



**ANNUAL REPORT
OF OPEN-END JOINT STOCK COMPANY
“JOINT STOCK INVESTMENT
COMMERCIAL BANK “TATFONDBANK”
FOR 2010**

(ABRIDGED VERSION)

Preliminarily approved by the Board of Directors on 25 April 2011, Minutes No. 3/2011
Approved by the General Meeting of Shareholders on 25 May 2011, Minutes No. 1/2011.

KAZAN

STATEMENT BY MANAGEMENT OF THE BANK

Dear shareholders, customers, and partners of the Bank,

In 2010, Tatfondbank continued to pursue the course for consolidation of its positions in the banking system of the Russian Federation, which reflected in a number of the attained figures standing as indicators for any credit institution: growth of assets, increase in the volume of funds attracted from individuals and legal entities, development of a broad range of new products and services. But we see our major achievement in the increased trust in the Bank on the part of our customers and partners.

Our priorities for 2010 included the active development of corporate business. The new lending schemes opened access for small- and medium-sized enterprises to loans on easy terms. Our Bank was among the first in the Republic of Tatarstan to launch the programme for financing of innovations and modernisation of small- and medium-sized business.

In 2010, in view of the improved macroeconomic situation in the country, the Bank intensified its retail business, first of all, retail lending. At the same time, the Bank retained the quite high growth rates for the deposit base; the volume of retail deposits increased by 31.5% up to RUB 21 billion. At the end of the year, the lending portfolio of legal entities and individuals reached the mark of RUB 41 billion.

The Bank's performance was appreciated by experts. In 2010, the Expert RA Rating Agency once again confirmed the Bank's A rating (high level of creditworthiness). The positive factors that influenced the Bank's rating included the high level of provisions for off-balance credit-related liabilities represented by highly liquid assets, the moderately high level of capital adequacy, and a number of other factors.

At the end of 2010, the Bank adopted its Development Strategy for a three-year period (2011-2013), which stipulated the strategic goal of the Bank – consolidation of positions in all fields of business. Being one of the largest banks of Tatarstan, Tatfondbank is intended to increase its share in the market of the Republic in the coming years, as well as to continue increasing and diversifying its assets, paying utmost attention to the development of its retail business, and to expand its regional presence.

Our top priority objectives are: to increase the assets by 21% in 2011; increase the share of retail loans and loans to small- and medium-sized enterprises in the assets; further improvement of the product portfolio; and the increase in the share of financial operations performed through remote service channels with the use of modern technologies.

The objectives set in the field of the support of business development include the enhancement of operational efficiency through automation and optimisation of business processes, the use of IT-technologies, enhancement of efficiency of activity and labour productivity, the development of the Bank's management system, including the optimisation of its organisational structure.

We have all reasons to believe that the goals and objectives set will be implemented. The Bank's active policy in the bank services market and the favourable trends in the development of the country's economy will contribute to this.

We would like to thank all customers, partners and shareholders of the Bank for their trust and fruitful cooperation in 2010. We sincerely wish you and your close ones all the best! We are sure that our joint efforts will further work for the common good, success of everyone, and prosperity of the economy.

Respectfully yours,

I.A. Mingazetdinov
Chairman
Board of Directors

R.R. Musin
Chairman
Board of Management

REPORT OF THE BOARD OF DIRECTORS ON RESULTS OF THE BANK'S DEVELOPMENT

Control of the Strategy

The elapsed year marked the completion of the regular strategic planning time horizon at JSC AIKB Tatfondbank, which is why the Board of Directors set the control over the implementation of the Bank's Strategy adopted for 2008-2010 as one of its major tasks.

The control over the implementation of the Strategy is provided for within the framework of the implementation of all basic managerial functions (planning, organisation, coordination, encouragement, control) and was exercised in the reporting period with the use, in particular, of the following means:

- 1) The application of the balance scorecard system (a management instrument which helps translate the adopted Strategy into a system of clearly defined strategic objectives and the relevant indicators of their implementation) that assisted the Bank's management bodies in the resolution of the following tasks:
 - Development (updating) of the Strategy and evaluation of its attainability;
 - Bringing the Strategy to the attention of all units of the Bank through strategic objectives and balanced scores;
 - Coordination of the development plans and budgets of the Bank with the strategic objectives and special-purpose programmes of the Bank;
 - Getting feedback on the results of the implementation of the Bank's Strategy and adjustment of the Strategy;
 - material encouragement of the personnel in what refers to the determination of the key indicators of labour efficiency of managers and employees in accordance with internal documents of the Bank regulating the procedure of material encouragement.
- 2) Regular (at least once a quarter) reporting of the executive bodies and units at the meetings of the Board of Directors and the Strategic Committee of the Board of Directors on the implementation of the development plans by the Bank in general and for particular lines of business; forecasting the implementation of strategic indicators in the course of preparation of managerial accounting;
- 3) Consideration by members of the Board of Directors of information and managerial accounts (both current and such subject to consideration at the meetings of the Board of Directors) in accordance with the List and the time frames approved by the Board of Directors, including the balance Scorecards at the reporting dates and the Report on Strategic Initiatives;
- 4) Implementation of the regulated procedures and the preparation of managerial accounts in accordance with the Bank's financial structure, which enables the management and the owners of the Bank to obtain information arranged based on the following principles:
 - On an area basis (reports by business units);
 - From the point of view of product structure (reports by business segments);
 - From the point of view of the earning units (reports by profit centres);
 - On an organisational basis (reports by all centres of financial responsibility).
- 5) Development of key performance indicators (KPI) for basic lines of business within the Strategy and the annual development plan, assessment of their implementation and the use of KPI values for the purposes of material encouragement of top managers, managers of business segments and personnel of the Bank;
- 6) Monitoring of the indicators of external and internal environment established by the annual development plan, the use of mechanisms and procedures of prompt reaction to changes in these values, regular reporting by the management to the Board of Directors and the Risk Committee of the Board of Directors on the measures taken in case they reach the established criterion values;
- 7) Preparation of statements under International Financial Reporting Standards, checking its validity (including such by an audit institution of international level) and consideration of audit opinions by members of the Audit Committee and the Strategic Committee of the Board of Directors;
- 8) Arrangement of efficient functioning of internal control and audit systems, risk management system, and monitoring of their efficiency and adequacy.

According to the procedure of the regular control over the implementation of the Bank's Strategic Plan, which was established by the Board of Directors in the Regulations for Strategic Planning of JSC AIKB Tatfondbank, the Board of Directors considered the managerial statements prepared by the Bank's Board of Management in respect of the Bank in general and for business segments and structural units, as well as its evaluation of the results of actual implementation of the plan, the list of reasons for deviation from the plan and the analysis of the most significant of them.

Based on the outcomes of consideration of managerial accounts for the purposes of control over the implementation of the Strategy, the Board of Directors, in the course of the year, did not make any amendments to the approved Strategic Development Plan.

The implementation of the Strategy and attainment of the established target indicators were supported by such strong, in opinion of the Board of Directors, points of the Bank as:

- recognisability and stable position in the market of the basic region of presence;
- positive credit history in the market of external and internal borrowings;
- availability of quite high ratings (international and national);
- experience of the work with state programmes and governmental institutions;
- government support at regional level;
- a broad range of the offered products and services at competitive prices;
- a vast regional network with qualified personnel;
- a well-developed network of correspondent relations;
- the use of modern banking technologies;
- the status of the Principal Member of VISA Incorporated and MasterCard Worldwide Incorporated international payment systems, availability of the own processing centre;
- the availability of the Call Centre that works 24 hours a day;
- promptness in the making of managerial decisions;
- the good support of the current activities.

At the same time, the Bank took efforts to eliminate such bottlenecks in the Bank's activity as:

- the weak diversification of assets;
- the limited nature and high value of long-term resources required for the implementation of the strategy;
- high sensitivity of the lending portfolio to the changes in the refinancing rate;
- weak performance indicators;
- inefficient marketing policy;
- insufficient automation of managerial technologies.

Assessing the Bank's performance in the reporting year, the Board of Directors notes the favourable, in general, changes in its development and the commitment of the Bank's personnel to its Mission: Every day, for every client, to be a reliable partner in aspiration to the best.

The grounds for such assessment include a number of significant events that affected the results of the Bank's operation, its market positions, and the key indicators as at the end of the year.

Main Events in 2010

February:

The Bank completed the transaction on the exchange of a portion of the outstanding Eurobonds issued by the Bank in 2007 in the amount of US\$ 200 million, and the transaction related to the new issue of Eurobonds in the amount of US\$ 225 million due in 2012.

March:

The Bank placed successfully the sixth bond issue for 2 billion roubles with maturity of three years. The terms of the issue provide for semi-annual coupon payments and the one-year put option.

The Federal Customs Service of Russia included the Bank in the Register of banks that have the right to provide bank guarantees of payment of customs charges.

April:

The Bank redeemed the nominal value of the Tatfondbank, 2010 (LPN) Eurobonds in the amount of US\$ 84 million and the accrued interest.

September:

The Bank was included on the list of partners of OAO Russian Bank for Development under the Financing for Innovations and Modernisation lending programme. The programme focuses on the lending of innovative and modernisation-related projects of small- and medium-sized businesses in the industrial sector of the economy and in the field of modern technologies.

December:

Expert RA Rating Agency awarded the Bank with Diploma "For Active Support of Small-sized Business". The Bank received the award at the Russian Congress "Regional Development Institutes and Investment Appeal of Regions: Opportunities, Issues, Practice" organised by Expert RA.

Expert RA Rating Agency confirmed the Bank's 'A' (high level of creditworthiness) rating.

The Bank placed the first tranche of its exchange traded debentures for RUR 2 billion maturing in 3 years providing for an offer in 1.5 years and a semi-annual coupon.

In 2010, the Bank timely and fully met its liabilities related to the payment of unsecured loans attracted from the Central Bank of the Russian Federation.

Market Positions and Ratings

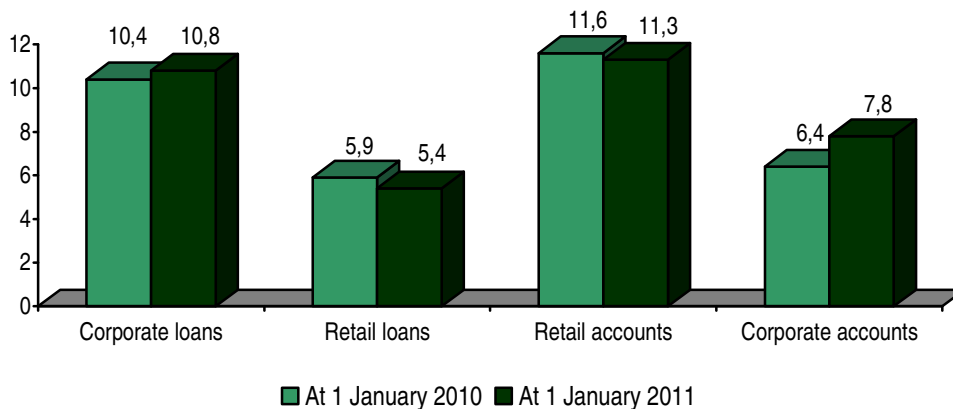
Tatfondbank is on the list of top ten largest regional banks of Russia and is one of the leaders among the banks of the Republic of Tatarstan and the Volga Federal District.

The Bank carries out the major portion of its business activity in the banking services market of the Republic of Tatarstan and stands firm on the 2nd place among the independent banks of the Republic of Tatarstan in such key financial parameters as:

- total assets,
- equity,
- total raised funds,
- retail deposits,
- lending.

As at 1 January 2011, the portion of the Bank's assets in the total assets of independent banks of the Republic of Tatarstan was 13.8%, which is by 0.8 per cent. more than the figure attained at 1 January 2010. The bank's shares in the other market segments are given on the diagram below:

Share of Tatfondbank among banks operating in the Republic of Tatarstan



*Source: Review of the Banking Sector of the Russian Federation prepared by the Central Bank of the Russian Federation

As at 1 January 2011, the Bank ranked 64th among Russian banks in net assets and 66th in equity (Profile Magazine No. 7 of 28.02.2011).

According to RBC. Rating, at 1 January 2011, the Bank was:

- 67th in the ranking of Top500 banks in corporate deposits in 2010 (up 9 positions compared to 1 January 2010);
- 40th in the ranking of Top500 banks in retail deposits in 2010 (up 2 positions compared to 1 January 2010);
- 33rd in the ranking of Top500 banks in corporate loans as at 1 January 2011 (up 1 position compared to 1 January 2010);
- 94th in the ranking of Top500 banks in retail loans as at 1 January 2011 (down 15 positions compared to 1 January 2010);
- 49th–50th in the ranking of Top100 most branchy banks in 2010;
- 45th in the ranking of banks having the largest number of own ATMs in Russia.
- in the ranking of most profitable BMMFs in 2010, the Bank Managed Mutual Funds (BMMF) of the Bank ranked 8th among Russian shares funds, 6th among bond funds, and 1st among hybrid funds.

The Bank operates on the basis of principles of openness and transparency of business. In 2005, the Bank was among the first in Tatarstan to obtain international ratings from Moody's. In 2009, Moody's Investor Service confirmed the Bank's B2/NP long- and short-term, respectively, foreign currency deposit ratings, E+ bank financial strength rating (BFSR), and Baa1.ru long-term national scale rating.

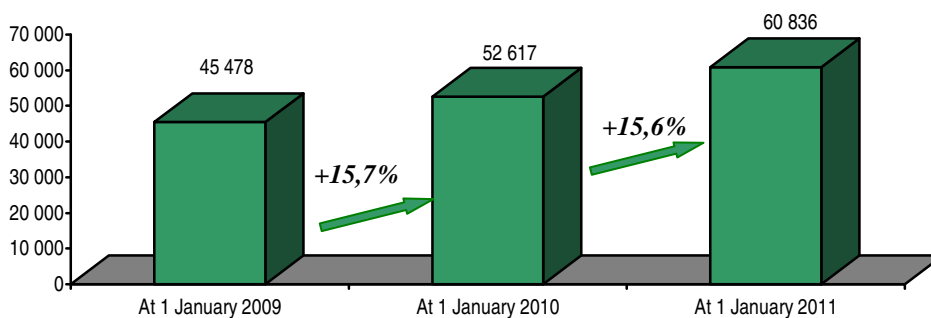
In June 2008, the Expert RA, a Russian rating agency, assigned to Tatfondbank the 'A' (high level of creditworthiness) rating. The factors that determined the Bank's high creditworthiness included the sufficient capital adequacy ratio, high quality of corporate governance, and the good credit history. In December 2010, Expert RA confirmed the rating.

Main Financial Indicators

The Bank's performance in 2010, when external and internal economic situation was showing positive trend and the banking sector of the Russian Federation was developing, testify to the stable tendency towards the dynamic development of JSC AIKB Tatfondbank. The bank retained the steady rate of growth of its assets, capital, and borrowings.

As at 1 January 2011, the Bank's assets totalled RUB 60 836 million, having increased by RUB 8 219 million, or by 15.6%, compared to the beginning of the year. The Bank fulfilled 114.9% of its plan for assets.

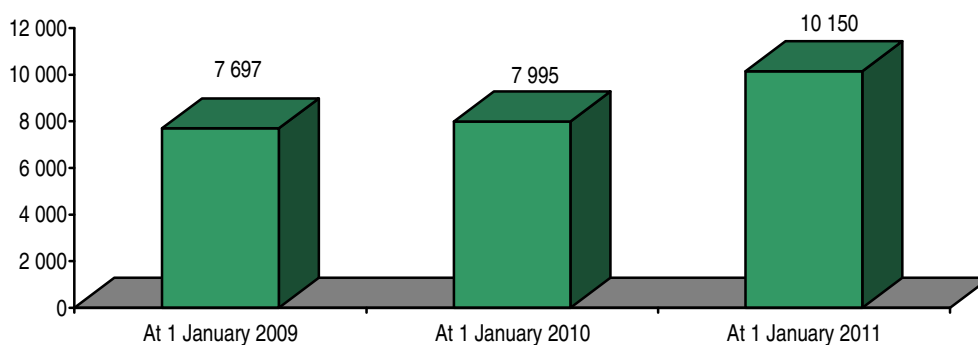
The Bank's Assets



*The Bank's assets are given according to data from the Form 0409806

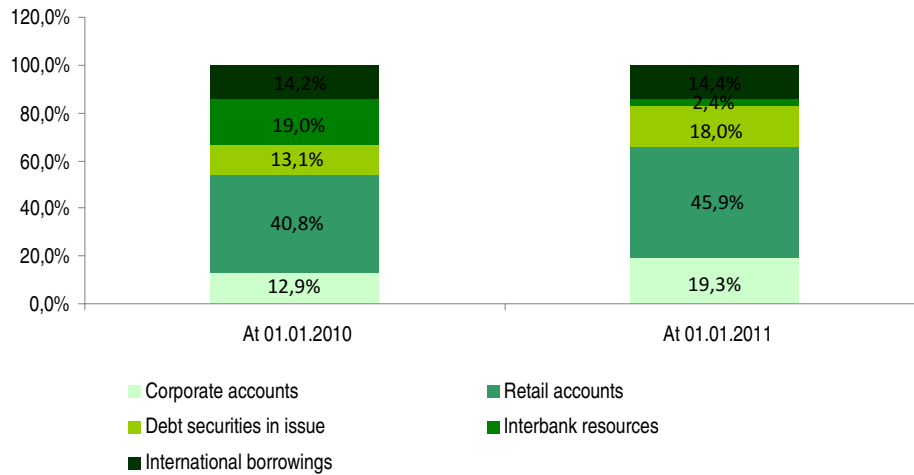
The Bank's equity, calculated according to technique of the Central Bank of the Russian Federation for calculation of capital adequacy ratio, totalled at 1 January 2011 RUB 10 149.7 million, having increased by RUB 2 154.7 million compared to the beginning of the year. The Bank did not violate the regulatory value of the capital adequacy ratio during the year, which testifies to the Bank's strong ability to meet its obligations.

The Bank's Equity



The funds attracted by the Bank in 2010 grew by 18.3% and totalled RUB 51 421 million at 1 January 2011, which is above the plan by 19.3%.

Structure of Raised Resources



Retail accounts form the major part of the Bank’s funding base accounting for 45.9% of the total raised funds. The retained interest on the part of the population in saving and the absence of other alternatives for investment for the major part of citizens contributed to the increase of the volume of funds on retail accounts in 2010 by 32.9%, up to RUB 23 453 million. The Bank exceeded the target for this type of resources by 23.6%.

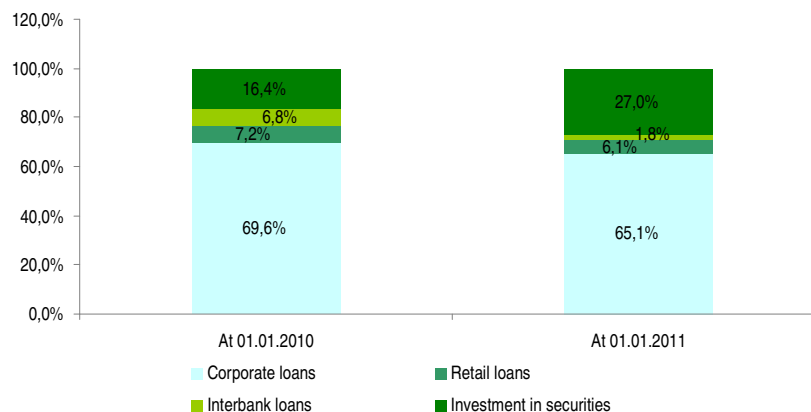
The flexible policy of setting the competitive interest and banking service rates used in 2010 enabled the Bank to increase the volume of funds raised from corporate customers by 77.1%. The balances of funds on corporate accounts at 1 January 2011 totalled RUB 9 929 million, which is by RUB 4 330 million more compared to the figure reached at 1 January 2010. The Bank fulfilled its plan for the attraction of resources from corporate customers more than 2-fold.

The Bank’s positive credit history in the market of public borrowings and its international and national ratings helped attract international borrowings and place rouble-denominated bonds. At present, the Bank has four outstanding bond issues for the total amount of RUB 6.2 billion, exchange traded debentures to the amount of RUB 2.0 billion and Eurobonds to the amount of US\$ 225 million.

In 2010, as the banking sector of the Russian Federation has stabilised, the Bank almost did not have any need to borrow funds from the Central Bank of the Russian Federation. The decrease of the portion of funds attracted from the Central Bank of the Russian Federation in the structure of interbank loans in 2010 totalled 97.9%. In general, the volume of interbank loans has decreased in 2010 by 84.8%.

The Bank’s earning assets increased over 2010 by 16.7% and totalled at the year-end RUB 57 765 million.

Earning assets structure



Lending accounted for 71.2% of the Bank’s earning assets. The Bank fulfilled 117% of its plan for the volume of loans issued to corporate and retail customers.

The volume of loans and other funds provided to corporate customers increased over 2010 by RUB 3 154 million and totalled at 1 January 2011 RUB 37 625 million. The portion of corporate loans in the earning assets decreased over 2010 from 69.6% to 65.1%.

The decrease of consumption at the time when saving activity of the population has grown resulted but in insignificant decrease of the retail lending portfolio in 2010 (by 1.1%). At 1 January 2011, retail loans have exceeded RUB 3.5 billion, which accounted for 6.1% of the Bank's earning assets.

The Bank paid great attention to maintaining the quality of its lending portfolio. As a result, the delinquency rate in the Bank made up 4.1%, which is lower than the average figure for the industry by 1.4%.

At 1 January 2011, the Bank's investment in securities exceeded RUB 15.5 billion, which is almost 2-times more compared to the figure at 1 January 2010. The Bank fulfilled 103.9% of its plan for this asset item.

At 1 January 2011, the interbank loans accounted for 1.8% of the total earning assets, which is by 5 percentage points more than at 1 January 2010. Over 2010, the volume of interbank loans has decreased by 69% and totalled at 1 January 2011 RUB 1 047 million. The Bank fulfilled 83.5% of its plan for interbank lending volumes.

The Bank's profit for 2010 totalled RUB 218.2 million. The analysis of the structure of income and expense of the Bank is given in the Explanatory Note to accounting (financial) statements.

Profit Application and Dividend Policy

The application of the Bank's profit over 2010 was carried out in conformity with the Regulations for the Procedure of Profit Application of JSC AKB Tatfondbank, which determines the general policy of the Bank related to application of profit gained as a result of the Bank's financial and economic activity and remaining in its disposal after the payment of taxes and other compulsory payments from profit.

When developing its recommendations to the General Meeting of Shareholders on the amount, conditions, and the procedure of payment of dividends on the Bank's shares, the Board of Directors is guided by principles and approaches established by the Regulations for the Dividend Policy of JSC AKB Tatfondbank. The dividend policy is based on respect for and strict observance of the rights of the Bank's shareholders, as well as on the balance of interests of the Bank and its shareholders. In the course of the year, as part of its controlling functions, the Board of Directors exercised supervision over the Bank's meeting the conditions ensuring the possibility to make decisions on the declaration of dividends and carry out their payment.

Since the requirements applied to the Bank's capital adequacy have increased, the General Meeting of Shareholders held on 27 May 2010 decided not to pay dividends on the Bank's shares for 2009.

In 2011, considering the Bank's strategic goal of increasing the scale of business, the Bank does not plan to pay dividends for 2010 for the purposes of increasing its capitalisation.

Priorities and Strategic Objectives

The priority line of the Bank's business is the lending of the real sector of the economy. Understanding the necessity of investing in the real sector of the economy, the Bank has been increasing the lending volumes every year, taking part in the implementation of different national programmes. The Bank provides a broad support to small- and medium-sized business, lending SMEs both under its own programmes and in cooperation with the large institutions working in this market.

Retail business is one of the vigorously developing lines of the Bank's activity. The Bank offers its customers living in the regions of the Bank's presence a broad range of retail services: starting from traditional ones (deposits, loans, payments, transfers) up to innovative (plastic cards, Internet banking, unallocated metal accounts, factoring), and social (crediting and payment of pensions, bonuses and other social payments), both separately and in packages of services consisting of several retail products with a certain bonus for one or several services for each customer segment.

In December 2010, the Board of Directors approved the Development Strategy of JSC AKB Tatfondbank for 2011-2013. The Bank's Development Strategy until 2014 was developed on the basis of the market-driven scenario of development of the Russian economy featuring a moderately optimistic view and the Bank's forecasts related to basic social and economic indices (GDP, industrial output growth, consumer demand, real incomes, and unemployment rate), and growth of consumer demand for banking products.

The Bank's Development Strategy for 2011-2013 is based on the following basic points:

- the Strategy rests on the concept of the Bank's development as a universal bank;
- implementation of the Strategy will rely on the preservation and further improvement of the existing products and technologies of the Bank corresponding, in general, to business of a universal bank;
- the Bank will focus its efforts on the most promising products and segments, which provide an opportunity to achieve competitive advantage and maximise the financial value;
- one of the Bank's lines of development will be regional expansion carried out, first of all, on the basis of the principle of step-by-step expansion of coverage with services around the basic region of presence (radial principle) with the possibility of the opening of units in the most promising regions of the Russian Federation (principle of spot expansion);
- the development will be based on the optimisation of the Bank's internal management systems and business processes, the system of mutually supported goals of the Bank, units, and employee with the use of balanced scorecard technique and the motivation system built on its basis, development of the management of the organisation, finance, personnel, and information technologies.

The Bank's Development Strategy in the mid-term outlook provides for the consolidation of the Bank's positions in the core line of its business. Attaining this goal will be supported by the resolution of the following strategic objectives:

- growth of the volumes of business;

- increasing the Bank's share in the market of the Republic of Tatarstan (in assets) up to 15%;
- further diversification of the assets (including the significant increase of the share of retail loans and loans to SMEs);
- regional network development;
- priority development of the retail business;
- further improvement of the bank management system, enhancing the values of performance indicators and labour efficiency.

REVIEW OF THE BANK'S ACTIVITY BY PRIORITIES

Corporate Business

The lending of the real sector of the economy is the major line of the Bank's business. The Bank is one of the most actively lending banks of the Republic of Tatarstan being:

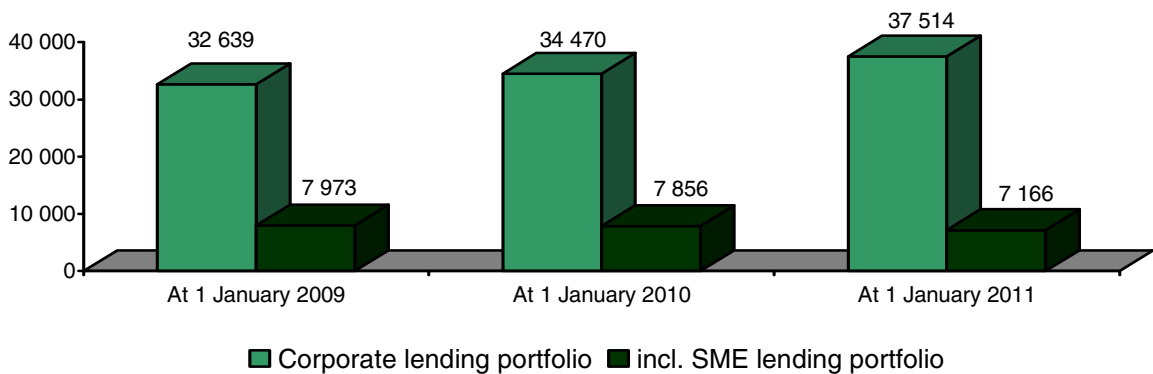
– 3rd in the amount of loans to the economy (enterprises and organisations) issued by credit institutions operating in the region. The loans to the economy provided by the Bank at 1 January 2011 account for 10.7% of the total amount of loans provided by all credit institutions;

– 3rd in the volume of the newly issued loans to borrowers from the Republic of Tatarstan. In 2010, the Bank provided RUB 46.9 billion, or 9.4% of the total amount of loans provided by all credit institutions;

– 2nd in the volume of loans to small businesses and individual entrepreneurs. In 2010, the Bank provided RUB 7.2 billion, or 7.5% of the total volume of loans.

Over its entire history, the Bank has lent, in different ways, enterprises engaged in all sectors of the economy, showing a stable tendency towards growth of its lending portfolio.

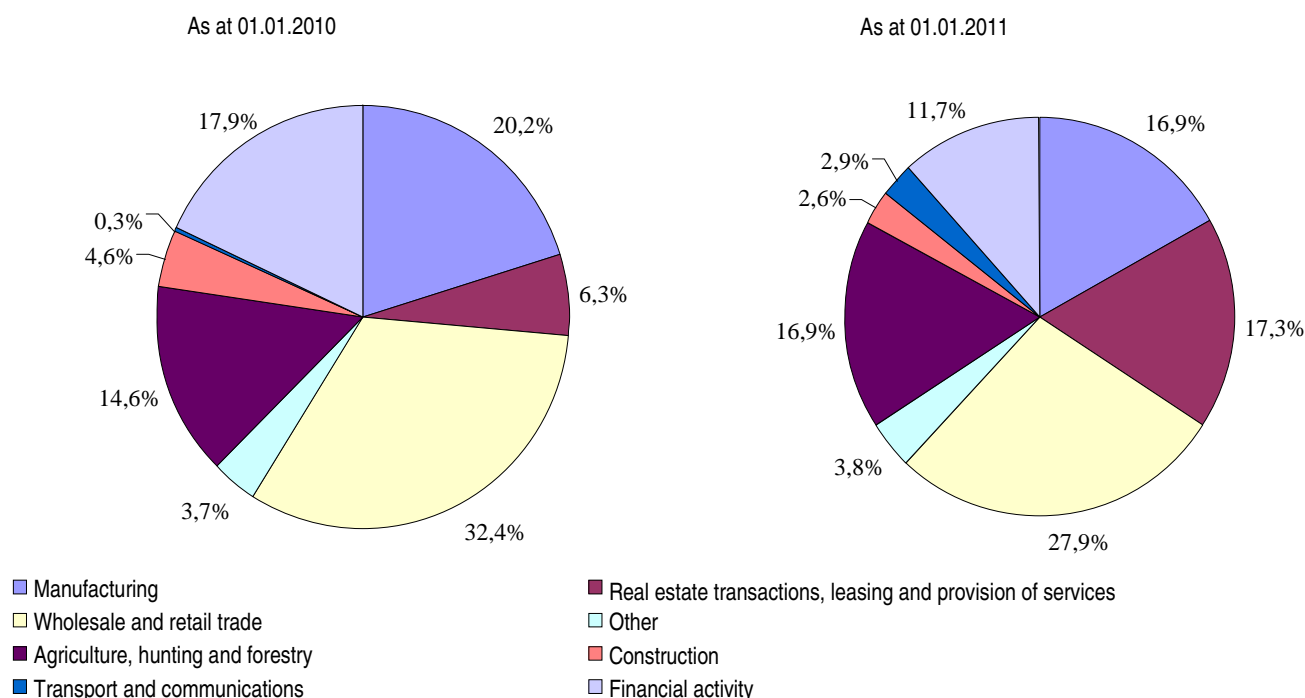
Changes in the Bank's corporate lending portfolio (RUB million)



In 2010, the volume of loans issued to corporate customers increased by 8.8% and exceeded at 1 January 2011 RUB 37.5 billion. Corporate loans account for 57.6% of the Bank's assets. The decrease in the SME lending portfolio compared to 2009 is explained mainly by the fact that certain borrowers moved from the category of SMEs to the category of large business (in accordance with the Federal Law No. 209-FZ).

The Bank's corporate lending portfolio is quite well diversified by industries.

The Bank's lending portfolio by industry



In 2010, the priority sectors for the Bank's lending included trade, manufacturing, agriculture and financing of real estate operations.

Supporting SMEs is one of the Bank's priority objectives. Small- and medium-sized enterprises are the most active in the implementation of principles of market economy, promptly responding to the slightest changes in the market environment. Guided by the estimates of the prospects of development of small- and medium-sized business in Russia, the Bank pursues an active policy in the field of lending of this segment of the economy.

The Bank timely reacts to the changing needs of the market, further improving the traditional and introducing the new types of products and services, which include both own lending programmes of the Bank and the lending products implemented under joint programmes with OAO Russian Bank for Development and GNO Investment and Venture Fund of the Republic of Tatarstan.

In 2010, the following measures were taken to resolve the tasks set for the corporate division:

- the control over the quality of the lending portfolio was enhanced. The Bank introduced the risk-free schemes providing for the pledge of the acquired property with the use of letters of credit and bank guarantees;
- the control over the quality of operation of the bank's lending departments was enhanced. Developed and updated were the regulatory acts regulating the interaction of the Bank's units.

To minimise the operational risks, the regular training of lending specialists was organised related to the new lending products; the processes of corporate lending and lending of individual entrepreneurs were standardised and automated.

The forecasted growth of industrial production, retail trade volumes, and capital investment in 2011-2013 will cause a positive effect on the expansion of corporate lending. The Bank's mid-term policy will be aimed at further development of business of enterprises and organisations of the Republic of Tatarstan. They account for the major portion of the lending structure. At the same time, the Bank continued the policy of geographical diversification of its lending portfolio in connection to the planned increase in the number of points of the Bank's presence in the other regions. Increasing the share of loans to SMEs is one of the strategic objectives of the Bank.

Increasing the volumes of lending is planned to be ensured through:

- further expansion of the customer base and simplification of the access to credit resources by means of optimisation and standardisation of the current lending processes and the development of new lending products;
- further participation of the Bank in the Republic's and federal programmes of support of SMEs (Committee for Development of Small- and Medium-sized Business of the Republic of Tatarstan, GNO Investment and Venture Fund of the Republic of Tatarstan and OAO Russian Bank for Development);
- offering the Bank's long-term customers a lending product that takes account of specific features of their business;
- enhancing the customer service quality.

Corporate Deposits

Tatfondbank is among top three banks operating in the market of the Republic of Tatarstan in the volume of funds attracted to corporate deposit accounts. In 2010, the volume of deposits of corporate customers attracted by the Bank has grown 2.3-fold and exceeded at 1 January 2011 RUB 4.5 billion. The major contribution to this growth was made by the subordinated deposit in the amount of RUB 2.1 billion attracted by the Bank at the end of 2010.

The deposit structure includes organisations and enterprises engaged in different sectors of the economy: trade and finance, construction and manufacture, transport, agriculture, municipal and city authorities, and so on. The deposits are placed by customers for different terms. While most popular in 2009 were short-term deposits, in 2010 the number of customers placing available funds for a long term was growing.

The basic criterion that influences the customer choice of a bank for the opening of deposits is its reliability and reputation, as well as the interest rate. Placing the deposits with Tatfondbank, many large enterprises and organisations from different sectors of the economy confirm their trust in the Bank.

The Bank carries out the permanent monitoring of the corporate deposits market to keep itself competitive. The Bank's product line includes all types of deposits currently available in the market: term, replenishable, replenishable with possibility of partial spending of funds with retained interest rate, foreign currency, short-term, medium-term, with any frequency of interest payment.

In 2011, the major tasks of the Bank in the attraction of corporate deposits will be:

- keeping its deposit products at competitive level;
- expanding the product line;
- intensification of the Bank's branch network;
- combination of individual work with customers and the holding of PR actions to attract new clients.

Retail Business

Retail Lending

Retail business is one of the priority lines of the Bank's business. The Bank's activity in this field is focused on the growth of the customer base, further improvement of quality and efficiency of customer service. The major task of the Bank in 2010 was to retain the current positions in the retail lending market and the provision of the basis for further growth.

For this purpose, in 2010, the Bank:

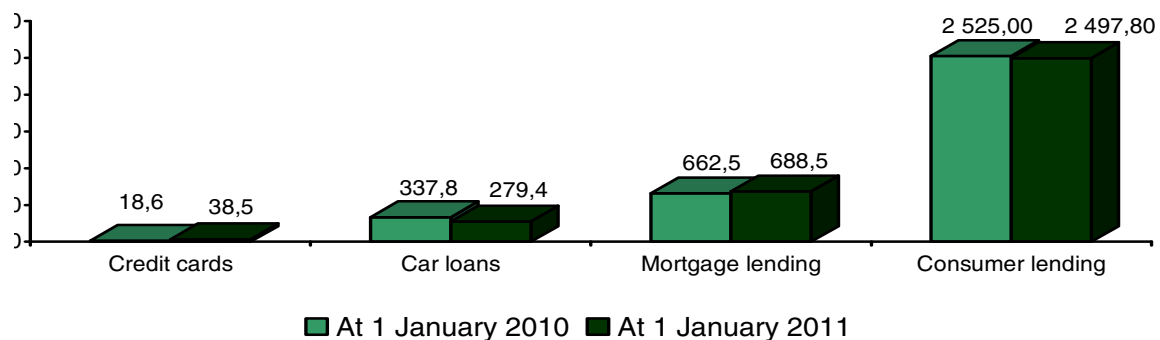
- was actively introducing and promoting a line of consumer lending and car loan programmes adopted in 2009;
- was supporting and promoting a competitive line of mortgage loans, which became possible due to the Bank's accreditation as Supplier of mortgage certificates and the Service Agent of OAO Agency for Housing Mortgage Lending;
- was scaling of the express-lending project at points of sales of the retail network of the Bank's partners. All in all, over the year, the Bank issued 6 400 loans to the total amount of RUB 86.6 million;
- was implementing the project of cross-sales of credit cards with simultaneous issue of consumer loans. From October to December 2010, issued within this project were the cards with the total credit limit of RUB 17.4 million;
- launched the project providing for the acceptance of on-line loan applications on the Bank's web site. Up to 21% of the total number of loan applications comes through this sales channel;
- optimised business processes related to the processing of loan applications and provision of loans. As a result, the average time required for the consideration of loan applications reduced from 3 working days to 1.5 working days, the average waiting time required for customers to obtain a loan reduced from 1.5 hours to 30-45 minutes. Thus, the Bank managed to reduce the labour intensity of operations almost 2-fold.

As a result of the mentioned measures, the Bank joined the group of leaders in mortgage and consumer lending (including the credit cards) and retained its medium competitive positions in the car loan market. The Bank's share in the retail lending market among independent banks of the Republic of Tatarstan at 1 January 2011 was 9.8% against 9.7% at 1 January 2010.

In 2010, the Bank issued 20 000 retail loans to the total amount of RUB 1.7 billion. The volume of retail loans at 1 January 2011 has exceeded RUB 3.5 billion.

The structure of the retail lending portfolio at 1 January 2011 showed the growth of the volume of mortgage loans by 4% and credit cards – more than 2-fold (by 107%).

Structure of retail lending portfolio, RUB million



One of the Bank's priority objectives in the mid-term outlook is the active development of retail lending. It is expected that the growth of retail trade turnovers, real wages, and actually available funds forecasted for 2011-2013 will have a positive effect on the expansion of retail lending.

The growth of the Bank's retail lending portfolio in the medium-term outlook will be supported by:

- updating of product offers. The product line for individuals will be aimed, first of all, at the target segment of the consumer market, i.e. employees of enterprises served by the Bank under payroll projects, employees of large city-forming enterprises and enterprises engaged in public sector. These measures will help increase the customer base, while focus on the target customer segment will help enhance the quality of the lending portfolio quality;

- development of cross sales of the Bank's products;
- growth of the Bank's regional presence;
- development of technologies of active sales of credit products;
- increasing the credit limits for existing customers;
- expanding the range of services provided by the Bank's Call Centre;
- further perfection of business processes.

Bank Cards

The issuance and service of bank cards is one of the priority innovative lines of the Bank's business. At the same time, the Bank pays constant attention to increasing the volume of bank card sales, the development of the infrastructure of their service and the introduction of additional opportunities for card holders.

The most significant events in 2010:

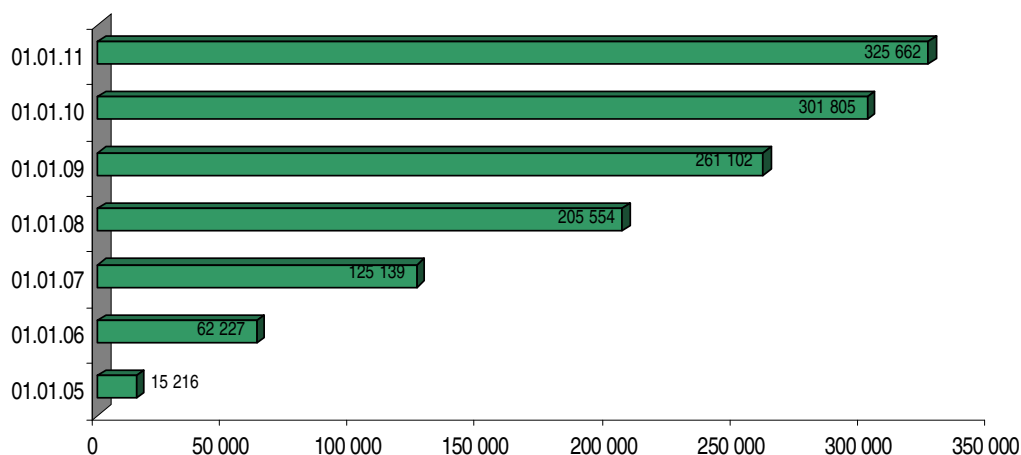
- the Bank completed certification of its processing centre for performance of direct settlements with MasterCard international payment system (following the obtaining of the Principal Member status in 2009).
- the Bank obtained a licence from MasterCard system for direct merchant acquiring (including the Internet acquiring);

Besides, the Bank has significantly expanded the list of service providers, to which payments can be made through the Bank's ATMs.

Special attention in the development of the product line was paid to credit cards. The first credit cards with a grace lending period for mass customer were issued in the early 2010 on the basis of the Bank's Head Office. By the end of the first quarter of 2010, the new product was replicated over the entire branch network of the Bank.

In 2010, the Bank saw the increase in the volume of plastic card issuance, money turnover and balances of card accounts. Over the year 2010, the number of the Bank's cards in issue increased by 23 857 cards to exceed at the beginning of 2011 the figure of 325 000, of which 251 000 were cards issued under payroll projects (77.2%), 2 000 credits cards (0.6%), 59 000 cards issued to individuals (18.2%), and 13 000 other cards (4%).

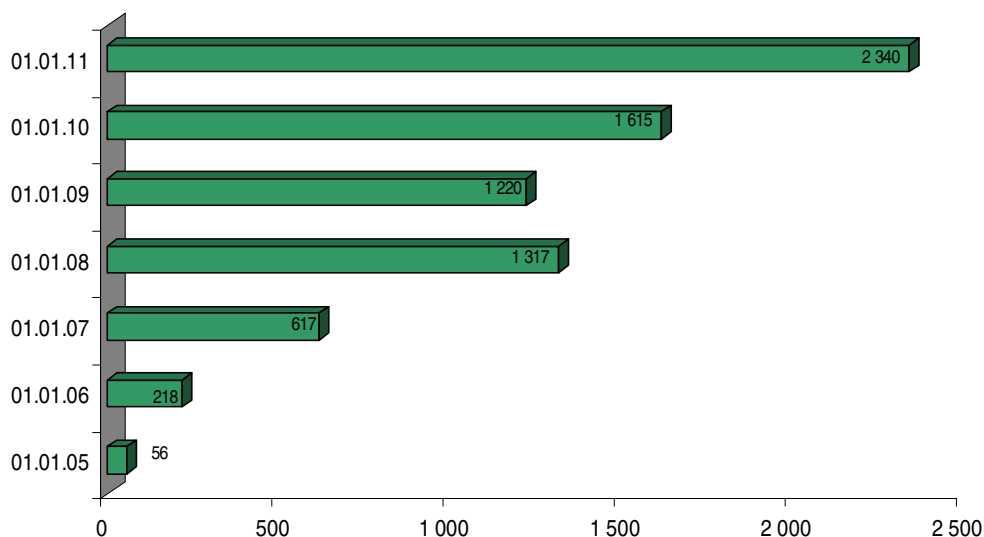
Number of cards in issue



According to the rating issued by RosBusinessConsulting News Agency at the end of 2010, Tatfondbank ranked 38th in the number of cards in issue on the list of top 118 Russian banks included to the ranking.

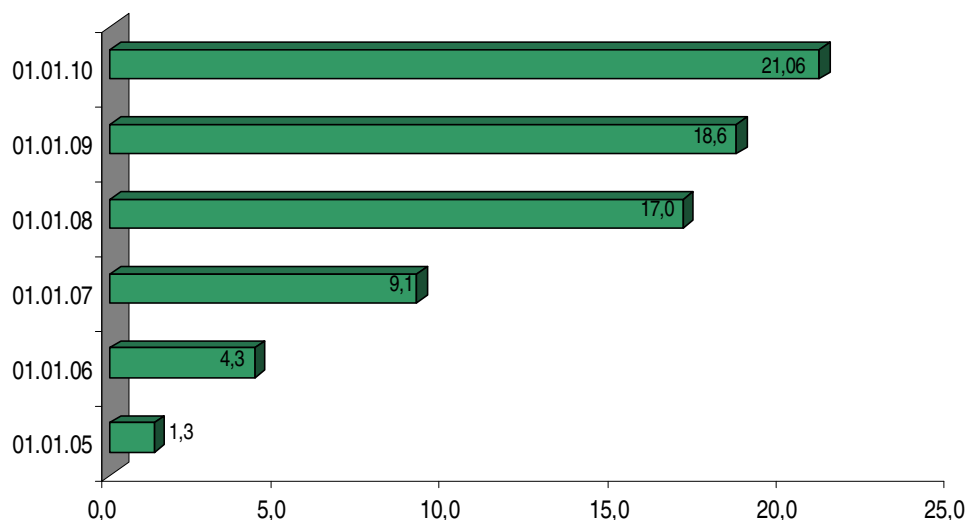
The amount of customer funds on card accounts at 1 January 2011 exceeded RUB 2.3 billion, which is by RUB 7 256 million, or by 44.9%, more compared to the figure at the beginning of 2010.

Funds on card accounts, RUB million



The stable growth was also recorded with respect to the turnover of funds for operations performed by the Bank's customers with the use of bank cards. Thus, in 2010, the turnover for the Bank's plastic cards totalled RUB 21.1 billion, which is by RUB 2.5 billion, or by 13.2%, more compared to the figures of 2009.

Growth of volume of operations performed with the use of the Bank's cards, RUB billion



During 2010, the Bank expanded the list of its partner banks, at the cash desks and ATMs of which the Bank's customers can withdraw cash free of charge. At 1 January 2011, the total number of such ATMs exceeded 1000.

Retail Deposits

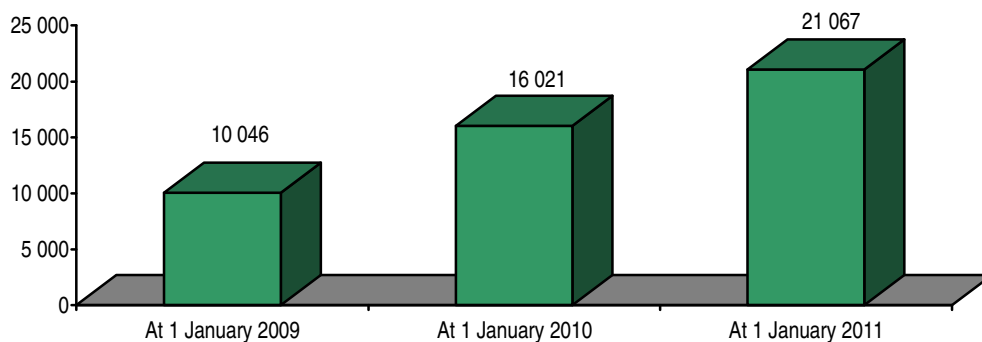
Retail deposits are one of the basic sources of the Bank's funding base. As at 1 January 2011, retail deposits accounted for 41.3% of the funds attracted by the Bank.

The Bank offers its customers a broad range of instruments for saving and accumulation of funds that meet the current level of the Russian banking market development. The Bank's customers include representatives of all social groups and ages, a considerable portion of which are customers of the retirement age (42.6% of the total number of depositors).

The Bank's share of the Republic's retail deposit market at 1 January 2011 was 11.3% (third place in the deposit market of the Republic of Tatarstan).

Over 110 000 depositors entrusted their savings to the Bank. The volume of their deposits at 1 January 2011 totalled RUB 21.1 billion. In 2010, retail accounts have grown by RUB 5 billion, or by 31.5%.

Retail deposits, RUB million

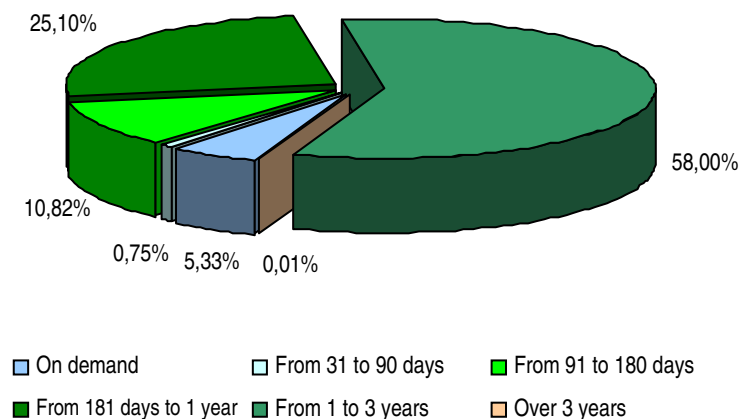


In 2010, rouble-denominated deposits continued to dominate the retail deposit portfolio, their share being 95.5%.

The term deposits account for 94.7% of the total funds attracted from individuals. From the beginning of 2010, the volume of term deposits has grown by RUB 4.3 billion, or by 27%, to total RUB 19.9 billion at 1 January 2011.

Noted as a positive tendency should be the increased portion of long-term deposits, which account for over a half of the deposit portfolio. The share of funds entrusted to the Bank for a term exceeding 1 year has grown from 36.9% at 1 January 2010 to 58% at 1 January 2011.

Retail deposits by term



In 2010, responding to the market situation, the Bank reduced interest rates for retail deposits several times.

Unallocated Metal Accounts of Individuals

The Bank offers to individuals the service related to the opening of the unallocated metal accounts, which can be more attractive in cases when there is a need to minimise risks connected to fluctuations in exchange rates of different foreign currencies.

The Bank gave its customers an opportunity to open such accounts not only in gold and silver, but also in platinum and palladium.

At 1 January 2011, the balances of unallocated metal accounts of individuals totalled RUB 148.6 million. The increase of funds on unallocated metal accounts of individuals in 2010 totalled RUB 54.6 million, or 58%.

Rent of Individual Bank Cells

The Bank offers its customers to use individual bank safes and provides all necessary conditions for the performance of cash settlements in the course of real estate sales transactions.

In 2010, this service was provided by the Bank's units located in Kazan (Head Office), Leninogorsk (Almetyevsk Branch), branches in Moscow and St. Petersburg. The rent term starts from one day, and the term of the agreement can be further extended.

The Bank's safe rooms have advanced alarm and access control systems, several security levels and meet all relevant reliability standards.

Money Transfers and Payments

In 2010, the Bank performed money transfers within Russia, the CIS, and foreign countries using such payment systems as Migom, Western Union, Blizko, and Contact.

Each system represented in the Bank has its peculiar features. For example, Western Union, being one of the most popular international systems, is popular with foreign citizens sending money to foreign countries. The Migom and BLIZKO systems are interesting for customers performing transfers within Russia and to foreign countries. The major group of customers for these systems are seasonal labour migrants from the former USSR republics. The Contact money transfer system was introduced in the Bank in 2010.

In 2010, the Bank performed some 118 000 transfers to the total amount of RUB 1.4 billion.

The major portion of transfers were performed within the Russian Federation (some 43% of total transfers). Such transfers are followed by transfers covering former USSR republics (41%). Foreign countries account for 16% of the total transfers.

The Bank's units accept all kinds of utility bills and other payments. In 2010, the Bank concluded 63 agreements with different suppliers of services. The total number of organisations, which concluded agreements for acceptance of payments, as at 1 January 2011 was 266. The major suppliers are the organisations providing services in the field of housing and public utility sector.

In 2010, the volume of the accepted payments of individuals in favour of organisations engaged in different fields of activity has exceeded the figures of 2009 1.5-fold.

Remote Banking Services to Individuals

In 2010, the Bank paid much attention to the development of the remote banking (RB) service intended for individuals. The scope of services rendered within Online Partner RB system was increased significantly. Using the system, the Bank's customers can perform payments, obtain statements of account, browse the detailed information on deposits, loans, and cards at any time from their home or work computers.

In 2010, the total number of active users of the RB system grew by 2 410 and totalled, as at 1 January 2011, 3 283 customers.

In 2011, the Bank plans to further develop its Online Partner RB system for individuals by broadening the functions of the system, increasing the number of suppliers of services in whose favour the payments are accepted, development and introduction of new channels providing access to Online Partner system, and increasing the number of ways of confirmation of payments in the system.

Investment Business

The Bank is a professional participant of the securities market and has all necessary licences to carry out its own and customer operations in the securities market.

In 2010, the Bank has increased significantly its securities portfolio. The volume of investment in securities has grown over the year almost 1.9-fold, having exceeded RUB 16.3 billion, of which RUB 11.9 billion was in trust management.

Over the year 2010, the securities operations included:

- dealer operations with government securities (federal loan bonds, debentures issued by constituent entities of the Russian Federation and local authorities);
- dealer operations with corporate bonds;
- dealer operations with shares;
- operations with derivative securities;
- brokerage operations;
- trust management operations.

The Bank's securities related activities were based on conservative strategy. Much attention was paid to quality of the borrowers and liquidity of the securities. The major part of the Bank's securities portfolio is represented by corporate bonds included on the Lombard List of the Bank of Russia and accepted by it as security for short-term loans.

In 2010, the Bank actively worked for further development and expansion of counterparty relations with Russian and foreign institutions. As a result of this, the Bank not simply recovered the pre-crisis limits on the part of Russian and foreign institutions (overall limit exceeds RUB 11.5 billion), but has increased them by 70% compared to the initial volume, which speaks of high confidence in the Bank. At present, the number of the Bank's counterparties exceeds 180 organisations.

The high confidence on the part of counterparties and investors enabled the Bank to successfully close the transaction related to the exchange of a portion of the existing Eurobonds issued in 2007 in the amount of US\$ 200 million, and the transaction on the new issue of Eurobonds to the amount of US\$ 225 million due in 2012.

Promissory Notes

The amount of funds attracted by the Bank through the issue of its own promissory notes in 2010 totalled RUB 2 154.4 million. In 2010, the Bank repaid its promissory notes to the total amount of RUB 2 261.4 million. At 1 January 2011, the total nominal amount of the Bank's promissory notes in issue totalled RUB 1 093.8 million. Apart from the Bank's Head Office, promissory notes can be sold at all branches of the Bank.

The main counterparties of the Bank in the placement of its promissory notes in 2010 were REGION Group of Companies and the largest investment companies of the Russian Federation and enterprises of the Republic of Tatarstan.

The Bank will continue issuing its own promissory notes in the mid-term outlook for the purposes of attracting short-term funds.

Bonds

On 2 March 2010, the Bank placed the sixth issue of the Bank's bonds of B Series with the total nominal value of RUB 2 billion. Besides, admitted for trade at MICEX were the Bank's exchange traded bonds of BO-01, BO-02 and BO-03 Series to the amount of RUB 2 billion each, the first series of which was fully placed at the stock exchange on 30 December 2010. The placement of BO-02 and BO-03 is planned for 2011.

At the beginning of 2011, the Bank had in issue its fourth, fifth, sixth, and seventh bond issues as well as the issue of exchange traded debentures to the total amount of RUB 8.2 billion.

In 2010, in accordance with the issue documents, the Bank timely and fully fulfilled its offer obligations under the sixth and the seventh bond issues. The redeemed bonds were later sold to investors in the secondary market.

All bond issues are in free float in the stock market and included on the Micex 'A' first level quotation list, except for the exchange trade debentures, which were included on the List of Off-List securities of the stock exchange. The daily turnovers show a material interest of investors in the Bank's bonds.

Table 5

Borrowings from the local market

Bond issue	Fourth	Fifth (A Series)	Sixth (B Series)	Seventh	BO-01 Series	BO-02 Series	BO-03 Series
Volume of issue, at nominal, RUB '000	1 500 000	2 000 000	2 000 000	1 000 000	2 000 000	2 000 000	2 000 000
Initial offering	Public offering						
Maturity	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Coupon rate	1-3 coupon – 11.40% 4-6 coupon – 13%	1-2 coupon – 15% 3-4 coupon – 11% 5-6 coupon – 8.5%	1-2 coupon – 11.2% 3-4 coupon – 8.75% 5-6 coupon – rate is determined by authorised body of the issuer	1-2 coupon – 13.75% 3-4 coupon – 8.75% 5-6 coupon – rate is determined by authorised body of the issuer	1-3 coupon – 9.5% 4-6 coupon – rate is determined by authorised body of the issuer	-	-
Secondary circulation	MICEX, over-the-counter market						
Status	In issue	In issue	In issue	In issue	In issue	Planned for placement	Planned for placement

The major goals of bond issues and the areas funds application are:

- Enhancing the capitalisation and the real evaluation of the Bank's performance based on improvement of the key financial indicators of its operation;
- Extending the maturities of the funding base for the purposes of Increasing the volume of active operations to finance enterprises, organisations, and small- and medium-sized enterprises in and outside of the Republic of Tatarstan;
- Further development of the positive public credit history;
- Enhancing the Bank's appeal for foreign and national partners.

Foreign Economic Activity

Tatfondbank has a long positive international experience and is broadly known in the international community. The Bank showed itself as a reliable partner, which fact is supported by positive credit history and information transparency. The Bank has long-standing correspondent relations and the set exposure limits on the part of the leading foreign banks, which were increased in 2010 by US\$ 12 million. This enables the Bank to ensure highest quality in meeting the needs of its customers in the field of trade and project financing, and act as a currency control agent and, in general, to perform competent support of foreign economic activity, including such within Bank-Client remote banking service system. The Bank is accredited with export credit agencies of Germany, Spain, and Hungary: Euler Hermes, CESCE, and MEHIB, respectively.

The Bank carries out currency control of all types of foreign economic operations (export and import of goods, works, services, outcomes of intellectual activity; lending of export/import operations, obtaining and provision of finance loans, and so on), which includes:

- Execution and maintenance of transaction passports for export and import operations of its customers;
- Checking the correct execution of the transaction passport by customer and its compliance with contractual terms and requirements of currency legislation;
- Competent advice on:
 - Issues related to currency and customs legislation;
 - Execution of documents in accordance with requirements of currency legislation of the Russian Federation;
 - All types of settlements in foreign currency and attraction of international finance against foreign economic operations of customers.

The Bank actively performs operations related to the issue of letters of credit and guarantees for its customers within the established limits on the part of large foreign banks, such as Commerzbank AG (Germany), VTB Bank (Deutschland) AG (Germany), VTB Bank (France) SA (France), Nova Ljubljanska Banka (Slovenia), Raiffeisen Zentralbank Oesterreich AG (Austria), Sumitomo Mitsui Banking Corporation Europe Limited (United Kingdom), Bank of China (ELUOSI) (China), Standard Bank (United Kingdom), Standard Chartered Bank (United Kingdom), Alpha Bank Cyprus Ltd. (Cyprus). Besides, in 2010, the special-purpose finance was attracted from VTB-Bank (France) SA, (France) in the amount of US\$ 15 million for the execution by the Bank's customers of their obligations under foreign economic contracts.

In 2010, the Bank as an active representative of the banking sector of the Republic of Tatarstan took part in the II International Islamic Business and Finance Summit held in Kazan on 28-29 June and in the Kazan International Investment Forum organised by Euromoney Conferences, which took place on 14 October.

Regional Policy

The Bank's regional policy in 2010 was aimed, first of all, at supporting the implementation of its customer policy, improvement of customer service quality, and at the expansion of its regional presence through the development of infrastructure, further improvement of techniques used to manage its all elements, and the introduction of remote banking technologies.

In 2010, the Bank continued to develop and modernise its regional network. The work for optimisation and enhancing the operational efficiency of the Bank's units was carried out throughout the year.

According to the rating of Russian banks having the largest number of branches in 2010 published by RosBusinessConsulting News Agency, the Bank ranked 50th.

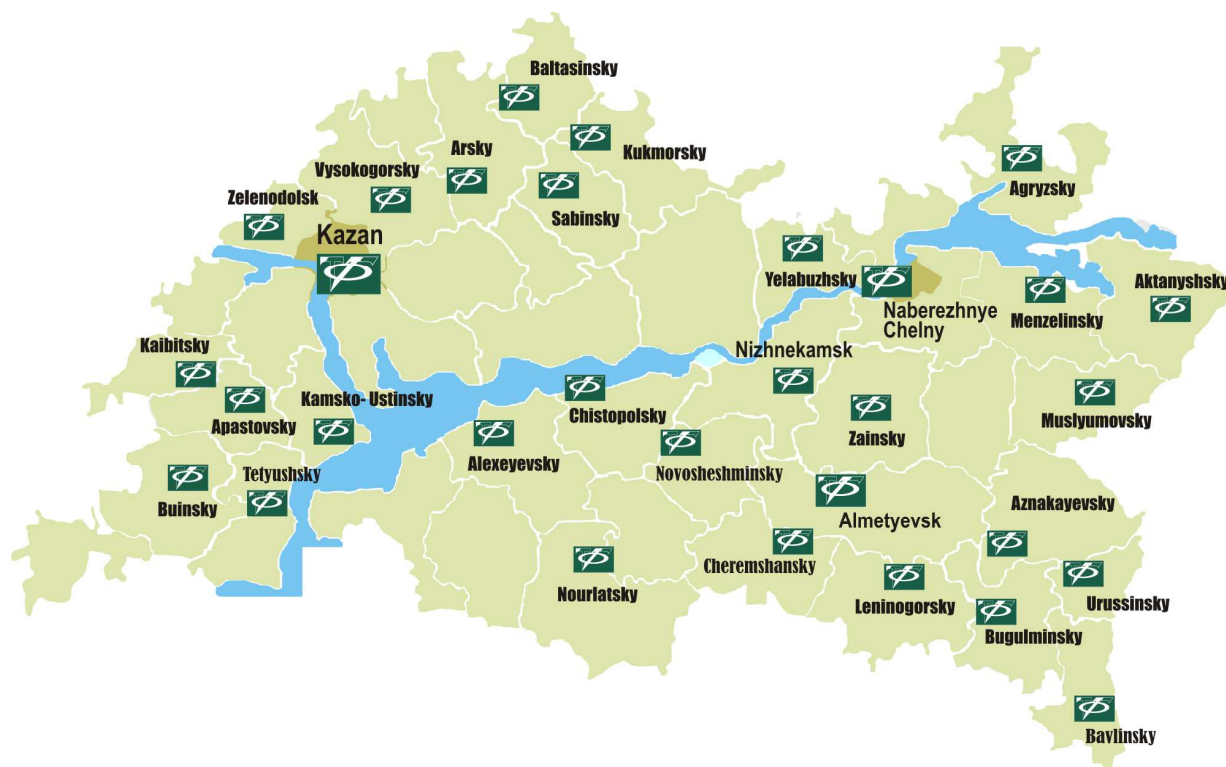
At 1 January 2011, the Bank had 90 units (of them 12 branches, 74 additional offices, and 4 cash outlets). The Bank's branch network is mainly represented in the Republic of Tatarstan (82 out of 90 units are located in the Republic, of which 26 are located in Kazan). The Bank also has its units in Moscow, Perm, Cheboksary, Surgut, St. Petersburg, and Novosibirsk.

The Bank's regional network by federal districts of the Russian Federation



Federal District		Number of Units
1	Central	1
2	Northwestern	1
3	Southern	0
4	North Caucasian	0
5	Volga	86
6	Urals	1
7	Siberian	1
8	Far Eastern	0

The Bank's separate units in the Republic of Tatarstan



S

In 2010, the Bank was actively standardising its existing units. As a result of these efforts, as at the end of 2010, the Bank had four types of units.

Table 6

Number of units by types

No.	Type of the unit	Number as at 1 January 2011
1	Branch	12
2	Additional office of 'Universal' type	28
3	Additional office of 'Retail' type	46
4	Cash outlet	4
	Total	90

The premises of all units are prepared for banking activity and fully meet the requirements of the regulatory documents of the Central Bank of the Russian Federation and the internal documents and standards of the Bank. The banking offices have the equipped operating rooms, cash operating units, vaults and other premises in accordance with the requirements of the Central Bank of the Russian Federation. The premises are equipped with alarm systems and meet fire safety regulations.

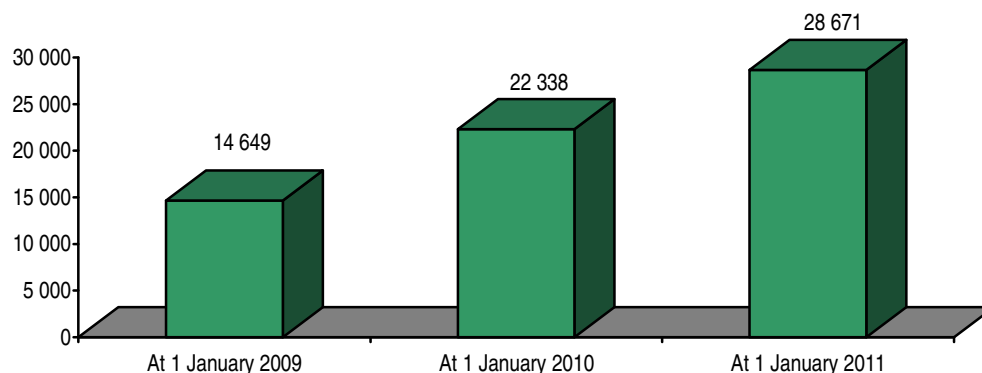
The major task of the Bank's branch network is the provision of the full range of services to corporate and retail customers, including different lending programmes, deposit taking, all kinds of banking operations with and without opening of a bank account, bank transfers and acceptance of utility bills, and so on.

Each unit provides services stipulated for its type. Standardisation of the units makes it possible to unify business processes in the units of the Bank's network and improve the quality of customer service.

Specially noted should be that the Bank's units have friendly and highly qualified personnel. The total number of employees working in the Bank's regional network at the end of 2010 was 951.

Over the period from January to December 2010, the assets of the Bank's regional network have increased from RUB 22.3 billion to RUB 28.7 billion, or by 28.3%. The portion of the earning assets in the asset structure grew by 2.1% compared to the beginning of 2010.

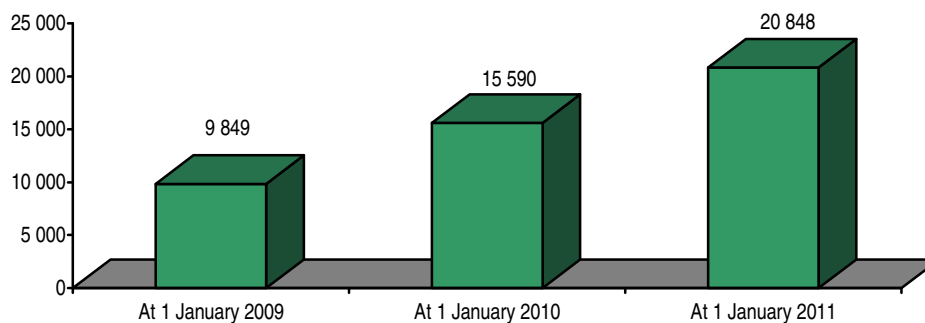
Assets in regional network, RUB million



The own funding base of the regional network grew by RUB 6.7 billion in 2010 and exceeded at 1 January 2011 RUB 27 billion. In 2010, the branch network was the supplier of credit resources for the Bank's head office.

The growth of retail and corporate accounts were the basis for the growth of the Bank's branch network own funding base.

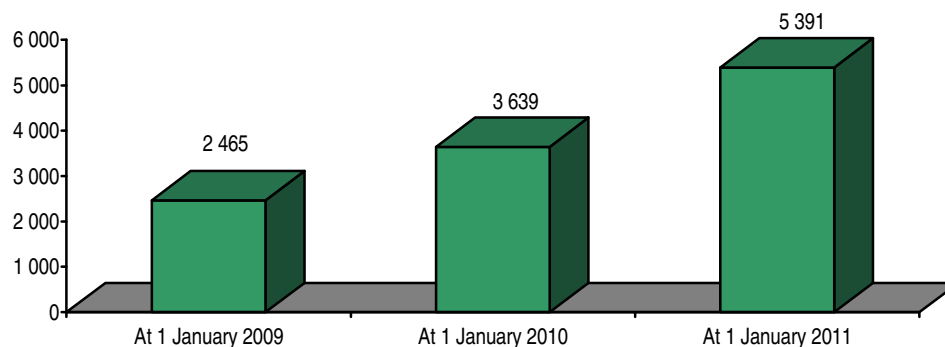
Retail deposits in the Bank's regional network, RUB million



The funds attracted from retail customers by separate units of the regional network grew by RUB 5.3 billion, or by 33.7%, compared to 2009, which speaks of the growing customers' trust in the Bank.

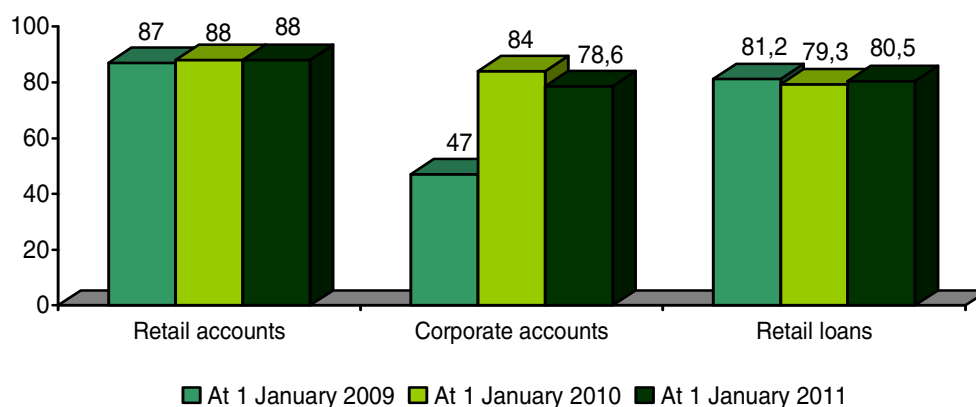
The inflow of funds to corporate current accounts in 2010 totalled RUB 1.8 billion.

Balances of corporate settlement accounts in regional network, RUB million



The regional network accounts for a significant portion of the Bank's business with respect to certain indicators.

Regional network in the Bank's business, %



One of the Bank's strategic medium-term objectives is the development of its regional network.

The Bank's regional expansion is based on the need to settle the following tasks:

1. Ensuring the growth of assets.
2. Increasing the market share.
3. Priority development of retail business.
4. Bringing banking services closer to customers.

In 2011, the Bank plans to open 26 units. The priority regions are the regions promising from the point of view of social and economic development and banking situation. For example, the Bank plans to open points of sales in the regions, in which the Bank is already present, such as Moscow, St. Petersburg, Novosibirsk, Surgut, Kazan, Perm, Almetyevsk, and Yelabuga. The Bank will continue to actively expand its presence in the Volga Federal District by coming to such cities as Ufa, Samara, Togliatti, and Izhevsk. Besides, the plans for 2011 include the opening of units in the regions that are new to the Bank, such as the Southern Federal District (Sochi, Krasnodar, Rostov-on-Don).

CORPORATE GOVERNANCE

Bank Management System

The Bank Management System, which was further developed in 2010, unites the interrelated organisational, functional, technological, information, and other means intended for ensuring an efficient operation of the Bank in the course of fulfilment of banking operations and other transactions, the management of assets, liabilities, and banking risks. The elements of the system have been formalised, are constantly updated and optimised based on the process approach to the building of this system, all necessary procedures and information are timely brought to attention of employees of structural units and are used in work.

The management of the Bank is exercised in accordance with current legislation of the Russian Federation, the Bank's Charter, and its Corporate Behaviour Code.

The General Meeting of Shareholders is the supreme management body of the Bank, which elects the Board of Directors and delegates to it the functions of the general management of the Bank's activities. The Meeting also elects the auditing commission and the sole executive body – Chairman of the Bank's Board of Management. The Bank's Board of Directors elects the members of the collegial executive body, the Bank's Board of Management, by proposal of the Chairman of the Board of Management.

The Board of Directors appointed, from among its non-executive directors, the President of the Bank, a special official who reports and is directly subordinated to the Board of Directors. His main objective is organising an efficient implementation of the management and control functions imposed on the Board of Directors by legislation and the Charter at the period between the meetings of the Board of Directors. Organising the efficient fulfilment by the Board of Directors of its functions is also supported by the Office of the Board of Directors and the special official, Corporate Secretary of the Bank, whose main task is to ensure that the bodies and officials of the Bank comply with the requirements established by legislation, the Charter, and other internal documents of the Bank guaranteeing the implementation of rights and interests of the bank's shareholders.

On all major issues related to the Bank's operation, the positions of its co-owners are coordinated by means of participation of their representatives in the work of the Board of Directors and in the holding of General Meetings of Shareholders. This coordination is confirmed by unanimity of decisions made, in particular, on such issues as:

- Approval of plans of financial and economic activity;
- Approval of policies covering the major issues and internal documents regulating the activity of the Bank's management and controlling bodies;
- Approval of recommendations accepted at the period of preparing for General Meetings of Shareholders;
- Proposal and election of representatives to the Board of Directors, the counting and the auditing commissions, election and approval of the Auditor of the Bank;
- Issue of the Bank's securities;
- Personnel appointments;
- Assessment of performance of executive bodies.

Ensuring the objectiveness of decisions made and maintaining the balance between interests of different groups of shareholders is also supported by the presence of independent directors on the Board of Directors.

The functions and the roles of the management bodies and officials are determined by the Bank's Charter and the internal documents regulating the activities of each of them.

The interrelations between the management bodies of the Bank are built on the principle of clear division of their authorities and inadmissibility of unwarranted interference of the Board of Directors and shareholders with the everyday activity of the executive bodies and restriction of their ability to promptly decide upon issues related to the Bank's activity depending on the economic situation. The internal documents of the Bank (regulations, procedures, job descriptions) stipulate the measures and procedures aimed at the creation of a system to identify and settle the potential conflicts of interests. In the course of the year 2010, the facts that could result in the occurrence of corporate conflicts were not registered.

The strategic and tactical levels of management are coordinated by the application of the balanced scorecard system used in the Bank, which translates the adopted Strategy into a system of clearly defined strategic objectives and the relevant indicators of their implementation: the balanced scores.

The processes related to the further improvement of the corporate governance system were implemented in the elapsed year on the basis of compromise of interests of all parties interested in its successful development with account for the Bank's Strategy and challenges of the current economic realities. The work in this field was performed in accordance with the annual Action Plan, approved by the Board of Directors, on the development of the Bank's corporate governance system, which plan was developed based on the results of the regular evaluation of its condition that was carried out in line with techniques of the rating agencies and recommendations of the Bank of Russia, as well as on the basis of experience of the other companies. At the same time, the Bank retained the orientation at compliance with the basic principles stipulated in the Bank's Corporate Management Code (Justice, Responsibility, Transparency, Accountability) and enhancement of the level of corporate governance with account for requirements of legislation, best practices and recommendations of such institutes as Basle Committee on Banking Supervision, Organisation for Economic Cooperation and Development (OECD), International Finance Corporation (IFC), Russian Institute of Directors (RID), National Corporate Governance Council (NCGC), and so on.

The Board of Directors and executive bodies of the Bank took measures to enhance control over the organisation of the Bank's operation, including through the development in the Bank of the compliance function and the function of internal audit, further improvement of internal regulatory and legal base and the system of managerial accounting, as well as within the framework of implementation of certain managerial functions: division of authorities, the establishment of relations of accountability, development of the systems of motivation and encouragement of employees, regulation of banking processes and their management, the building of the corporate structure, arrangement of accounting and reporting, protection of information and other resources, etc.

The Bank, in the person of the Board of Directors and executive bodies, plans to take measures, in the medium-term outlook, to develop the Bank's management system based on two major terms:

1. The bank management system should ensure the transfer from overcoming the adverse effect of factors of external environment to the implementation of projects of development and further improvement of activity with the use of adaptive business processes and management procedures.

2. The composition of the management and controlling bodies, the key managers and managers of structural units should ensure the most efficient implementation of functions imposed on them, the compliance of principles, and the development of methods of the bank management system as part of its corporate culture.

Corporate Governance Principles

The Bank's management system is based on the following main principles:

- The principle of responsibility, which means that each employee of the Bank bears responsibility for the proper fulfilment of its duties (economic, administrative, and disciplinary), which is fixed in its job description and/or the concluded labour contract;
- The principle of procedure, which means that any operation and transaction of the Bank is carried out in accordance with the procedure of its implementation as established in the Bank's internal documents;
- The principle of delegation of authorities, which means that managers may transfer a portion of their authorities, rights and responsibility to their employees for the purposes of focusing on the resolution of complex managerial tasks, which correspond to the level of its competence, exercising control over the actions of their employees in accordance with the scope of authorities they transferred;
- The principle of division of critical authorities, which assumes the distribution of duties, which ensures the exclusion of situations in which the field of activity of an employee assumes the conflict of interests;
- The principle of information sufficiency, which means the restriction of access to information, which is not related to the implementation of a particular function and/or exceeding the functional necessity within the scope of duties of an employee as established in its job description;
- The principle of interest, which means that the management bodies and the top management of the Bank must be interested in its efficient operation;
- The principle of continuity, which means that the elements of the management system should be operating continuously;
- The principle of integrity, which means that all objects of management should be covered by the management procedures adequate to the nature and scale of activity of such object, and that the implementation of functions of each subject should be controllable in what refers to quality by the other subject of management;
- The principle of priority (risk orientedness), which means that special attention in the course of managerial decision making is paid to the Bank's lines of business and operations that are subject to most significant risks;
- The principle of integration, interaction, and coordination, which assumes close connection between all elements of the management system, including the coordinated interaction of the Bank's structural units vested with different functional duties;
- The principle of balance, which means that distribution of authorities, functions, and duties of each subject of management is coordinated with the corresponding scope of means for their implementation (rights and opportunities), and vice versa, the provision with the means that are not connected with a particular function is not allowed;
- The principle of sole responsibility, which assumes, for the purposes of avoidance of irresponsibility, the assignment of each particular function to a specific executor, with the possibility of assignment of several functions to one executor;
- The principle of rationalisation of management, which means that the management ensures the continuous improvement of activity of structural units, the development and optimisation of banking procedures and their correspondence to conditions of competitive environment, including such related to the provision of new products and services, development of new markets, introduction of information technologies, reduction of costs and expenses, and so on;
- The principle of controllability, which means the organisation of internal control, which makes it possible to prevent various breaches, potential mistakes and possible losses, ensure the legality, reliability, and efficiency of the Bank's activity.

The basic principles and requirements applied to information in the bank management system are:

- Reliability (validity);
- Regularity and timeliness (actuality for use);
- Completeness and sufficiency;
- Value (usefulness depending on the scope and significance of tasks resolved on its basis);
- Comparability (preparation on the basis of the common methodological procedures);
- Comprehensibility (the ease of perception) for users.

Corporate Structure

The Bank's corporate structure represents a plan, which coordinates and subordinates the structural units, determines their authorities, as well as the functions and duties of each official and employee for the purposes of ensuring their efficient and controllable activity, which provides for stable functioning of the Bank.

Departments, directorates, services and other units of the Bank are established with account for the growing needs of the Bank's customers for financial products and services.

The current corporate structure was established in accordance with recommendations of BDO Network and meets the target of the work arrangement in a retail bank with a large number of branches.

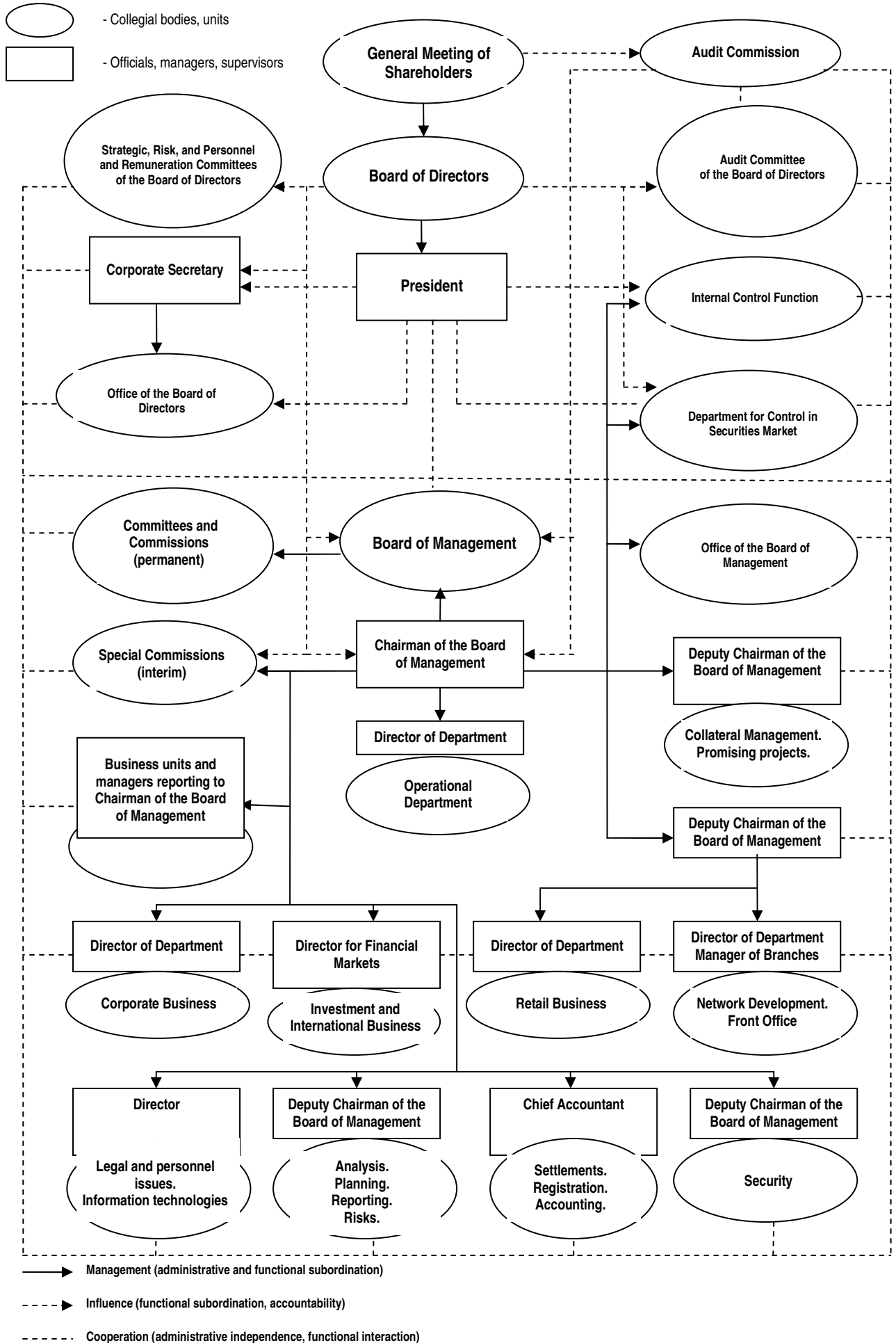
Certain steps have been taken to develop an optimal corporate structure of the Bank in the reporting period as far as:

- the new lines of business and banking products (services) were introduced, requiring the establishment of new managerial structures and increase in personnel;
- the Bank was developing and the sales market for products and services was expanding, including through regional network;
- the situation in the banking services market, the level of business activity, and the situation in money markets were changing;
- the business processes management technologies were changing, including such related to information support and telecommunications;
- the functions of the front- and back office, and accounting were distinguished for the purposes of prevention of interests of employees.

The planning of measures aimed at further improvement of the Bank's corporate structure in mid-term outlook was carried out in accordance with the following basic criteria:

- ensuring the interrelation between the target corporate structure and the development strategy (including the orientation of the target corporate structure at the implementation of strategic goals, its stability and strategy adjustment);
- efficiency of the corporate structure (including the optimisation of the number of management levels, clear division of business units and managerial functions, the possibility of goal setting, and control over their attainment);
- possibility of implementation (possibility of technical implementation from the point of view of basic business processes, possibility of support through provision of personnel having the required qualification, and the possibility of implementation from the point of view of the current management system).

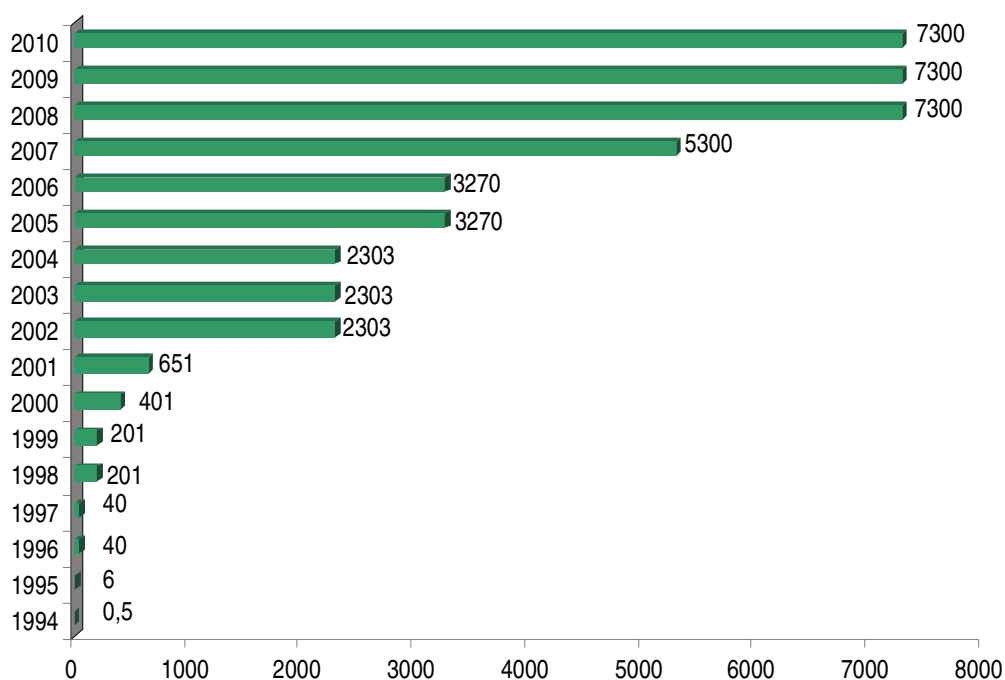
The Bank's Corporate Structure as at 1 April 2011



Capital Structure and Shareholders

The Bank's charter capital has been formed in the amount of RUR 7 300 000 000 (seven billion and three hundred million) through 10 issues of shares and is divided into 730 million ordinary registered shares with nominal value of 10 roubles each.

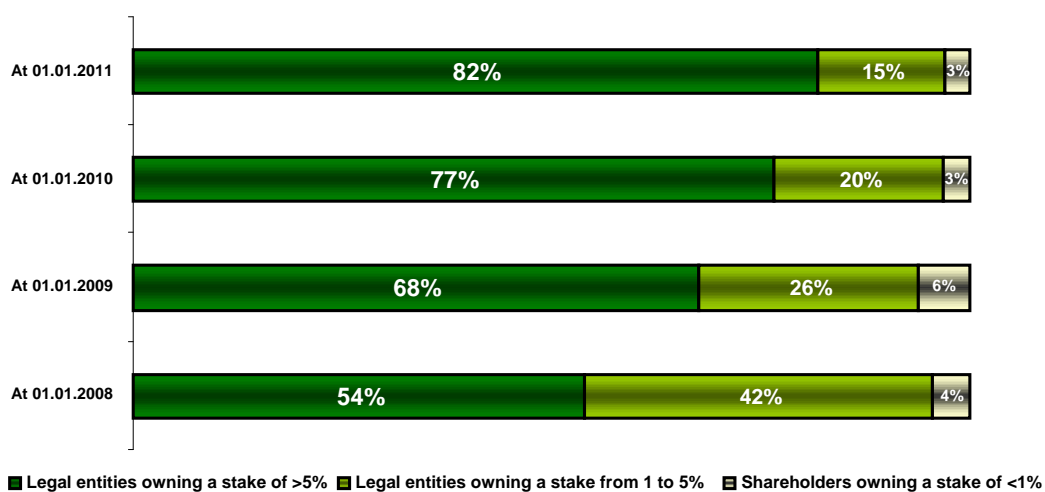
Increase in charter capital, RUB million



The registration of property rights, keeping and safe-keeping of the register of the Bank's registered securities were carried out by an independent registrar, Eurasian Registrar Limited Liability Company. The Bank's registrar has the appropriate equipment, control systems and impeccable reputation in the securities market, which ensure the protection of share ownership rights of shareholders against possible infringements.

Over the year, the shareholders were using their right to freely dispose of the Bank's shares they own at their discretion.

Changes in Capital Structure



The list of shareholders of the Bank containing information on their stakes in the charter capital, as well as the list of persons causing material (direct or indirect) influence on decisions made by the Bank's management bodies are published on the Bank's web site. The information on any change in the composition of shareholders owning 5 or more per cent of the Bank's voting shares is disclosed in the form

of Information on the events that can cause material effect on the value of securities of the joint stock company.

Shareholders of the Bank as at 1 January 2011

Shareholders owning a stake of over 5 per cent. in the Bank's charter capital:

No	SHAREHOLDER	NUMBER OF SHARES	STAKE, %
1	OAo Tatagroleasing	196 588 735	26.930
2	OOO Novaya Neftekhimiya	136 338 028	18.676
3	ZAO Gelio-Polis	134 442 767	18.417
4	OOO Artug-Finance	69 227 285	9.483
5	OOO Selena-Neftekhim	60 500 000	8.288
Total:		597 096 815	81.794

Shareholders owning a stake of over 1 per cent. in the Bank's charter capital:

No	SHAREHOLDER	NUMBER OF SHARES	STAKE, %
1	OAo VAMIN Tatarstan	25 000 000	3.425
2	OAo ARTUG	21 655 000	2.966
3	OAo Shoe Factory "Spartak"	19 865 421	2.721
4	OAo Nizhnekamskneftekhim	16 980 000	2.326
5	OAo Tatneft n.a. V.D. Shashin	10 000 000	1.370
6	OAo Ak Bars Bank	9 000 000	1.233
7	OOO Trading House "Spartak"	8 700 000	1.192
Total:		111 200 421	15.233

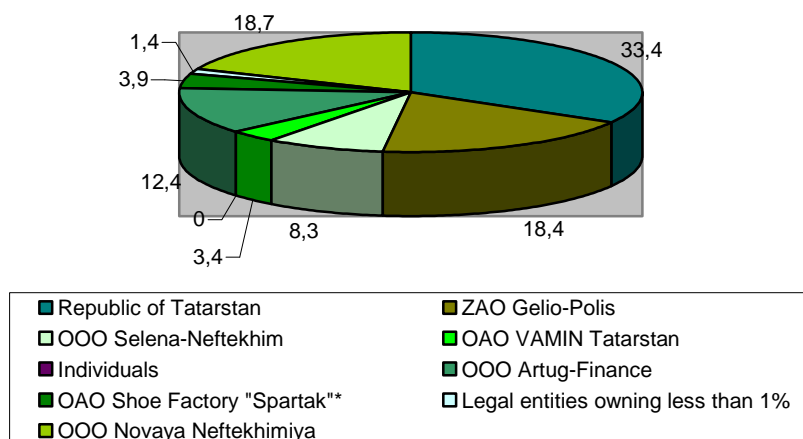
Shareholders being legal entities owning a stake of less than 1 per cent. in the Bank's charter capital:

No	SHAREHOLDER	NUMBER OF SHARES	STAKE, %
1	GUP RT Agency for Investment and Innovations	6 000 000	0.822
2	OOO Idel	5 500 000	0.753
3	ZAO Tatgazinvest	4 000 000	0.548
4	OOO Trading House "Karavan Obuvi"	3 991 330	0.547
5	OAo Tatnefteprom	500 000	0.068
6	ZAO DKK (nominee shareholder)	387 089	0.053
7	OAo Khiton	200 000	0.027
8	OAo Nizhnekamskshina	200 000	0.027
9	OAo HK Ak Bars	200 000	0.027
10	OAo Nefis Cosmetics - KHK n.a. M. Vakhitov	200 000	0.027
11	OOO PFK VITAL	200 000	0.027
12	OAo Fund "Obrazovaniye"	62 250	0.009
13	ZAO Trading House "Altyn-Ai"	22 000	0.003
14	OAo KMK-Investor	20 000	0.003
15	OOO IK Tatar Trust Company	11 596	0.002
Total:		21 494 265	2.944

Individual shareholders:

No	SHAREHOLDER	NUMBER OF SHARES	STAKE, %
1	I.H. Muginov	200 000	0.027
2	R.A. Gilmanov	5 754	0.00079
3	R.I. Mingazetdinov	1 111	0.00015
4	A.G. Latypov	633	0.00009
5	G.V. Ivanova	250	0.00003
6	O.N. Maltseva	250	0.00003
7	G.K. Meshcherova	250	0.00003
8	L.L. Flyagina	250	0.00003
9	R.Z. Safiullin	1	0.00000
Total:		208 499	0.029

Capital Structure as at 1 January 2011



* with account for indirect participation

In the reporting period, the Bank's shareholders did not make any actions that could have adverse effect on its financial standing and development and did not exert pressure on its management bodies for the purposes of attaining their personal or corporate goals on account of the other shareholders.

In 2010, apart from the Annual Meeting, 2 extraordinary General Meetings of Shareholders were held, which made decisions related to the change of the Bank's sole executive body:

- On 18 August 2010, the powers of Mr. Kamil Yusupov, Chairman of the Board of Management, were terminated based on his application to relieve him from the post, and Mr. Ildus Mingazetdinov was elected Chairman of the Board of Management;
- On 13 November 2010, the powers of Mr. Ildus Mingazetdinov, Chairman of the Board of Management, were terminated based on the proposal of the Board of Directors, and Mr. Robert Musin was elected to this post.

Board of Directors

The current Board of Directors of the Bank was elected by the Annual General Meeting of Shareholders on 27 May 2010 and consists of 11 members, all of them from the previous composition. Afterwards, there were no changes in the composition of the Board of Directors. Considering the impossibility of overlapping of position at the principal place of business with the position in the executive bodies of the other commercial organisations, K.R. Yusupov abnegated his powers of a member of the Board of Directors of JSC "AIKB "Tatfondbank" through his written statement.

Members of the Board of Directors are not shareholders of the Bank. Qualification of the members of the Board of Directors, their professional and managerial experience allow making decisions on all key issues of the Bank's activity that fall within their competence. They all comply with requirements established by legislation of the Russian Federation, regulatory documents of the Bank of Russia, and internal documents of the Bank.

Following the Rules of participation of the Bank's Directors in the management bodies of the other companies, established by the Regulations for the Board of Directors, the members of the Board of Directors have been reducing their participation in the management bodies of the other economic entities over the last few years, which improved their opportunities for the proper execution of their duties within the Board of Directors of the Bank.

The average period of uninterrupted work of Directors within the Board of Directors is some 6 years, and their average age is 50.

From 2005, the Bank carries out the evaluation of independence of its Directors. From the second half of 2009, the additional quarterly self-certification is carried out by Directors of their independence in the form of a questionnaire survey for the purposes of monitoring the changes in circumstances influencing the attribution of Directors to the category of the independent ones and regular confirmation of this status, as well as of the preliminary certification held by the Office of the Board of Directors on the basis of information on the members of the Board of Directors available in the Bank. The independence criteria were established by the Regulations for the Board of Directors of the Bank, which meet the requirements stipulated in the Russian Corporate Behaviour Code, the Federal Law "On Joint Stock Companies", the Rules of RTS and MICEX Stock Exchanges, and recommendations of the International Finance Corporation.

Following the latest certification held in December 2010, the Board of Directors confirmed the status of Independent Directors of its 8 members (72.7%), who proved their status of Independent Director by sending the relevant written notice to the Bank.

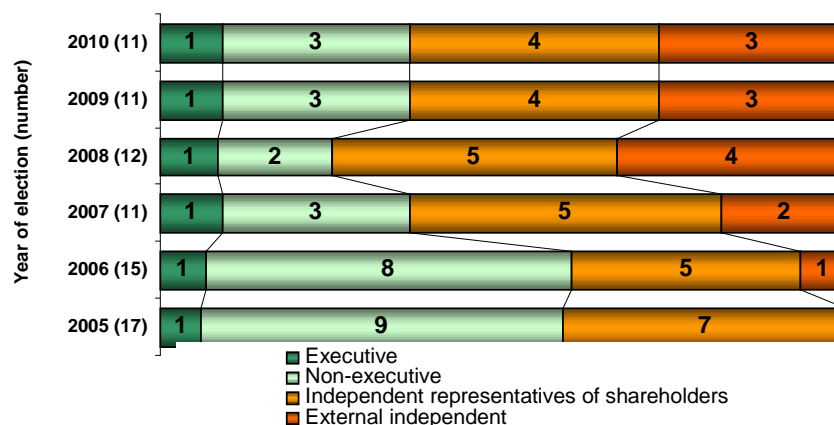
The goals of attraction by the Bank of independent members of the Board of Directors are:

- Prevention of mistakes in the course of making of decisions by the Board of Directors;
- Management of the Committees of the Board of Directors for informal implementation of functions imposed on them;
- Strengthening of trust on the part of investors, expansion of the Bank's activity in international stock markets;
- Meeting the requirements and recommendations related to attraction of independent directors.

The current composition of the Board of Directors can be divided into two categories:

- "external independent" (Y. Alexandroff, Y. Rubtsov, A. Evtikhiadi), who are not connected with the Bank and/or its shareholders and subsidiaries by any labour or other relations;
- "independent representatives of shareholders" (G. Karimov, I. Nikiforov, V. Smirnov, Y. Tikhturov, I. Yakhin), connected with the Bank's shareholders, including the minority ones, by labour or other relations.

Composition of the Board of Directors by Categories of Directors



Composition of the Board of Directors

(elected at the Annual General Meeting of Shareholders on 27.05.2010,
information provided as at 01.04.2011)

Chairman of the Board of Directors

Ildus Mingazetdinov, year of birth: 1960, member of the Board of Directors from May 1996, Chairman of the Board of Directors in 2003-2006, from June 2007 to July 2010, and from November 2010 to the present day, Non-executive Director, Chairman of the Strategic Committee and member of Personnel and Remuneration Committee of the Board of Directors. Graduated from the Kazan State Institute for Finance and Economics named after V.V. Kuibyshev (1981, economist). President of JSC "AIKB "Tatfondbank" from June 2006. In 1998-2003, and from August to November 2010, Chairman of the Board of Management of JSC "AIKB "Tatfondbank". Candidate of Economics. Honoured Economist of the Republic of Tatarstan. Deputy of the third (from March 2004) and fourth (from March 2009) State Councils of the Republic of Tatarstan; member of the Committee for Budget, Taxes, and Finance.

Members of the Board of Directors

Yana Alexandroff, year of birth: 1967, member of the Board of Directors from December 2008, Independent Director, member of the Strategic Committee of the Board of Directors. Graduated from London School of Economics (1994, Master of Economics and Administration). Financial consultant, Managing Director of YA-Consulting from 2003 (London, United Kingdom). In 1994-1996, worked at Banque Paribas, East European Fixed Income. In 1996-2003, worked at Banque Credit-Suisse, Russian Fixed Income.

Raikhat Garipov, year of birth: 1958, member of the Board of Directors from April 1999, Non-executive Director, member of the Strategic Committee of the Board of Directors. Graduated from the Tatar Institute for Promotion of Business (1998, Economics; 1999, Finance and Credit; economist). Director General of OAO Shoe Factory "Spartak" from March 2003 (Kazan). In 1991, was a Vice President of the National Investment Fund of the Republic of Tatarstan. In 1994-1997, was a Vice President of TatInK Investment Company. In 1997-2003, Deputy Chairman of the Board of Management of JSC "AIKB "Tatfondbank".

Gabdelnazir Karimov, year of birth: 1948, member of the Board of Directors from June 2006, Non-executive Director, member of the Risk Committee of the Board of Directors. Graduated from the Kazan State Agricultural Academy (1999, economist-manager). Director General of OAO Tatagroleasing from August 2005 to August 2010 (Vysokogorsky District, Republic of Tatarstan). In 1982-2005, was the Director of the State Unitary Enterprise "Tatagrokomplekt" Leasing Company.

Ildar Nikiforov, year of birth: 1959, member of the Board of Directors from May 2009, Chairman of the Board of Directors from July to November 2010, Independent Director, Chairman of the Personnel and Remuneration Committee of the Board of Directors. Was a member of the Board of Directors of the Bank (from May 2001 to March 2003, from May 2004 to June 2008). Graduated from the Kazan Institute of Chemical Technology (1982; chemical engineer), Tatar Institute for Promotion of Business (2004; economist). Chairman of the Board of Non-Commercial Organisation "Union of Bread Producers of the Republic of Tatarstan" from 2007 (Kazan). In 2003, was the Director General of OAO Kazan Bread Factory No. 4. In 2003-2005, was the Director General of OAO Tatkhleib. In 2005-2007, was the Director General of OAO United Bread Company. Honoured Economist of the Republic of Tatarstan. Member of the Civic Chamber of the Republic of Tatarstan.

Yury Rubtsov, year of birth: 1949, member of the Board of Directors from June 2007, Independent Director, member of the Personnel and Remuneration Committee of the Board of Directors. Graduated from the Gorky State University (1971, radiophysicist), Moscow Higher Technical School n.a. Bauman, post-graduate course (1981, ergonomics). Underwent training at the Swedish Institute of Management (IFL). Director of OOO SCORE from December 2006. President of SCORE Consulting Group (Nizhny Novgorod). Director (Deputy Director) of a number of companies within the SCORE Group from January 2003. In 1996-2002, was Director General of Altex-Reengineering Consultancy Company. Candidate of Engineering.

Vladimir Smirnov, year of birth: 1951, member of the Board of Directors from March 1998, Independent Director, included on the National Register of Professional Corporate Directors of the Russian Institute of Directors (RID), Chairman of the Risk Committee and member of the Audit Committee of the Board of Directors. Graduated from the Kazan Aviation Institute named after A.N. Tupolev (1974, electrician-engineer), Tatar Institute for Promotion of Business (2001, economist). Director General of OOO TatInK Management Company from April 2010 (Kazan). In 1994, was the Head of the Exchange Trade Department of the National Investment Fund of the Republic of Tatarstan. In 1994-2008, was the First Vice President, Director General of ZAO TatInK Investment Company. In 2009-2010, was the Head of the Issuing Transactions Department of OAO IntekhBank. Member of the Expert Committee of the Securities and Stock Market Commission under the Cabinet of Ministers of the Republic of Tatarstan (1996-1997). Member of the Expert Council under the Federal Commission on Capital Market and Securities (1999-2001). Member of the Board of Directors of NP Self-Regulated Organisation "Guild of Receivers of the Republic of Tatarstan" (2002). Member of the Board of Directors of the National Association of Stock market Participants of Russia (NAUFOR) (2008-2010). Candidate of Economics, Assistant Professor. Honoured Economist of the Republic of Tatarstan. Honoured Economist of the Russian Federation. Corresponding Member of the International Academy of Management. Professor Emeritus of UNESCO International Chair. Inventor of the USSR.

Yevgeny Tikhturov, year of birth: 1960, member of the Board of Directors from May 2005, Independent Director, member of the Audit Committee of the Board of Directors. Graduated from the Moscow Institute of Management n.a. S. Ordzhonikidze (1982, planning engineer in mechanical engineering production management). Head of the Finance Department of OAO Tatneft named after V.D. Shashin from September 1999 (Almetyevsk). In 1984-1997, was an Engineer, Senior Engineer, Deputy Head, Head of Department for Scientific Management of Labour and Production Management, Head of Department for Management of Labour and Wages, Deputy Head of Directorate for Economic Issues, Deputy Head of Economic Directorate / Chief Accountant, Deputy Head of Department for Economy and Finance of NGDU Yamashneft of OAO Tatneft. In 1997-1999, was the Head of Financial Department of the Executive Office of OAO Tatneft. Honoured Economist of the Republic of Tatarstan. Honoured Oiler of the Ministry of Energy of the Russian Federation.

Alya Evtikhiadi, year of birth: 1973, member of the Board of Directors from June 2008, Independent Director, Chairman of the Audit Committee and member of the Risk Committee of the Board of Directors. Graduated from Moscow State University (1995, economist), holds a Doctor of Economics degree from San Marino Academy (2005). Head of Directorate for Internal Control and Risks of OAO Cherkizovo Group from March 2011. In 2004-2007, was a Manager, Senior Manager of PricewaterhouseCoopers Russia B.V. In 2008-2009, was Director of Internal Control Systems Department of OAO MTS (Moscow). In 2009-2010, independent consultant (Athens, Greece).

Kamil Yusupov, year of birth: 1971, member of the Board of Directors from June 2008, Non-executive Director, member of the Strategic Committee and Risk Committee of the Board of Directors. Was on the Bank's Board of Directors (from May 2004 to June 2006). Graduated from the Kamsky Polytechnic Institute (1994, electrician engineer), Kazan State Institute for Finance and Economics named after V.V. Kuibyshev (1998, manager). Deputy Governor of the Branch of the Tatarstan Bank of the Volga-Vyatka Bank of Sberbank of Russia from August 2010. In 1994-1997, was Senior Economist of the Branch of Promstroybank (Naberezhnye Chelny). In 1997-2000, was the Head of Securities Department, Head of Currency Transactions and Securities Department of the Naberezhnye Chelny Branch of Ak Bars Bank. In 2000-2004, Manager of the Additional Office of JSC "AIKB "Tatfondbank". Chairman of the Board of Management of JSC "AIKB "Tatfondbank" in 2004-2006. In 2006-2007, First Deputy Chairman of the Board of Management of JSC "AIKB "Tatfondbank". Chairman of the Board of Management of JSC "AIKB "Tatfondbank" from November 2007 to July 2010. Honoured Economist of the Republic of Tatarstan.

Ilfar Yakhin, year of birth: 1963, member of the Board of Directors from May 2001, Independent Director, member of the Audit Committee of the Board of Directors. Graduated from Kazan Agricultural Institute (1985, economist). Chief Accountant of OAO Nizhnekamskneftekhim from September 1999 (Nizhnekamsk, Republic of Tatarstan).

From 2006, the annual self-certification is held by means of anonymous questionnaire survey of Directors in general and each Director in particular. The basic criteria of certification of general performance contain indicators, which outflow from the major goals and objectives of the Board of Directors and the indicators connected with the working procedure and composition of the Board of Directors. The criteria of individual certification include indicators showing the participation in the work of the Board of Directors, as well as professional and personal properties of a Director. By decision of the Board of Directors, individual estimates of Directors are taken into account for the calculation of the amount of their remuneration. The outcomes of the certification are used, in accordance with the Regulations for the Procedure of Certification, for the purposes of:

- Establishing the level of efficiency of activity of the Board of Directors as the collective body of the Bank's management;
- Identifying the areas in which the activity of the Board of Directors and its individual members can be improved;
- Intensifying the work of the Board of Directors and enhancement of the contribution of its members to the implementation of its functions;
- Ensuring the opportunity to timely amend the work plans and methods;
- Achieving an optimal balance between the resolution of strategic management tasks, meeting the interests of the owners, and regular control over the performance of the Bank's management;
- Establishing the correlation between the amount of remuneration to Directors and the volume (complexity) of the executed functions and personal contribution to the resolution of the Bank's objectives;
- Ensuring the possibility of taking the outcomes of the certification into account in the course of the formation of the new composition of the Board of Directors.

The competence of the Board of Directors is established by law and the Bank's Charter. Its functions are described in detail in the Regulations for the Board of Directors and, in general, are distributed between the Committees of the Board of Directors in accordance with the following basic lines of activity:

- Strategic planning (with account for preliminary analysis of the external environment, market situation, financial standing of the Bank, and other factors);
- Determination of the regional policy and control over its implementation;
- Further improvement of the corporate governance practice, implementation and protection of shareholder rights, prevention of corporate conflicts;
- Ensuring the efficient performance of the executive bodies, including such through exercise of control over their activity;
- Control over financial and economic activities of the Bank and implementation of plans;
- Control over the functioning and evaluation of efficiency of the internal control system and risk management;
- Personnel policy and motivation of members of collegial bodies and key employees;
- Further improvement of the activity of the Board of Directors and its interaction with the Bank's management and control bodies;
- Enhancing the level of corporate social responsibility and the development of compliance function in the Bank;
- Development of information technologies and ensuring the information security in the Bank;
- Further improvement of the Bank's information policy, systematisation and development of the function of the work with investors and other interested persons.

The Regulations for the Board of Directors of the Bank stipulate the holding of the regular meetings at the rate of at least one meeting per 6 weeks, which is reflected in the Plans for holding of meetings approved annually by the Board of Directors for the period of its authorities.

The meetings are prepared and held in accordance with the approved plans and the Regulations for preparation of issues considered at its meetings approved by the Board of Directors. The preliminary agendas of the regular meetings containing the key issues of the Bank's performance are modified with account for proposals of the members of the Board of Directors, the Board of Management and the management related to topical issues.

The organisational functions related to the preparation of the meetings are fulfilled by the Corporate Secretary and the Office of the Board of Directors, which inform in advance the members of the Board of Directors and its Committees on the convening of the meetings and provide them with the necessary information (materials) required to develop their views on the issues under consideration and make a responsible decision. Information on the meetings of the Board of Directors and the main decisions made at them is placed on the Bank's Internet site.

Prepared for the meetings of the Board of Directors on regular basis are the reports on the implementation of decisions/instructions of the Board of Directors and measures for further improvement of the Bank's corporate governance system.

In 2010, 11 meetings of the Board of Directors, including 3 meetings that were not in the approved Plan, were held. All meetings were held in physical form. The major issues considered by the Board of Directors were preliminarily discussed by the Bank's Board of Management and included the development of its opinion on the draft decisions.

When it was impossible for any members of the Board of Directors to physically take part in the meetings, they used their right to send written opinions on the issues included on the agenda of particular meeting following the consideration of the preliminarily provided materials and draft decisions.

Information on the holding of meetings of the Board of Directors

Year	Number of meetings			Written opinions submitted	Average quorum (%)
	Total	Physical	By correspondence		
2008	14	10	4	21	83.2
2009	10	8	2	13	87.9
2010	11	11	0	24	85.4

In the reporting period, there were four Committees within Board of Directors: the Strategic Committee, the Audit Committee, the Personnel and Remuneration Committee, and the Risk Committee. The Committees of the Board of Directors were formed to match the knowledge and skills of the members of the Board of Directors, competence of particular Committee with account for recommendations of the Russian Corporate Behaviour Code related to their composition:

- The Audit Committee, the Personnel and Remuneration Committee, and the Risk Committee are headed by independent directors;
- Any member of the Board of Directors can be the member of not more than 2 Committees;
- Chairman of a Committee cannot be Chairman of the other Committee.

The Bank continued to practice the assignment of Committees of the Board of Directors to the Bank's top managers supervising the lines of business corresponding to the fields of competence of the relevant Committees for the purposes of interaction with them and contributing to their implementation of their functions.

Over the year, the Committees were developing their opinions on the issues proposed for consideration by the Board of Directors and provided the relevant recommendations to it. Besides, the members of the Committees discussed issues within their competence on the operating level (conference calls, e-mail correspondence, by phone). Such issues included, for example, the implementation of measures related to ensuring the soundness and liquidity of the Bank, consideration of the results of evaluation of the level of the Bank's information security, outcomes of the monitoring of indicators of external and internal environment and measures of prompt reaction implemented by the Bank in case they exceeded the criterion values, the issues related to the anticipated Russia's joining of the WTO and the its consequences for the Russian banking system, and so on.

Executive Bodies

The management of the Bank's everyday activity is carried out by the sole executive body, Chairman of the Board of Management, and the collegial executive body of the Bank, the Board of Management. The executive bodies report to the General Meeting of Shareholders and the Board of Directors of the Bank.

The activity of the Bank's executive bodies is regulated by current legislation, the Charter of the Bank, Regulations for Executive Bodies of JSC "AIKB "Tatfondbank" approved by the General Meeting of Shareholders, and the agreement concluded by the Bank with the Chairman of the Board of Management and members of the Board of Management.

The number of members of the Bank's Board of Management is determined by decision of the Board of Directors, but cannot be less than 5 (five) members.

The composition of the collegial executive body ensures the representation of the units and services, which are most significant for the Bank, as well as the productive and constructive discussion of issues within the competence of the Board of management, and the making of timely and weighted decisions.

In 2010, the following changes took place in the composition of the Bank's executive bodies:

Due to the transfer to another appointment, the following members of the Board of Management have terminated their authorities:

- Dmitry Kabanov, Deputy Chairman of the Board of Management (May 2010);
- Takhir Gainoutdinov, First Deputy Chairman of the Board of Management (July 2010);
- Kamil Yusupov, Chairman of the Board of Management (July 2010);
- Andrey Yushkantsev, Deputy Chairman of the Board of Management (November 2010).

Starting from November 2010, the duties of the Chairman of the Board of Management were performed by Ildus Mingazetdinov.

The following persons became members of the Board of Management:

- Robert Musin, in connection with his election to the post of the Bank's Chairman of the Board of Management (November 2010);
- Svetlana Korchagina, Chief Accountant of the Bank (July 2010).

As at 01.04.2011, the members of the Board of Management include:

1. Robert Musin, Year of birth: 1964. Chairman of the Board of Management in 1996-1997 and from November 2010. Graduated from the Kazan State Institute for Finance and Economics named after V.V. Kuibyshev (1985, economist).

2. Farid Bikmukhametov, Year of birth: 1951. Deputy Chairman of the Board of Management, member of the Board of Management from 1996. Graduated from the Gorky Higher School of the Ministry of Interior of the USSR (1976).

3. Sergey Gavrilov, Year of birth: 1965. Deputy Chairman of the Board of Management, member of the Board of Management from 1995. Graduated from the Kazan State Institute for Finance and Economics named after V.V. Kuibyshev (1986).

4. Nailya Tagirova, Year of birth: 1973. Deputy Chairman of the Board of Management, member of the Board of Management from 2002. Graduated from the Kazan State Institute for Finance and Economics named after V.V. Kuibyshev (1994).

5. Rezeda Bikchantayeva, Year of birth: 1965. Member of the Board of Management from 1994, Director of Operational Department. Graduated from the Kazan State Institute for Finance and Economics named after V.V. Kuibyshev (1990), NOU VPO "Sinergia" Institute of Economics and Finance (MBA) (2009).

6. Svetlana Korchagina, Year of birth: 1960. Chief Accountant from 2007, Member of the Board of Management from 2010. Graduated from the Kazan State Institute for Finance and Economics named after V.V. Kuibyshev (1984), NOU VPO Sinergia Institute of Economics and Finance (2009).

7. Sergey Meshchanov, Year of birth: 1982. Deputy Chairman of the Board of Management from February 2011. Graduated from the Plekhanov Russian Academy of Economics (2002, Bachelor of Economics; 2004, economist).

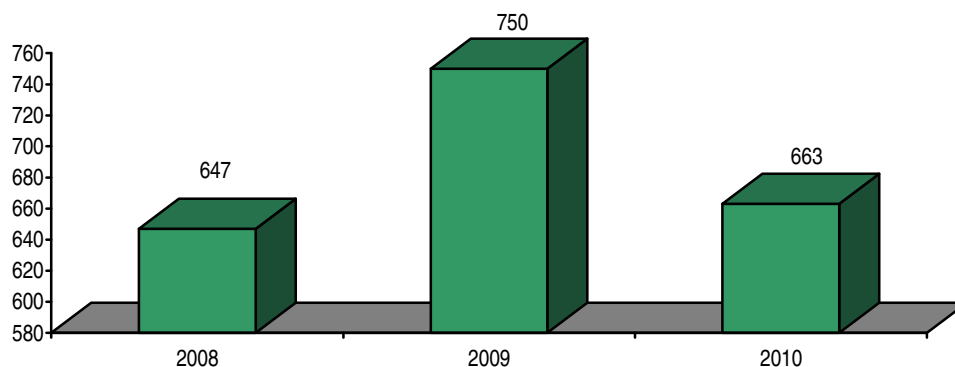
8. Aidar Khamidoullin, Year of birth: 1970. Deputy Chairman of the Board of Management, member of the Board of Management from February 2011. Graduated from Kazan State University

named after V.I. Lenin (1992, applied mathematics), Higher School of Management and Business under Kazan State University (1996, management).

Chairman of the Board of Management and members of the Board of Management do not own any stakes in the charter capital or shares of the Bank and did not commit any transactions related to purchase or disposal of the Bank's shares in the reporting year.

The Board of Management of the Bank carries out its activities in the form of simultaneous attendance of the meetings and voting by correspondence on the issues discussed. All in all, 663 issues were considered at physical meetings and meetings held by correspondence in 2010. The physical meetings are held on regular basis at least once a week. Over the year, 74 meetings of the Board of Management were held in the form of simultaneous attendance.

Information on the number of issues considered at meetings of the Board of Management



In 2010, the activities of the Bank's executive bodies were aimed at the following: development and further improvement of activities of the Bank's regional network, standardisation of business processes, increasing the share of retail loans and loans to small- and medium-sized enterprises in the Bank's lending portfolio, including the enhancement of control over the quality of the lending portfolio.

Much attention in the work of executive bodies was paid to standardisation of the Bank's product line and rates.

Considering the quite favourable situation in financial markets in 2010, the executive bodies worked to raise funds from international capital markets, increase the volume of investment in securities, and to enhance the efficiency of the securities portfolio management, including its profitability.

Implementation of decisions made by the Bank's management bodies was supported by permanent and interim working bodies (Financial Committee, Products and Sales Committee, Information Security Committee, credit committees, working groups, commissions, and so on), which considered certain issues within the competence of the Board of Management, developed recommendations on such issues and made decisions within their scope of authorities.

In line with the established practice, the certification of performance of the Bank's Board of Management in general and its each member was held in 2010. In accordance with the Regulations for the procedure of the certification of the Bank's Board of Management approved by the Board of Directors in 2008, the certification was held by means of anonymous questionnaire survey of members of the Board of Management. Its outcomes were used to enhance the efficiency of activity of the Board of Management as a collegial management body of the Bank and identify the areas, in which its activity can be improved.

Ensuring the process of making and implementing the managerial decisions in the Bank is the responsibility of the Office of the Board of Management. The tasks of the Office include, in particular, organisational, methodical, and documentation support of the work of the Bank's Chairman of the Board of Management and Board of Management, maintaining the system of decision implementation control system, control over compliance of the Bank's structural units with its Corporate Governance Code and other acts of the Bank directly connected with corporate relations, prediction and prevention of conflicts between structural units, participation in their settlement, ensuring the interaction between executive bodies and the Board of Directors, coordination of activities of collegial bodies established by executive bodies, participation in the preparation of draft decisions, development plans, budgets, business plans, and internal documents of the Bank.

Interaction of Management Bodies

The interrelations between the management bodies of the Bank are built on the principle of clear division of their authorities and inadmissibility of unwarranted interference of the Board of Directors and shareholders with the everyday activity of the executive bodies and restriction of their ability to promptly decide upon issues related to the Bank's activity depending on the economic situation.

In the course of the year, the executive bodies were ensuring the provision of the necessary information to the Board of Directors and shareholders in the scope established by internal documents and in accordance with their requests, and were regularly reporting on the state of affairs in the Bank, new lines of business and implementation of the annual Development Plan, on the implementation of decisions of superior bodies, on measures taken based on the results of checks held by the supervisory body, the auditing commission and the auditor of the Bank, and on other issues. The working plans of the Internal Control Function, the Controller of the Bank as professional participant of the securities market approved by the Board of Directors were preliminarily agreed upon with the Chairman of the Bank's Board of Management.

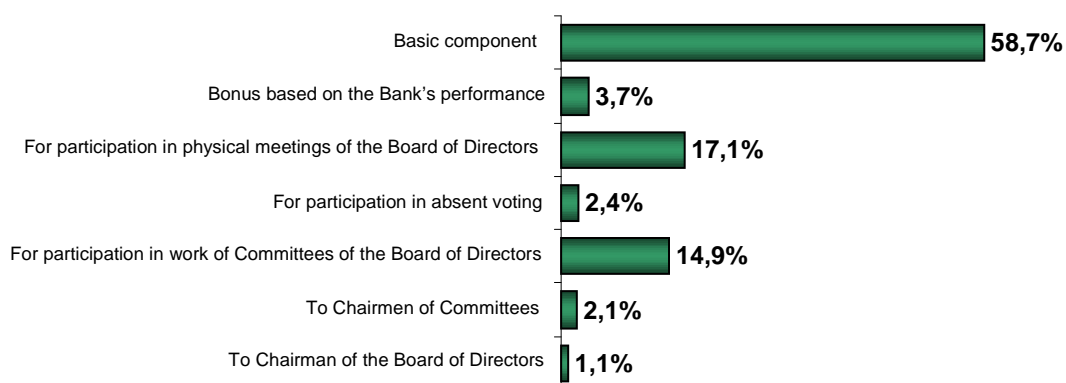
The Board of Management also paid great attention to the preliminary analysis of materials prepared by the Bank's experts and proposed for consideration by the Board of Directors. The Bank's management, Board of Directors, and its Committees worked together to further improve the internal control system, risk evaluation and management system, and improve the procedures related to other lines of activity.

Remuneration of Members of Management Bodies

The procedure for payment of remuneration to members of the Board of Directors provides for a differentiated approach to the calculation of payments to directors for the period of their authorities depending on the Bank's performance and their personal contribution. The basic portion of the remuneration is the same for all directors and is equal to the average salary of the Bank's employees for the corresponding period. When calculating the variable component, taken into account is the percentage of physical participation in the meetings and participation in them by means of correspondence, provision of written proposals on the agenda of physical meetings, the work in Committees of the Board of Directors, and implementation of additional duties. The bonus based on the Bank's performance is calculated as a portion of the increase in the capital attained for the period of authorities of particular director.

In 2010, based on a decision of the Annual General Meeting of Shareholders of the Bank, the payment of remuneration was carried out in respect of 11 members of the Board of Directors elected in May 2009 in the total amount of RUB 4 509 384.

Remuneration of the Board of Directors in 2009-2010



Remuneration of labour of members of the management bodies in the course of the year was effected in accordance with the Remuneration Payment Procedure approved by the Board of Directors for each specified person using the key performance indicators (KPI), which were aimed at ensuring the implementation of the Bank's annual Development Plan and targeted at enhancing the efficiency of the core lines of business (in 2009, focus was on the preservation of the funding base).

In 2010, the payroll total with respect to members of the Board of Management was RUB 21 238 899. The Bank does not provide for additional remuneration for the work within the collegial executive body.

ACCOUNTING AND FINANCIAL STATEMENTS

Statements for Publication

Explanatory note to accounting (financial) statements of the Bank produced in accordance with requirements of the Bank of Russia is enclosed as Annex 1 to the present Annual Report.

BALANCE SHEET STATEMENT

(form for publication)

As at 01 January 2011

Of the Credit Institution: Open-end Joint Stock Company "Joint Stock Investment Commercial Bank "Tatfondbank"

JSC "AIKB "Tatfondbank"

(full and short official names)

Postal address 43/2, Chernyshevsky Street, Kazan, 420111

OKUD Form Code 0409806
Quarterly (Annual)
RUB '000

No.	Item	At reporting date	At corresponding reporting date of previous year
1	2	3	4
	I. Assets		
1	Cash	1 560 885	1 394 785
2	Placements with Central Bank of the Russian Federation	1 586 442	1 003 257
2.1	Mandatory reserves	339 706	187 825
3	Placements with financial institutions	332 655	590 581
4	Net investment in securities at fair value through profit or loss	3 626 786	2 043 873
5	Net loans to customers	38 774 461	40 114 874
6	Net investment in securities and other financial assets available for sale	967 761	800 933
6.1	Investment in affiliated organisations	200 908	197 298
7	Net investment in investment securities held to maturity	0	0
8	Premises and equipment, intangible assets and inventories	582 047	523 715
9	Other assets	13 405 255	6 144 587
10	Total assets	60 836 292	52 616 605

II. Liabilities			
11	Loans, deposits and other funds of the Central Bank of the Russian Federation	116 457	5 475 277
12	Amounts due to credit institutions	1 671 549	2 879 855
13	Customer accounts (non-credit institutions)	40 382 121	29 399 248
13.1	Deposits of individuals	23 452 606	17 651 423
14	Financial liabilities at fair value through profit and loss	0	0
15	Debt securities in issue	9 250 725	5 700 802
16	Other liabilities	750 606	657 865
17	Provisions for possible losses on off-balance sheet credit related commitments, other possible losses and settlements with off-shore zone residents	30 384	82 108
18	Total liabilities	52 201 842	44 195 155

III. Equity			
19	Funds of shareholders (partners)	7 300 000	7 300 000
20	Treasury shares	0	0
21	Share premium	0	0
22	Reserve funds	1 048 304	843 801
23	Revaluation at fair value of securities available for sale	-10 889	5 061
24	Revaluation of premises and equipment	64 609	71
25	Undistributed profit of past years (prior year losses)	14 252	203
26	Unused profit (loss) for the reporting period	218 174	272 314
27	Total equity	8 634 450	8 421 450
IV. Off-balance liabilities			
28	Irrevocable commitments of credit institution	1 732 627	2 162 594
29	Guarantees and sureties issued by credit institution	117 937	275 575

PROFIT AND LOSS STATEMENT

(form for publication)

for 2010

Of the Credit Institution: Open-end Joint Stock Company "Joint Stock Investment Commercial Bank "Tatfondbank"

JSC "AIKB "Tatfondbank"

(full and short official names)

Postal address: 43/2, Chernyshevsky Street, Kazan, 420111

OKUD Form Code 0409807
Quarterly (Annual)
RUB '000

No.	Item	At reporting date	At corresponding reporting date of previous year
1	2	3	4
1	Total interest income, including:	5 666 905	6 541 770
1.1	Interest on placements with credit institutions	179 557	271 045
1.2	Interest on loans to other customers (non-credit institutions)	5 122 396	5 873 221
1.3	Interest on services under finance lease	0	0
1.4	Interest on securities portfolio	364 952	397 504
2	Total interest expense, including:	4 695 312	4 644 132
2.1	Interest on funds borrowed from credit institutions	361 464	1 327 472
2.2	Interest on customer accounts (non-credit institutions)	3 443 205	2 622 745
2.3	Interest on debt securities issued	890 643	693 915
3	Net interest income (negative interest margin)	971 593	1 897 638
4	Movement in provision for possible losses on loans, loan and similar debt, funds placed on corresponding accounts and interest income accrued, total, including:	-561 935	-2 442 435
4.1	Movement in provision for possible losses on interest income accrued	-112 538	-60 534
5	Net interest income (negative interest margin) after provisioning for possible losses	409 658	-544 797
6	Net income from operations with securities at fair value through profit and loss	76 152	8 704
7	Net income from operations with securities available for sale	126 036	593
8	Net income from operations with securities held to maturity	-1 533	10 833
9	Net income from operations with foreign currencies	18 718	-2 903
10	Net income from revaluation of foreign currencies	-6 159	34 457
11	Income from shareholding in other legal entities	619	673
12	Commission income	319 671	288 036
13	Commission expense	173 531	78 662
14	Movement in provision for possible losses on securities available for sale	-14	177
15	Movement in provision for possible losses on securities held to maturity	18 829	-42 512
16	Movement in provision for other losses	49 538	-37 924
17	Other operating incomes	1 246 367	2 476 401
18	Net income (expense)	2 084 351	2 113 076
19	Operating expenses	1 777 766	1 680 062
20	Profit (loss) before taxation	306 585	433 014
21	Tax charged (paid)	88 411	160 700
22	After-tax profit (loss)	218 174	272 314
23	Payments out of after-tax income, total, including:	0	0
23.1	Distribution among shareholders (partners) in the form of dividends	0	0
23.2	Deductions for formation and replenishment of the reserve funds	0	0
24	Unused profit (loss) for the reporting period	218 174	272 314

Report on capital adequacy, the amount of provision for impairment
of doubtful loans and other assets
(form for publication)
as at 1 January 2011

Of the Credit Institution: Open-end Joint Stock Company "Joint Stock Investment Commercial Bank "Tatfondbank"

JSC "AIKB "Tatfondbank"
(full and short official names)

Postal address: 43/2, Chernyshevsky Street, Kazan, 420111

OKUD Form Code 0409808
Quarterly (Annual)

No.	Item	As at beginning of the reporting year	Increase (+)/ decrease (-) for the reporting period	As at reporting date
1	2	3	4	5
1	Equity (capital) (in '000 roubles), total, including	7 994 711	2 155 037	10 149 748
1.1	Charter capital of the credit institution, including:	7 300 000	0	7 300 000
1.1.1	Nominal value of registered ordinary shares (stakes)	7 300 000	0	7 300 000
1.1.2	Nominal value of registered preference shares	0	0	0
1.2	Treasury shares	0	0	0
1.3	Share premium	0	0	0
1.4	Reserve funds	843 801	204 503	1 048 304
1.5	Profit or loss from activity taken into consideration for equity (capital) calculation:	48 476	-210 409	-161 933
1.5.1	of past years	203	14 049	14 252
1.5.2	for the reporting year	48 273	-224 458	-176 185
1.6	Intangible assets	339	-15	324
1.7	Subordinated debt (loan, deposit, bond issue)	0	2 100 000	2 100 000
1.8	Equity (portion of equity) formed by investors with the use of improper assets	0	0	0
2	Normative value of capital adequacy ratio (capital) (per cent)	10,0	x	10,0
3	Actual value of capital adequacy ratio (capital) (per cent)	16,8	x	17,2
4	Provision for possible losses actually recorded ('000 roubles), total, including:	3 888 646	471 641	4 360 287
4.1	on loans, loan and similar debt	3 741 430	541 452	4 282 882
4.2	on other assets exposed to risk of losses and other losses	65 108	-18 087	47 021
4.3	on off-balance sheet credit related commitments and forwards	82 108	-51 724	30 384
4.4	for settlements with off-shore zone residents	0	0	0

For reference only:

1. Buildup (additional charge) of the provision for possible losses on loans, loan and similar debt in the reporting period (RUB '000), total 6 084 010,

including as a result of:

1.1. issue of loans 2 437 225;

1.2. changes in quality of loans 2 468 003;

1.3. changes in official exchange rates of foreign currency to rouble established by the Bank of Russia 850 168;

1.4. other reasons 328 614.

2. Recovery (reduction) of the provision for possible losses on loans, loan and similar debt in the reporting period ('000 roubles), total 5 542 558,

including as a result of:

2.1. write-off of irrecoverable loans 21 932;

2.2. repayment of loans 3 360 884;

2.3. changes in quality of loans 710 109;

2.4. changes in official exchange rates of foreign currency to rouble established by the Bank of Russia 902 761;

2.5. other reasons 546 872.

Information on Statutory Requirements
(form for publication)
as at 1 January 2011

Of the Credit Institution: Open-end Joint Stock Company "Joint Stock Investment Commercial Bank "Tatfondbank"

JSC "AIKB "Tatfondbank"
(full and short official names)

Postal address: 43/2, Chernyshevsky Street, Kazan, 420111

OKUD Form Code 0409813
Annual
per cent.

No.	Item	Regulatory value	Actual value			
			as at reporting date		as at previous reporting date	
1	2	3	4		5	
1	Capital adequacy (N1)	10.0	17.2		16.8	
2	Instant liquidity ratio (N2)	15.0	35.9		41.2	
3	Current liquidity ratio (N3)	50.0	67.2		65.7	
4	Long-term liquidity ratio (N4)	120.0	29.7		72.0	
5	Maximum risk per borrower or a group of related borrowers (N6)	25.0	Max.	23.4	Max.	22,8
			Min.	0.5	Min.	0.7
6	Maximum large credit risk (N7)	800.0	301.5		415.5	
7	Maximum loan amounts, bank guarantees and sureties to partners (shareholders) (N9.1)	50.0	15.4		38.8	
8	Aggregate insider risk (N10.1)	3.0	0.6		0.7	
9	Ratio of equity (capital) used for purchasing shares (stakes) in other legal entities (N12)	25.0	0.0		0.1	
10	Total liquid assets with maturity of 30 calendar days to total liabilities of settlement non-bank credit institution (N15)	-	-		-	
11	Maximum aggregate amount of loans to customers-participants of settlements for completion of settlements (N16)	-	-		-	
12	Provision of loans by settlement non-bank credit institution on its behalf and at its expense to borrowers, other than customers-participants of settlements (N16.1)	-	-		-	
13	Minimum ratio of issued mortgage-backed loans to equity (capital) (N17)	-	-		-	
14	Minimum ratio of amount of mortgage coverage to amount of issued mortgage-backed bonds (N18)	-	-		-	
15	Maximum ratio of aggregate amount of liabilities of a credit institution-issuer to creditors having priority right according to federal legislation to satisfy their claims, compared to holders of mortgage-backed bonds, and equity (capital) (N19)	-	-		-	

Cash Flow Statement
(form for publication)
for 2010

Of the Credit Institution: **Open-end Joint Stock Company "Joint Stock Investment Commercial Bank "Tatfondbank"**

JSC "AIKB "Tatfondbank"
(full and short official names)

Postal address: **43/2, Chernyshevsky Street, Kazan, 420111**

OKUD Form Code 0409814
Annual
RUB '000

No.	Item	Cash flows for the reporting period	Cash flows for the previous reporting period
1	2	3	4
1	Net cash from/used in operating activities		
1.1	Cash from/used in operating activities before changes in operating assets and liabilities, total, including:	705 037	1 864 514
1.1.1	Interest received	5 564 379	6 429 661
1.1.2	Interest paid	-4 423 974	-4 619 157
1.1.3	Commissions received	319 671	288 036
1.1.4	Commissions paid	-173 531	-78 662
1.1.5	Gains less losses from trading in financial assets at fair value through profit or loss available for sale	21 732	16 882
1.1.6	Gains less losses from trading in securities held to maturity	0	0
1.1.7	Gains less losses from trading in foreign currencies	18 718	-2 903
1.1.8	Other operating income received	1 214 200	2 443 869
1.1.9	Operating expense paid	-1 747 747	-2 468 511
1.1.10	Expense/refund on income tax paid	-88 411	-144 701
1.2	Increase/decrease in net cash from operating assets and liabilities, total, including:	-184 191	-562 382
1.2.1	Net increase/decrease in mandatory reserves with the Bank of Russia	-151 881	-153 068
1.2.2	Net increase/decrease in trading in securities at fair value through profit or loss	-1 468 054	-706 481
1.2.3	Net increase/decrease in loans to customers	948 752	-4 298 797
1.2.4	Net increase/decrease in other assets	-7 192 611	-3 257 432
1.2.5	Net increase/decrease in loans, deposits and other funds of the Bank of Russia	-5 358 820	-2 543 445
1.2.6	Net increase/decrease in due to other banks	-1 217 162	1 654 790
1.2.7	Net increase/decrease in customer accounts (non-credit institutions)	10 893 845	6 328 658
1.2.8	Net increase/decrease in financial liabilities at fair value through profit or loss	0	0
1.2.9	Net increase/decrease in promissory notes issued	3 536 936	1 481 039
1.2.10	Net increase/decrease in other liabilities	-175 196	932 354
1.3	Total for Section 1 (items 1.1 + item 1.2)	520 846	1 302 132
2	Net cash from/used in investment activities		
2.1	Purchase of securities and other financial assets classified as available for sale	-376 164	-734 194
2.2	Proceeds from sale and repayment of securities and other financial assets classified as available for sale	226 533	199 311
2.3	Purchase of securities classified as held to maturity	0	0
2.4	Proceeds from sale of securities classified as held to maturity	18 222	202 579
2.5	Purchase of premises and equipment, intangible assets and material assets	-89 667	-24 093
2.6	Proceeds from sale of premises and equipment, intangible assets and material assets	14 862	5 431
2.7	Dividends received	0	0
2.8	Total for Section 2 (sum of items 2.1 to 2.7)	-206 214	-350 966
3	Net cash from/used in financing activities		
3.1	Contributions of shareholders (partners) to charter capital	0	0
3.2	Purchase of treasury shares	0	0
3.3	Sale of treasury shares	0	0
3.4	Dividends paid	0	0
3.5	Total for Section 3 (sum of items 3.1 to 3.4)	0	0
4	Effect of changes in official exchange rates of foreign currencies to rouble set by the Bank of Russia on cash and cash equivalents	24 846	-27 623
5	Increase in/use of cash and cash equivalents	339 478	923 543
5.1	Cash and cash equivalents at the beginning of the reporting year	2 800 798	1 877 255
5.2	Cash and cash equivalents at the end of the reporting year	3 140 276	2 800 798

Auditor Opinion on Annual Report

AUDITOR OPINION on Annual Report of OPEN-END JOINT STOCK COMPANY "JOINT STOCK INVESTMENT COMMERCIAL BANK "TATFONDBANK" for the period from 01 January to 31 December 2010

Addressee: Shareholders of the Open-end Joint Stock Company Joint Stock Investment Commercial Bank "Tatfondbank" and other users of the Annual Report

Information on the audited entity:

Full name of the Bank: Open-end Joint Stock Company "Joint Stock Investment Commercial Bank "Tatfondbank".

Short name: JSC AIKB Tatfondbank

Location: 43/2, Chernyshevsky Street, Kazan, 420111

Date of registration by the Central Bank of the Russian Federation: 24 August 1994.

Registration number: 3058.

Main State Registration Number: 1021600000036 of 19 July 2002.

Auditor:

Name: "Bankovsky Audit" Limited Liability Company.

Location: 44/6-85, Dostoyevsky Street, Kazan, 420043.

Main State Registration Number: 1021602834912 of 31 October 2002

Is a corporate member of a self-regulated organisation of auditors "Non-commercial Partnership "Guild of Auditors of the Institute of Professional Accountants of Russia" (Certificate Series GA No. 010541 of 30 December 2009).

Number in the Register of Auditors and Audit Organisations of NP "Guild of Auditors of the Institute of Professional Accountants of Russia": 10904032405.

We have conducted an audit of the Annual Report of the Open-end Joint Stock Company Joint Stock Investment Commercial Bank "Tatfondbank" for the period from 1 January to 31 December 2010 inclusive made in accordance with requirements of the Central bank of the Russian Federation (hereinafter referred to as the Annual Report).

The Annual Report includes the following forms:

- 1) Accounting balance sheet (form for publication);
- 2) Profit and loss statement (form for publication);
- 3) Report on capital adequacy ratio and the amount of provision for doubtful loans and other assets (form for publication);
- 4) Information on statutory requirements (form for publication);
- 5) Cash flow statement (form for publication);
- 6) Explanatory note.

The present Annual Report was prepared by the executive body of JSC "AIKB "Tatfondbank" in accordance with the standards established by:

- Federal Law of the Russian Federation No. 395-1 of 02.12.1990 "On Banks and Banking Activity";
- Federal Law of the Russian Federation No. 129-FZ of 21.11.1996 "On Accounting" (as amended);
- Regulation of the Central Bank of the Russian Federation No. 302-P of 26.03.2007 "On Accounting Rules for Credit Institutions Based in the Russian Federation";
- Instruction of the Bank of Russia No. 2089-U of 08.10.2008 "On Procedure for Preparation of Annual Reports by Credit Institutions";
- Instruction of the Central Bank of the Russian Federation No. 2172-U of 20.01.2009 "On Publication and Submission of Information on Activity of Credit Institutions and Banking (Consolidated) Groups";
- Instruction of the Central Bank of the Russian Federation No. 2332-U of 12.11.2009 "On the List, Forms, and Procedure for Preparation and Submission of Statements of Credit Institutions to the Central Bank of the Russian Federation";
- Accounting policy of JSC "AIKB "Tatfondbank" and other internal documents regulating the accounting procedure.

The Annual Report of JSC "AIKB "Tatfondbank" should be considered as the aggregate of the forms and the explanatory note.

Responsibility of the Audited Entity for the Annual Report

The management of JSC "AIKB "Tatfondbank" bears the responsibility for the preparation and reliability of the present Annual Report in accordance with the rules established for preparation of the annual report and for the internal control system required for the preparation of the annual report containing no material misstatements caused by unfair acts or mistakes.

Responsibility of the Auditor

Our responsibility is to express an opinion on validity of the Annual Report on the basis of the conducted audit. We have conducted the audit of JSC "AIKB "Tatfondbank" in accordance with federal standards of audit activity. These standards require compliance with applicable ethical norms, and planning and conducting of the audit in such a way as to obtain sufficient confidence in that the Annual Report does not contain material misstatements.

The audit included the audit procedures aimed at obtaining the audit evidence acknowledging the numeric data in the Annual Report and the disclosure of information in it. Choosing the audit procedures is the subject of our opinion, which is based on the evaluation of the risk of material misstatements resulting from unfair acts or mistakes. When evaluating this risk, we have considered the internal control system, which ensures the preparation and validity of the Annual Report, for the purposes of choosing the corresponding audit procedures, but not for the purposes of expressing an opinion on the efficiency of the internal control system. The audit also included the evaluation of the proper nature of the applied accounting policy and validity of the evaluated indices obtained by the management of the audited entity, as well as the evaluation of the submission of the Annual Report in general.

We believe that the audit evidence obtained in the course of the audit provides sufficient and proper grounds for expressing our opinion on the validity of the Annual Report of JSC "AIKB "Tatfondbank".

Opinion

In our opinion, the Annual Report of the Open-end Joint Stock Company "Joint Stock Investment Commercial Bank "Tatfondbank" gives a true, in all material aspects, view of the financial situation at 31 December 2010 and the results of financial and economic performance over the period from 1 January to 31 December 2010 inclusive in accordance with the requirements of legislation of the Russian Federation related to preparation of financial (accounting) statements and the Instructions of the Bank of Russia No. 2332-U of 12 November 2009 "On the List, Forms and Procedure of Drawing and Presentation of Accounts of Credit Institutions to the Central Bank of the Russian Federation, No. 2089-U of 8 October 2008 "On the Procedure of Drawing of the Annual Accounting Statements by Credit Institutions" and No. 2172-U of 20 January 2009 "On Publication and Presentation of Information on Activity of Credit Institutions and Banking (Consolidated) Groups".



Director
ООО Bankovsky Audit

(Qualification Certificate No. K 018278,
Validity: unlimited)

G.S. Timokhin

Audit Manager

(Qualification Certificate No. K 008948,
Validity: unlimited)

R.R. Antonova

Date of Auditor Opinion: "21" March 2011

Information on the Bank's Auditor

Full business name	Bankovsky Audit, Limited Liability Company
Short business name	OOO Bankovsky Audit
Location	44/6-85, Dostoyevsky Street, Kazan, 420043
Phone and fax numbers	Phone: +7 (843) 260-94-62, Fax: +7 (843) 236-29-26
E-mail	bank-audit@hitv.ru
Full name and location of self-regulatory organisation of auditors, of which the Bank's Auditor is a member	Non-commercial Partnership "Guild of Auditors of Regional Institutes of Professional Accountants", Reg. No. 537 in the Register of Auditors and Audit Organisations. Building 3, 22B, Tverskaya Street, Moscow, 125009
Financial year (years) for which the auditor conducted independent audit of the accounting and financial statements of the Bank.	The audit of financial (accounting) statements is conducted annually by OOO Bankovsky Audit starting from the statements for 1994 to 2010.

When making its own opinion, the auditor had no financial, property or any other interest in business of JSC "AIKB "Tatfondbank" that would go beyond the relations under the audit services agreement, of which there is a correspondent written confirmation.

Confirmation of the Auditor's Independence

ОБЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ «БАНКОВСКИЙ АУДИТ»

ИНН 1655009292, 420043, г.Казань, ул.Достоевского, 44/6-85; телефон/факс:/8432/236-29-26; телефон 260-94-62,
электронный адрес: bank-audit@hitv.ru; р/с 40702810800000000943 в АКБ «ТатИнвестБанк» г.Казани, БИК 049209767 ;
к/с 30101810900000000767

Исх. 12/2 от «21» марта 2011г.

Председателю Совета директоров
ОАО «Акционерный Инвестиционный
коммерческий банк «Татфондбанк»
Мингазетдинову И.А.

Уважаемый Ильдус Анварович!

Настоящим подтверждаю, что при проведении обязательного аудита годовой отчетности ОАО «АИКБ «Татфондбанк» за 2010 год ООО «Банковский аудит» в полном объеме соответствовало требованиям статьи 8 «Независимость аудиторов, аудиторских организаций и индивидуальных аудиторов» Федерального закона «Об аудиторской деятельности» №307-ФЗ от 30.12.2008 г., а именно:

1. Руководитель и иные должностные лица ООО «Банковский аудит» не состоят в близком родстве с учредителями (участниками) аудируемого лица, его должностными лицами, бухгалтерами и иными лицами, несущими ответственности за организацию и ведение бухгалтерского учета и составление отчетности.

2. Руководитель и иные должностные лица ООО «Банковский аудит» не являются учредителями (участниками) аудируемого лица, его должностными лицами, бухгалтерами и иными лицами, несущими ответственность за организацию и ведение бухгалтерского учета и составление финансовой (бухгалтерской) отчетности.

3. Аудируемое лицо не является учредителем (участником) ООО «Банковский аудит», ООО «Банковский аудит» не является учредителем (участником) аудируемого лица, аудируемое лицо не имеет с аудиторской организацией общих учредителей (участников).

4. Аудиторская фирма не оказывала в течение трех лет, предшествующих проведению аудиторской проверки, услуги по восстановлению и ведению бухгалтерского учета, а также по составлению финансовой (бухгалтерской) отчетности аудируемому лицу.

5. Аудиторы ООО «Банковский аудит», принимавшие участие в аудите ОАО «АИКБ «Татфондбанк» за 2010 год, не состоят в близком родстве с учредителями (участниками) аудируемого лица, его должностными лицами, бухгалтерами и иными лицами, несущими ответственность за организацию и ведение бухгалтерского учета и составление отчетности.

Директор ООО «Банковский аудит»



**BANKOVSKY AUDIT
LIMITED LIABILITY COMPANY**

INN: 1655009292; 420043, Kazan, 44/6-85, Dostoyevsky Street; Phone/fax: (843) 236-29-26; Phone: 260-94-62;
E-mail: bank-audit@hitv.ru; Settlement Account: 4070281080000000943 with AKB TatInvestBank, Kazan, BIK: 049209767;
Correspondent Account: 30101810900000000767

**Mr. Ildus Mingazetdinov
Chairman
Board of Directors
JSC Joint Stock Investment
Commercial Bank
“Tatfondbank”**

Ref. No. 12/2 of 21 March 2011

Dear Mr. Mingazetdinov,

We hereby confirm that conducting the mandatory audit of JSC “AIKB “Tatfondbank” based on the results of 2010 the Bankovsky Audit Company was fully compliant with the requirements of Article 8 titled “Independence of Auditors, Audit Organisations and Individual Auditors” of the Federal Law “On Audit Activity” No. 307FZ of 30.12.2008, and namely:

1. The Director and other officials of OOO Bankovsky Audit are not in close relationship with the founders (partners) of the audited entity, its officials, accountants, or other persons bearing responsibility for organising and maintaining the accounts and accounting.
2. The Director and other officials of OOO Bankovsky Audit are not the founders (partners) of the audited entity, its officials, accountants, or other persons bearing responsibility for organising and maintaining the accounts and accounting.
3. The audited entity is not a founder (partner) of OOO Bankovsky Audit, OOO Bankovsky Audit is not a founder (partner) of the audited entity, and the audited entity does not have common founders (partners) with the audit organisation.
4. The audit firm did not provide services related to reconstruction and maintenance of accounts and to financial accounting to the audited entity over three years preceding the audit.
5. The auditors of OOO Bankovsky Audit, who took part in the audit of JSC “AIKB “Tatfondbank” for 2010, are not in close relationship with the founders (partners) of the audited entity, its officials, accountants, or other persons bearing responsibility for organising and maintaining the accounts and accounting.

Director

OOO Bankovsky Audit

G.S. Timokhin

GENERAL INFORMATION ON THE BANK

Licences

Licence of the Central Bank of the Russian Federation №3058 of 24.08.1994 to perform crediting, settlement and other operations in roubles;

Licence of the Central Bank of the Russian Federation №3058 of 17.10.1997 to perform banking operations with funds in roubles and foreign currency (without the right to take deposits of physical persons) (licence validity: unlimited);

Licence of the Central Bank of the Russian Federation №3058 of 17.10.1997 to attract monetary funds of physical persons in roubles and foreign currency to deposits (licence validity: unlimited);

Licence of Central Bank of Russian Federation No 3058 of 18.04.2005 to attract precious metals to deposits and for placement (licence validity: unlimited);

Licence of Professional Participant of Securities Market of the Federal Service for Financial Markets No 016-03237-100000 of 29.11.2000 to perform brokerage activity (licence validity: unlimited);

Licence of Professional Participant of Securities Market of the Federal Service for Financial Markets No 016-03327-010000 of 29.11.2000 to perform dealer activity (licence validity: unlimited);

Licence of Professional Participant of Securities Market of the Federal Service for Financial Markets No 016-03403-001000 of 29.11.2000 to perform activity related to the management of securities (licence validity: unlimited);

Licence of Professional Participant of Securities Market of the Federal Service for Financial Markets No 016-04195-000100 of 20.12.2000 to perform depository activity (licence validity: unlimited);

Licence of the Directorate of the Federal Security Service of the Russian Federation for the Republic of Tatarstan No. 0013101 of 09.04.2010 for distribution of encryption (cryptographic) tools (licence validity: until 09.04.2015);

Licence of the Directorate of the Federal Security Service of the Russian Federation for the Republic of Tatarstan No. 0013099 of 09.04.2010 for provision of services in the field of information encryption (licence validity: until 09.04.2015);

Licence of the Directorate of the Federal Security Service of the Russian Federation for the Republic of Tatarstan No. 0013100 of 09.04.2010 to perform maintenance of encryption (cryptographic) tools (licence validity: until 09.04.2015).

Membership

The Bank is a member of:

- Banking Association of Tatarstan;
- Association of Russian Banks, No. 1539, from 20.06.2006;
- Moscow Interbank Currency Exchange;
- Chamber of Commerce and Industry of the Republic of Tatarstan;
- Society for Worldwide Interbank Financial Telecommunication (SWIFT);
- Russian National SWIFT Association;
- National Securities Market Association, Self-regulatory Organisation;
- ABISS [Association for Banking Information Security Standards]

The Bank is also a member of:

- A member of the Deposit Insurance System;
- A Principal Member of VISA Incorporated International Payment System;
- A Principal Member of MasterCard Worldwide Incorporated Payment System.

Subsidiaries

Limited Liability Company “Investment Company “TFB Finance”

Full name: Limited Liability Company “Investment Company “TFB Finance” (short name: OOO IK TFB Finance, OOO Investment Company TFB Finance).

Date of registration: 13 June 2006. The Company was registered by the Interdistrict Inspection of the Federal Tax Service No. 46 for Moscow on 13 June 2006, OGRN 1067746693574.

Subject of activity (according to the Charter):

- brokerage activity in securities market;
- dealer activity in securities market;
- securities management;
- provision of advisory services.

Licenses, accreditation:

1. Licence of Professional Participant of Securities Market to perform brokerage activity;
2. Licence of Professional Participant of Securities Market to perform activity related to the management of securities;
3. Licence of Professional Participant of Securities Market to perform dealer activity;

The Company is accredited at the main trading spots of the country: MICEX Stock Exchange, RTS, and is a member of NAUFOR.

Location: 43/2, Chernyshevsky Street, Kazan, Republic of Tatarstan.

Director General: Aigul Yaroullina.

Chief Accountant: Tatyana Skobeleva.

Auditor of the Company: ZAO AKF Audex

Sole founder of the Company: Open-end Joint Stock Company “Joint Stock Commercial Bank “Tatfondbank”.

Charter capital: RUR 15 000 000.

Number of employees: 27.

Investment Company TFB Finance is a trust manager of the securities portfolio of JSC AIKB Tatfondbank. The Company's activities as a dealer and its activities related to the Bank's portfolio under trust management agreement fall within the limits and stop-losses set for the Bank's securities portfolio.

The Company's internal regulatory base is identical to internal documents of the Bank.

The Bank is provided a monthly report of the trust manager on the management of the securities portfolio. Also submitted are the statements for consolidation within the Bank's statements under RAS and IFRS.

Closed-end Joint Stock Company “TFB Aktiv”

Full name: Closed-end Joint Stock Company “TFB Aktiv” (short name: ZAO “TFB Aktiv”).

Date of registration: The Company was registered by the Interdistrict Inspection of the Federal Tax Service No. 18 for the Republic of Tatarstan on 30 October 2008, OGRN 1081690069647.

ZAO TFB Aktiv was founded in 2008 by decision of the Bank's Board of Directors for the purposes of management of the stake of OOO IK TFB Finance owned by the Bank.

The Bank is provided a monthly report of the trust manager on the management of stakes of OOO “IK “TFB Finance”. The statements for consolidation within the Bank's statements under IFRS are provided on semi-annual basis.

Location: 43/2, Chernyshevsky Street, Kazan, Republic of Tatarstan.

Director General: Vadim Merzlyakov.

Chief Accountant: Tatyana Skobeleva.

Auditor: ZAO AKF Audex.

Sole founder of the Company: Open-end Joint Stock Company “Joint Stock Commercial Bank “Tatfondbank”.

Charter capital: RUB 100 000 (one hundred thousand)

Number of employees: 2.

Details and Contact Information

The Bank's Details:

Full name of the Bank in Russian:	Открытое акционерное общество «Акционерный инвестиционный коммерческий Банк «Татфондбанк»
Short name of the Bank in Russian:	ОАО «АИКБ «Татфондбанк»
Full name of the Bank in English:	Joint Stock Company "Joint Stock investment Commercial Bank "Tatfondbank"
Short name of the Bank in English:	JSC "AIKB "Tatfondbank"
Location of the Bank:	43/2, Chernyshevsky Street, Kazan, Republic of Tatarstan, Russian Federation, 420111
Telex:	224993 TFB RU
Correspondent account:	30101810100000000815 at GRKC NB RT
BIK	049205815
INN	1653016914
KPP	165801001
OKPO	33863839
OKONH	96120
OKVED	65.12
OGRN	1021600000036
SWIFT:	JSICRU2K

Call Centre

(843) 291-99-99 (in Kazan);
8-800-100-03-03