People with disabilities, lonely elderly people, and World War II veterans – all these population groups need comprehensive social support.

Arsky boarding home for the elderly and disabled people is under the patronage of AK BARS Bank and currently hosts 50 people. For the international days of older persons and disabled persons the Bank gifted food packages for all the residents.

The Victory day is one of the most important holidays of the year. AK BARS Bank annually honors the war and work veterans in various regions of the Republic of Tatarstan and other regions of Russia and Kazan. Mendeleevsk, Nizhnekamsk, Tetyushi, Kamskaya Polyana and Nizhniy Novgorod received financial support prior to the Victory day. The funds were spent on celebrations, charity receptions, concerts and fireworks.

The regular charitable aid from AK BARS Bank is received by six sponsored institutions under the surveillance of Nizhnekamsk Branch of AK BARS Bank: City veterans home, single elderly people sheltered in the Krasno-Kadkinskiy district hospital, the boarding school for deaf children 'Raduga', rehabilitation center for disabled children 'Nadezhda', social rehabilitation center for minors 'Balkysh', and secondary school No1 with advanced studying of certain courses n.a. N. Maximov. Within the decade of older seniors 65 residents of Veterans House and 23 veterans of the World War based in Nizhnekamsk received food packages.

Bank provided support for these institutions on the occasion of the 68th anniversary of Great Patriotic War Victory, Day of the Older Persons, Day of Disabled Persons and the New Year day.

5.1.5. Public Health Promotion

AK BARS Bank annually allocates funds to improve the health of society as well as for medical needs of some people.

2013 was marked with staging the 27th Summer Universiade Kazan 2013 so it was very important to engage our community residents into sports; healthy lifestyle has turned into a nation-wide idea. In the reporting year AK BARS Bank helped sports venues, youth sports and some individuals in need of urgent expensive medical treatment. Public health is the guarantee for the national and personal development.

Financing medical treatment of children

Every day AK BARS Bank receives dozens of letters from parents and relatives of children with cancer, functional musculoskeletal system disorders, and cerebral spastic infantile paralysis. AK BARS Bank helps to fight against these maladies. 33 children, whose parents sought help from the Bank in 2013, had been diagnosed with severe illnesses and urgently need modern approaches of medical treatment, laboratory and diagnostic services and long-term recovery. By virtue of timely and full or partial financing of the expensive treatment provided by AK BARS Bank, these children and their families have a hope for recovery.

Sports and healthy lifestyle support

The Bank runs both long-term and short-term sponsorship projects. In 2013 AK BARS Bank traditionally acted as the General sponsor of 'UNICS' basketball club, General financial sponsor of 'Rubin' football club, 'Neftekhimik' hockey club and others. Among sport charity programmes the Bank assists to 'Pochtovik' children's hockey team (city of Izhevsk) and the Judo Federation of the Republic of Tatarstan for holding the Open House events for children. Financial support was granted to the Sabinsky district of RT for holding the table tennis competitions, Bavlinsky district of RT for football championship, Kazan boxing federation for

the boxing equipment and competitions travels costs, Bugulminsky district for autocross competitions.

AK BARS Bank contributes to the development of international sports. In 2011 AK BARS Bank became the General Partner of the 27th Summer Universiade Kazan 2013, the Official Bank and Official Supplier of banking services for the Games. Received status was both high prestige and great responsibility. University Games have been held very successfully and confirmed that AK BARS Bank made its valuable contribution at the highest organizational level and provided the conditions for comfortable visit of the Games guests and participants. The status of the General Partner of the Summer Universiade Kazan 2013 confirms that AK BARS Bank is one of the most trustworthy credit institutions of Russia with huge potential for development and its contribution into the sports victories of Russia.

5.1.6. Support of Gifted Children and Youth

AK BARS Bank has an extensive history of supporting young talents.

The Bank continued collaboration with Kazan (Volga Region) Federal University and opened the 'Business School' the new multifunctional educational institution. This project is designed for training and retraining of the Bank employees and human resources pool (students, young professionals), and also includes the 'Open University' which is the traditional programme for students.

Helping young talents and professional support of future experts are integral parts of the banking social policy. The best of the lot get a chance to work or receive an internship opportunity at the Bank's head office or at the branch network locations.

Investments in search, development and support of creative potential of children and young people bring high dividends. In 2013 the Bank financially supported the school for talented children 'Seven notes' and the school # 35 of Kazan. Our city attaches much importance to education development making it a priority. A large number of universities, schools and complementary education centers turn the city of Kazan and the Republic of Tatarstan into the basis for innovative development of the whole country.

'Top 50 Innovative Ideas for the Republic of Tatarstan'

Scientific and technical developments create favourable conditions for innovative development of the economy so support for the contest 'Top 50 innovative ideas for the Republic of Tatarstan' holds a special place in the Bank's social policy. This annual competition is aimed to stimulate innovative approach in fundamental researches, scientific and engineering projects among young scientists, inventors, graduates and students.

AK BARS Bank has been one of the main sponsors of the contest for many years at the end of 2013, the Chairman of the Board of Directors, Robert MINNEGALIEV, traditionally presented Nominal Grants of AK BARS Bank to 10 authors - winners of the best innovative projects.

5.1.7. Cooperation with State Institutions in Realization of Social Projects and Mass Culture Development

AK BARS Bank embraces the principle 'Business and government are partners'. The Bank is actively involved in realization of the state social programmes and supports national projects.

Being a socially responsible company the Bank receives a lot of requests from the municipal bodies of the Republic of Tatarstan and the Russian Federation.

AK BARS Bank financially supports sports and cultural events, construction and reconstruction of government institutions, charity programmes.

The City Day

August 30 is the Day of the Republic of Tatarstan.

Thanks to the financial assistance from AK BARS Bank, as one of the sponsors of the event, towns and villages of the Republic change their appearance, people join the public celebrations which include performances of the masters of culture and arts of the Republic of Tatarstan and Russia. AK BARS Bank is one of the sponsors of festive events.

Sabantuy

Traditionally, the first summer month is when the Republic of Tatarstan celebrates Sabantuy – Tatar holiday of work and plough. The holiday is widely celebrated with the village fairs, festivities, competitions, contests, dancing and singing. Organization of such events requires significant funding. AK BARS Bank traditionally supports the celebration of this holiday.

And thanks to the sponsorship of the Bank, Sabantuy 2013 was organized on an excellent level not only in Tatarstan, but also in Saint Petersburg, Moscow, Tumen, Samara, Cheboksary and many other cities of Russia.

New Year

The New Year is the most exciting and expected holiday of the year. Both children and adults look forward to winter holidays. Towns and villages are busy with preparations to festivities, installing Christmas trees and preparing ice skating rinks. Russian Santa (Ded Moroz) with his grand daughter Snegurochka (Snow girl) visit children and give presents and gifts. This is truly the most magical time of the year...

AK BARS Bank never stays away from the New Year celebrations and each year sponsors districts of Kazan and the districts of the Republic of Tatarstan. Last year Moscovsky, Kirovsky, Sovietsky, Vakhitovsky and Privolzhsky districts of Kazan, 11 in total, received funds for celebration and related events.

5.1.8. Environment Protection

Support of environment programmes is the traditional charity initiative of AK BARS Bank.

AK BARS Bank has been supporting Kazan Zoo for many years to keep and exhibit the snow leopards (the ounces). There are two snow leopards under the auspices of the zoo at the moment.

The Bank always welcomes the open dialogue with parties concerned about the environment issues and its protection.

5.1.9. Support of Arts and Cultural Programmes

Support for cultural projects and art programmes is also one of the key priorities of the Bank charity projects. The Bank supports national projects in the Republic of Tatarstan and pays attention at interesting cultural activities of other regions of Russia. This explains the large number of requests for sponsorship and charity

AK BARS Bank sponsored a few professional and cultural projects: beauty, motherhood and family contest for ‘Nechkebil’, the Republican award ‘Doctor of the year – Ak chechekler’ and children’s beauty contest ‘Little Misses of Tatarstan – 2013’. The non-government organization of the Kryashens was granted with financial support for organization of their traditional national holiday.

Report of the Charity Fund ‘AK BARS SOZIDANIE’

Charity fund AK BARS ‘SOZIDANIE’ is a non-profit organization officially registered in October 2006. It supports the needy people of the Republic of Tatarstan. The main directions of the fund’s activities are the socialization of disabled children, sustaining and recovery of the

younger generation's health, support of gifted children and youth, and social support of the single elderly people.

Since its establishment, the Fund has successfully cooperated with the Republican Council on Charity matters. The Republican counsel receives daily reports on received funds along with monthly statistical and analytical reports.

The implementation of its own projects is based on the funds transferred to the Fund's settlement accounts.

Within the reporting period, the Fund raised the amount of **31 492 051.13** rubles (of which OJSC AK BARS Bank – 8 445 543.00 rubles, OJSC Tatfondbank – 8 495 581.00 rubles, other legal entities – 11 008 574.86 rubles, and individuals – 3 542 352.27 rubles) for the following social projects.

'DO GOOD' (*targeted assistance to seriously ill children, support of social agencies working with children with disabilities*)

Perspectives for society development of and preservation of its labor potential are primarily determined by health of its children, adolescents and young adults. Child disability is a social phenomenon present in every society, and each state creates social and economic policies in respect of such children according to its development level, priorities and opportunities. Disability is an important problem and characteristics of public health and social welfare of the country standing along with demographics figures and infant morbidity.

It is a widely known fact that it is better to prevent than to cure diseases. The priority of disease prevention is reflected in law. And in this way, special attention should be given to future mothers. According to the statistics majority of pregnant women have a number of diseases that affect their fetus. The doctors recommend to prevent pathological conditions in order to eliminate any potential risk to the health of both unborn child and mother.

The Republic of Tatarstan region has deficiency in technologically advanced prenatal screening of high-risk pregnancies to prevent stillbirth, early labour, detect complications of a fetus or a mother or intrauterine growth retardation. In this regard, on the occasion of International Children's Day 'AK BARS SOZIDANIE' Charity fund together with TATFONDBANK has gifted the Republican Clinical Hospital # 2 an electronic machine 'CTG – ONLINE' allowing using passive (not ultrasound) way to receive the necessary data. Before that such equipment was only available in specialized clinic in Moscow.

One of the Fund's key priorities is to support children with serious illnesses.

In 2013 the Fund helped 139 children with serious diseases to receive necessary medical treatments, surgeries in rehabilitation centers and medical facilities in Kazan, Neberezhnye Chelny, Moscow, Saint Petersburg, Yoshkar-Ola, Chelyabinsk, and in the hospitals of Israel, Germany, China, Spain and the USA.

'A thousand wishes' charity campaign became an annual tradition held together with volunteers. Many residents and visitors of Kazan attend these events and actively participate in massive release of sky lanterns to help the disabled child NOVORUZOVA Ilmira. The girl continues to undergo medical treatment in various Russian clinics and the doctors register the positive dynamics of her motor performance getting better every day. Ilmira began to smile more often, move better and enjoy life. But her greatest achievement is that Ilmira learned how to stand up from a sitting position, sit down again and come to a standing position again without help, holding the ball between her legs for more than 2 minutes. Decreased spasticity also improved the flexibility of her muscles!

Katya ZHUKOVA an eight year-old girl diagnosed with lymphoblastic lymphoma got a chance to recover thanks to the tremendous support of the employees of AK BARS Bank, 'Tatfondbank', LLC 'Bank Debt Center' and 'NASCO'. Today Katya and her mother are in Jerusalem for rehabilitation treatment after bone marrow transplantation surgery. The girl feels fine and even engages herself to help other sick children, participating in the charity shop

activities in the capital of Israel. The recent analysis of her bone marrow showed that Katya's damaged cells have disappeared and have been fully replaced by healthy stem cells of donor's marrow. Physicians and Katya's parents reclaim hope that her blood parameters will also improve.

At the beginning of 2013 TV and radio companies 'Novy Vek' and 'Kazan' joined the 'Do Good' campaign. The channels prepared the video addressing people and asking for help for and raised 600 000 rubles, this money helped 7 kids from Tatarstan to recover.

In March 2013 the Fund has joined the '7715 – the simple number for charity' project for targeted assistance to children in difficult life circumstances. This service allows people to make donations via SMS by the short number 7715 and the code word 'CHANCE'.

As a part of this project on April 30 2013 the Fund jointly with AK BARS Bank and Tatfondbank employees launched the 'Mobile Giving' charity campaign aimed to raise money through text messaging. The campaign helped to raise 83 700 rubles, which were transferred for MINGAZOVA Zilya (born 2011) diagnosed with cerebral palsy to undergo the rehabilitation course in International Clinic of Rehabilitation in Truskavets (Ukraine). Thanks to the doctors' efforts Zilya can now stand on her own feet and do 3-4 steps herself without any help. Her parents are hopeful that their daughter soon will be able to walk, run and dance.

In 2013 thanks to the informational support of 'Europe Plus Kazan' radio station, the weekly newspaper for small and medium enterprises of Tatarstan 'WHERE'S THE MONEY' and the city business portal 'Business Block' joined to promote the charity number 7715, the Fund has been able to collect about 300 000 rubles through text messages and help 3 kids. SKOPIN Dima, born 2008, diagnosed with cerebral palsy was one these lucky children. Thanks to the good people Dima underwent dolphin therapy which helped him to become physically stronger, learned to go down and up the stairs, began to understand better the speech. The boy showed a desire to communicate and interact with people and animals, which certainly was a big progress for him.

During the year, the Fund jointly with teams of activists and student volunteers of Kazan State Medical University organized 'Spring, Flowers, Life' and 'Make a Wish' charity campaigns to support GATAULLINA Gulnaz.

Gulnaz - one of the twins in GATAULLIN family was born prematurely. The baby girl spent 1.5 months in intensive care unit. Consequences of prematurity led to the fact that the girl was diagnosed with cerebral palsy. In 2012 Gulnaz underwent three months treatment course in Beijing clinic (China). After the course she started talk better, learned to chew, became physically active, became interested in walking leaning on her mother's hands. Doctors witnessing a positive dynamics recommended to undergo another rehabilitation course but the family has no financial resources for that. The cost of medical treatment is 400 000 rubles.

Thanks to the charity events organized by volunteers the Fund was able to collect money for the girl's needs. Currently Gulnaz became more independent physically, she wants to do things by herself. She can put words into sentences, her pronunciation is clearer, she understands speech, performs some requests and becomes more cheerful.

On the threshold of Family Day the Fund organized fair and auction of handicrafts made by the residents of orphanages of Volga region federal district. The money collected from sales was directed to Ranil AUKHADIEV, the boy with cerebral palsy. He underwent medical rehabilitation at the 'Spring' medical center (Saint Petersburg). After the rehabilitation course the boy learned to crawl, to pronounce syllables, to recognize letters and numbers, dive and swim under water.

In August the employees of AK BARS Bank and TATNFONDBANK once again took part in charity donations to Ulyana PETROVA. The girl was diagnosed with several serious diseases: acute kidney injury, retinal angiopathy of both eyes, and intestinal dysbiosis of 2nd degree.

Because of the kidney disease, the girl constantly swells, she needs to avoid the sun, suffers from viral infections and the disease progresses in her body. Thanks to the efforts of

parents and raised funds Uliana went through screening for kidney transplantation at the Institute of Medical Technologies in Moscow, the doctors could make correct diagnosis and recommended medical treatment for 6 months. Child at the moment feels good and looks forward to a full recovery.

Besides prevention and medical activities the Fund is actively engaged in rehabilitation of disabled children within two major projects 'VzaimoPONImanie' (free horse-riding courses) and 'Goodwill Center of Changes' (assistance to children with CNS disorders).

Every year from May to September dozens of children participate in horse riding sessions at Hippotherapy center established in 2010 on the grounds of Kazan Zoo.

This alternative treatment helps children with musculoskeletal system disorders and some mental dysfunctions, engagement in sport gives a positive effect.

In 2013 the Fund has applied for the budget subsidies of the Republic of Tatarstan in order to create working conditions for the center. Among socially oriented non-profit organizations in the RT the Fund received money for construction of an indoor equestrian arena with the total area of 480 sq.m. necessary for therapeutic riding sessions. Construction of the facility is scheduled for the end of the 1st quarter of 2014.

As a part of the '**Kind Center of Changes**' project the Children Ambulatory Center of rehabilitation for children with inborn CNS diseases on the basis of the "Republic's children psychoneurological sanatorium" opened its doors in 2012, annually helping 1400 children. By the end of the course many children experience better overall physical condition, emotional perception; they become more cheerful and increase their adaptive capacities, and most importantly improve functions of the musculoskeletal system.

One of the leading rehabilitation methods of children with disabilities is an art therapy (through creativity). The main objective of this method is to convince a disabled child that he is the same as the others and is able to make his or her own products. This improves self-confidence, and allows children to use art in communicating their thoughts and feelings to the adults who want to help them deal with their life challenges and to find the right solution due to the fact that creativity is the most common way to escape from stress or anxiety. On the basis of rehabilitation centers of RT the Fund opened creative studios offering computer design and theater art, pottery and sewing workshops, and one of the social service centers installed the greenhouse with the help of parents and kids, where they grow vegetables and flowers all-year round.

Besides creative workshops the disabled children actively participate in various creative competitions such as the All-Russian singing competition using the sign language, Moscow International 'Paramusical Festival' and etc., where they take honorary places and conquer the hearts of the audience with their dedication towards reaching the ultimate goal.

In recent years, leading Russian banks in accordance with their social strategies of development actively apply new modern and technologically advanced products and services.

In June 2013 'AK BARS CREATION' Charitable Fund in cooperation with OJSC AK BARS Bank issued the first Russian multi-service charity bank card. The new bank card is based on the 'multi-service card', the innovative card product of AK BARS Bank, and allows to use MasterCardPayPass ® contactless payment technology, 'Company Friends' loyalty programme and transport application.

Thus, through regular banking operations, the Bank's customers become full participants of the 'Do Good' charity programme, helping seriously ill children and families with disabled children. The 'Do Good' bank card allows transferring the money received as a result of the card issuance and its further use to the charity Fund.

During the last six years, the Fund, upon the decision of the Cabinet of Ministers of RT, enters the expert committee of the Republic-wide '**Public Initiative**' contest. The Fund experts annually prepare over 100 expert reports on the applied projects. In 2013, the Fund partially funded social projects of a few government organizations providing social services: 'Coast of

Hope' in Mendeleevsky district of RT, 'Kazan' social service center and 'Care' in Alkeevsky district of RT.

New Year holidays initiated the 'Christmas tree of wishes' campaign performed by the Fund and Tatfondbank, aimed to supporting four social institutions of the Republic of Tatarstan ('Derbyshkinsky orphanage for mentally challenged children', social shelter for children and adolescents 'Family' in Bavlinsky district of RT, 'Zelenodolsky orphanage', 'Nurlatsky orphanage' both located in Zelenodolsky municipal district of RT). The campaign raised money for buying necessary equipment and New Year gifts.

'DO GOOD' project efficiency in 2013



6% transferred to comprehensive schools
 14% improved improvement
 9% learned to stand
 16% made their first steps
 3% improved vision
 24% acquired interest in new knowledge
 28% improved overall physical condition

The following healthcare and social institutions of the Republic of Tatarstan were financed in the reporting period:

- Polyclinic #2 of Children's Regional Clinical Hospital; children's in-patient clinic at the state hospital #18 of Kazan, Kindergarten #282 and Laishevsky orphanage for the purchase of equipment;
- Specialized Republic Orphanage for equipping the physiotherapy room;
- Cultural, sports and entertaining complex of Tatar Regional Organization of the All-Russian Association of the Blind for gym remodeling;
- Fund of systemic medicine for researches of heart and vascular diseases;
- Menzelinsk specialized (correctional) boarding school to purchase specialized equipment;
- Zainsk Central municipal hospital for installation of the new windows;
- Leninskaya organization of All-Russian Society of the Disabled for the organization of field trips for young disabled persons;
- 'Indigo Flower' educational center for organization of rehabilitation courses for disabled children on the basis of art-therapy.

Besides the non-profit charitable foundation 'Svetlana Izambayeva' received computers and laptops, and 'Bolgar boarding school' received a TV.

In 2013, the ‘DO GOOD’ programme raised the amount of **24 279 127.46** rubles, of which OJSC AK BARS Bank – 2 877 000.00 rubles, OJSC Tatfondbank – 7 395 581.00 rubles, other legal entities – 10 608 425.86 rubles, and individuals – 3 398 120.60 rubles. The Fund spent on charity 21 389 578.40 rubles (Attachment 2).

‘DO GOOD’ project comparison table

Recipients	2011	2012	2013
children (in persons)	74	105	139
Social institutions (number)	26	26	23
Help provided (in mln. rubles)	7,6	18,5	21,4
Attracted funds (in mln.rubles)	19,5	19,5	24,2
of them			
From AK BARS Bank	2,6	4,4	2,8
From Tatfondbank	9,9	7,7	7,4
From other legal entities and individuals	7,0	7,4	14,0

‘We are together!’ (*socialization of children in difficult life circumstances*)

The orphanage of Elabuzhsky Municipal District of the Republic of Tatarstan has been under the patronage of OJSC AK BARS Bank and the Fund for the last few years. There are 26 children in the orphanage as of 1 January 2014.

The Fund actively participates in the process of socialization of the orphanage residents and helps to solve the problems of the orphanage. In addition, the teachers of the orphanage and the Fund employees adhere to consistent development of the children’s talents and assistance in preparing for the Republic-wide contests.

This year the orphanage together with the Fund prepared Yulia GRECHNEVA for the ‘Little Princess of Tatarstan contest’ where she subsequently got the title ‘Miss Actress’ which allowed the girl to represent Russia at the International competition of music and artistic creativity ‘The Childhood Planet’ (held in Obzer, Bulgaria). As a result, Julia was awarded with the Prize winner Diploma in the age category up to 11 years old in the ‘Costume Contest’ nomination and 1st degree diploma in the ‘Pop vocal’ nomination. The managers and assistants who prepared Julia for the international competition have been separately awarded with the prize.

In addition the Fund continues to support the graduates of Elabuzhsky orphanage and help them realize their dreams outside the orphanage. This year the fund allocated funds for Natalia AGAFONOVA, who returned to his parents after spending five years at the orphanage. She participated in the International Children’s Art and Creativity Contest ‘Paris Stars’ held in France. Once again Natasha proved herself and the others that she absolutely deserves her title ‘Vice - World Princess’ by winning the competition and impressing the international jury members.

Despite the constant participation in the lives of the orphanage residents, the Fund does not forget about the other orphans of the republic. AK BARS ‘SOZIDANIE’ pays particular attention on children raised by the elderly guardians.

The fund together with the organization from Saint Petersburg won the tender on organization of the Day of volunteers in Kazan by one of the British companies. In this regard, on May 29, the International Day of flora and fauna, the Fund together with the volunteers of the regional office organized the Ecological Sabantuy at the Lebyazhye lake. The orphans had an opportunity to learn the history of Kazan and the Republic of Tatarstan, participate in balloon modeling master class and participated in the animators’ performance.

September 13, 2013 the Foundation organized an event for first-graders from foster families of Kazan. Children and their parents spent a wonderful time watching the show programmes and participating in contests and games.

‘Children reveal their character within the game situation, children being uptight and non communicative at the beginning of the event, shared the overall joy in the end’ - says the step mother of Rodion MASIN.

‘Going to school for the first time is a huge emotional stress for all children and their parents. Our children need special approach. We heartily thank the AK BARS ‘SOZIDANIE’ for organization of such an event. During the game the children received a lot of positive emotions and useful communication skills’ - says mother of Alina BAZHANOVA.

Raising a child within boarding school environment complicates the process of a child’s socialization affecting all areas of his or her future adult life. Identification and development of inborn talents should be implemented at all stages of their development and upbringing. It is important to provide necessary conditions enabling maximum disclosure of the potential of gifted children, the development of individual ‘educational routes’ for creative and intellectual abilities of the children.

Psychologists say that the art therapy (creative activities) is the most important part of psychological therapy for orphans helping them in their social adaptation. Use of art therapy methods with orphans helps better understand their inner world, his or her worries and concerns, as the art is placed beyond the everyday stereotypes, widens life experience adds self-confidence.

For several years the AK BARS ‘SOZIDANIE’ fund takes an active part in the implementation of ‘RETURN THE CHILDHOOD’ project aimed at social adaptation of children without parental care, at the republican level and within the Volga Region Federal District (VRFD).

One of the highlights for the orphans of VRFD is the annual regional arts and crafts festival called ‘On the banks of the Volga river we live as one family’. Its main purpose is to identify and support talented children residing in the orphanages. The competition is supported by the Plenipotentiary Representative of the Russian President in the Volga Region Federal District, the Ministry of Education and Science of the Republic of Tatarstan and the Public Chamber of the Republic of Tatarstan. AK BARS Bank and Tatfondbank are the main sponsors of the event.

From November 26 to December 2, 2013, ‘Manezh’ the Kremlin Exhibition Hall hosted the exhibition of talented children with participation of the orphans from Volga Region Federal District - winners of ‘On the banks of the Volga river we live as one family’ arts and crafts festival organized by AK BARS ‘SOZIDANIE’ charity fund with the support of the Plenipotentiary Representative of the Russian President in the Volga Region Federal District, the Ministry of Education and Science of the Republic of Tatarstan and the Public Chamber of the Republic of Tatarstan

In 2013, 450 creative works have been submitted for the contest all accomplished by the orphans and children left without parental care from 13 regions of the Volga Region Federal District. Children from Nizhny Novgorod and Ulyanovsk regions, the Republic of Tatarstan and Bashkortostan took the most active participation in the contest. The items submitted for the contest have been created in different techniques and from different materials and they were evaluated in the following nominations: ‘In one family’, ‘Creation will outlive the creator’, ‘Only painting inspires us with hope’, ‘Unusual materials’.

The awarding ceremony was attended by the Assistant to the President of Tatarstan Republic on Social Affairs Tatiana LARIONOVA; Chairman of the Public Chamber of the Republic of Tatarstan Anatoly FOMIN; winner of the ‘Voice’ 1st Channel project, the participant of ‘Eurovision’ International Music Contest, Honored Artist of the Republic of Tatarstan Diana GARIPOVA; Deputy Chairman of the Management Board of ‘Tatfondbank’ Railya SERGUNINA; Deputy Director of development of Historical and Architectural complex of ‘Kazan Kremlin’ Anton RAYKHSHTAT; Honored Artist of the Russian Federation, National

Artist of Tatarstan, Head of National Broadcasting Service of 'Tatarstan' TV and radio company division Liya ZAGIDULLINA; National Artist of the Republic of Tatarstan, Honored Artist of the Russian Federation, Professor of Kazan Volga Regional) State University Lydia AKHMETOVA; general director of 'Master Class' creativity school (Moscow) Alexander PETROSYAN and others.

In addition the children and guests of the event enjoyed the unique opportunity to participate in Gzhel master classes performed by teachers of Moscow State Industrial Art Institute Irina KORSHUNOVA and children's art school 'Solntsevo' Tatiana ELANTSEVA on felting techniques and gzhel painting.

It should be noted that from each year both number of participants and the quality of submitted handicraft projects grow and improve. Such events allow orphans to make new friends and see the creative DIY projects accomplished by each other; participation in master classes with leading arts figures enables self-determination and choice of future.

Fairs and auctions of works of the winners are annually held at the end of the contest and the proceeds from sales are collected for seriously ill children or purchase of educational games and books for the orphans. Such practice brings the orphans the feeling of satisfaction by helping those who need more help than they do.

1 838 699.00 rubles were collected for the 'We are together!' project in 2012.

"Healthy Lifestyle Planet" (*promotion of sport and healthy lifestyle*)

In summer of 2013 the Republic of Tatarstan hosted the 27th Summer University Games 2013. As a part of the preparation for the Universiade 2013 AK BARS 'SOZIDANIE' Charity fund actively promoted healthy lifestyle among children and youth.

In November 2013 the Fund together with the Judo Federation of the Republic of Tatarstan organized 'Healthy children - happy future' sporting event. The Judo team competition among two Tatarstan teams and the reporting conference of Judo Federation of the RT took place within the event. The conference summarized the conclusions of the year of 2013 and announced significant achievements of judo coaches of Tatarstan, prospects of development for the Judo Federation in promoting healthy lifestyles and judo and other achievements accomplished during the reporting period.

AK BARS Bank provided financial support in organization of the following competitions in 2013:

- 'Koresh' wrestling competitions in Almetyevsky Municipal District;
- Football championship in Nizhnekamsk municipal district of the RT;
- All-Russian boxing tournament in Kazan;
- Autocross in Bugulma;
- Judo Tournament among men.

In addition the Fund together with 'UNIKS' basketball club organised offsite training camp for the young team players of UNICS .

The total of **545 700.00 rubles** was spent on this project.

'Young Talents' (*discovering and encouraging gifted children and talented young people; providing help to educational institutions that work with young talents*)

Year after year the 'Young Talents' project brings more successful results. The project supports the talented children and gifted youth. Our little scholars win various Russian and international contests, festivals and academic competitions more often.

During the reporting period, three winners of national and international academic competitions have been sent by the Fund for an internship in Summer Computer School of Moscow Center for Continuous Mathematical Education.

Also as part of this project, the Fund in collaboration with the Ministry of Education and Science of the Republic of Tatarstan and 'Maskarinskaya special (correctional) boarding school'

located in Kukmor Municipal District of the RT organized the Republican intellectual show for children with intellectual disabilities.

During the reporting period the financial support was provided to:

- Veronica and Nikita NOVIKOV to participate in an international ballroom dancing tournament in in England and in Germany;
- Rishat SABITOV, the representative of Tatar diaspora in Paris to publish his book 'Modern Russian federalism and the Republic of Tatarstan' in French language;
- 'Kazan Nury' Mosque to build madrasah;
- 'Palace of Culture named after S. Said-Galeeva' to purchase the audio equipment for the 'Seven notes' School Development;
- 'ASSORTI' dancing studio to create performance costumes;
- 'Kazan (Volga Region) State University lyceum to participate in the Russian championship of 'What? Where? When?' game;
- Galieva A.R. to participate in the 'Voice' competition.

The realization of 'Young talents' project involved **666 710.00** rubles.

'In a large family' (*promotion of a family institution, and targeted support of low-income families with many children*)

AK BARS 'SOZIDANIE' charity fund every year pays more attention to the problems of large families and low-income families. During the reporting period the Fund has supported four large families and became one of the first non-profit organizations participating in the 'Big family' regional charity event.

Every year the Fund organizes educational and cultural events for children from low-income families:

- in March 2013 the event was held in relation with International Women's Day and organized by the Fund together with 'Balaganchik na Bulake' theater studio for the elderly guardians and their children. Assistance to guardian families and elderly guardians strengthens the importance of children, families, active longevity on the scale of human values increasing their importance;

- In April and November 2013, large families of Kazan visited the premiere performances of Tatar State Theatre of Drama and Comedy named after K.Tinchurin. The purposes of such events – to help children in difficult situations find positive life values, and promote spirituality and morality.

As a part of an old tradition AK BARS Bank provides the financial support to the municipal districts of the Republic of Tatarstan and regions of Russia for the organization of 'Sabantuy' national holiday. The festivity site has special playgrounds to support children from low-income families. In 2013 the Fund assisted 43 municipal districts of the republic and 24 regions of the Russian Federation in Sabantuy-2013 organization. Additional funds were allocated for the City day celebrations, three municipal districts of Tatarstan and the administration of Kazan.

Within this project, the Fund annually participates in the Republic's 'Getting ready for school' campaign aimed to support low-income families in preparation of their children to the beginning of the new school year. During the reporting period, the children from low-income families of Nizhnekamskiy, Kamsko-Ustyinsky, Zainsky, Tetushskiy and Tukayevsky municipal districts of Tatarstan received new packed school bags and the sportswear.

As part of the Universal Children's Day and Mother's Day the Fund opened children's playroom in the Department of Civil Registry Office of Privolzhsky district of Kazan. Now if mothers or fathers with young children come to the office to receive the necessary documents to them, waiting in line, they can use the new service, and play with the children in the playroom.

The guest of the event Albina MOSKVICHEVA – the young mother of two wonderful kids Louisa and Timur, while watching her children in the playroom, shared her thought that it is

very convenient thing and improves the quality of service. She thinks that children's playrooms is a necessary part of any state institution.

On the occasion of the New Year 2014 children in difficult situations of Zainsky, Laishevsky and Nizhnekamsky districts and 13 municipal districts of the RT received gifts and financial support.

3 066 697.65 rubles have been totally spent on the project.

‘The sun shines for everyone!’ (*help to lonely elderly people*)

The old age in real life is often the life period when the help and support is needed in order to survive. With this purpose AK BARS SOZIDANIE Charity Fund launches ‘The sun shines for everyone!’ project

The Fund jointly with OJSC AK BARS Bank took under its patronage the Arskiy nursing home for older people and the disabled in 2008, where 50 lonely people reside. To aid the nursing home residents’ well-being the Fund purchased furniture and antenna feed.

The veterans of the World War II of the municipal districts of Tatarstan received financial aid for the 68-th Victory Day celebrations.

Within the decade of elderly people, the Fund visited ‘Arskiy Nursing home for the elderly and the disabled people’. The important issues of this social institution and ways to solve them were discussed during the meeting with heads of the home, primarily issues related to residing conditions, care and medical assistance. ‘The autumn waltz’ events was also organised for the residents of Arskiy municipal district and residents of the nursing home. In addition, the veterans and the elderly residents of Nizhnekamsk Municipal District of Tatarstan participated in charity events and received the food packages.

The Fund also supported two elderly guardians taking care of the minors, and helped the national poet of the Republic of Tatarstan R.FAYZULLIN to publish the special edition of his booklet on the occasion of the writer’s anniversary.

Within the ‘Public Initiative’ Republican contest the fund supported social projects of non-governmental organization of veterans of the city of Kazan, the ‘Union of Russian pensioners’ in RT and ‘Chistopolsky home for the elderly and disabled people’.

The total amount of provided funding for the project is **575 394.05 rubles**.

‘Other projects’

AK BARS SOZIDANIE makes confident steps in protecting animals and promotion of humane attitude towards the homeless ones. Together with ‘Spasi Rekxa’ volunteers the Fund unites people who care about homeless animals and organizes fundraising campaigns for the reconstruction of an animal shelter in the village of Kovali of the Pestrechi district.

Creation of safe living environment helps to keep the clean city. Collection and processing of solid waste is vitally important environment-shaping factor, which determines social, economic and environmental well-being of the Republic of Tatarstan. Since 2013, the Fund together with volunteers initiated the separate waste collection project by purchasing special containers and placing them on the streets of the city of Kazan.

For several years the Fund together with AK BARS Bank provides financial support to Kazan zoological and botanic gardens in order to help them to keep and take care of the snow leopards.

The restoration of the Trinity parish in Buinsk and Samat mosque of Drozhzhanovsky municipal district of Tatarstan, the reconstruction of the memorial in Naberezhnye Chelny have been organized with the Fund engagement.

The abovementioned projects received **828 542.76 rubles** in the reporting period.

The achievements of AK BARS “SOZIDANIE” Charity Fund

Within the short period of time, the Charity Fund became recognized and famous in the Republic of Tatarstan and far beyond. It is a multiple winner of Russian contests and festivals.

The achievements of the Fund in the reporting period:

- 1) Winner of the Republic-wide competition ‘The Philanthropist of the Year’;
- 2) Winner of the ‘Civil Initiative’ regional award of the Civil Initiatives Committee of A.Kudrin;
- 3) Winner of the 7th All-Russian competition of public annual reports ‘Counting Point’, held by the Public Chamber of the Russian Federation, Ministry of Economic Development and the Ministry of Justice;
- 4) Grant holder of the 4th Contest for social and cultural projects of OJSC ‘RITEK’ and non-profit organization ‘LUKOIL’ Charity fund;
- 5) Grant holder of the Competition among socially oriented non-profit organizations in the Republic of Tatarstan for the budget subsidies of the Republic of Tatarstan;
- 6) Torchbearer certificate of the national torch relay ‘Sochi 2014’;
- 7) One employee won the competition for a free training course ‘Attracting private donations to non-profit organizations’, organized by the Centre for Distance Education of Moscow State University named after M.Lomonosov;
- 8) One employee took the course on ‘Interdisciplinary case management as the technology of social support’ held by the Resource Centre for Social Work of ‘Doctors for Children’ Saint Petersburg organization.

Charity activities of AK BARS Bank are continuous. In the current 2014 AK BARS Bank continues numerous sponsorship projects, and helps to support state and private campaigns, provides assistance to the hundreds of citizens nation-wide.