

Social

Entrepreneurship Strategy











Full Official Company Name:

Открытое акционерное общество «Финансовая корпорация УРАЛСИБ» (hereinafter referred to as the "Company"). The full official company name in English is Open Joint-Stock Company "Financial Corporation URALSIB".

Abbreviated Official Company Name:

OAO «Финансовая корпорация УРАЛСИБ». The abbreviated official name of the Company in English is OSJC Financial Corporation URALSIB.

Boundaries and Scope of the Report

OJSC FC URALSIB is a parent organisation in a bank holding structure. The Integrated Report on the Company's activities (hereinafter referred to as the "Report") has been prepared on the basis of consolidated information about the activities of OJSC FC URALSIB and its subsidiaries and dependent companies, which form the group of companies collectively known as Financial Corporation URALSIB (FC URALSIB). The Company was founded in March 2007 as the result of the transformation of Limited Liability Company Financial Corporation URALSIB into Open Joint-Stock Company "Financial Corporation URALSIB". The Company is a holding company that owns stocks of shares and participating interest in the shareholder capitals of its subsidiaries and dependent companies.



Information on the Company and its securities is available at:
http://www.e-disclosure.ru/portal/company.aspx?id=12480



Official website of FC URALSIB: www.uralsib.ru



Electronic versions of annual reports of FC URALSIB are available at: www.uralsib.ru/about/social responsibility



Information on the Company and its securities is available at: www.e-disclosure.ru/portal/company.aspx?id=12480

We would very much appreciate your feedback on the quality of information disclosure in this Report.

Requests for additional information and suggestions regarding the content of the next report can be sent to csr@uralsib.ru (the Investor Relations Department of Financial Corporation URALSIB)

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The data in the Report refer to the period from 1 January 1 to 31 December 2013.

The Report has been prepared in compliance with the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), Financial Services Sector Supplement (FSSS) and Integrated Reporting Standard of the International Integrated Reporting Council (IIRC).

The information in this report has been certified by third parties: KPMG

The Report is based on the data of the consolidated financial reports of OJSC FC URALSIB for 2013, prepared in accordance with International Financial Reporting Standards (IFRS) and certified by KPMG auditing company.

GRI

The Report has undergone the GRI Materiality Matters Check. The Global Reporting Initiative (GRI), the developer of the G4 standard, has confirmed that the 2013 Key Performance Indicators (KPIs) of Financial Corporation URALSIB have been disclosed in full compliance with the requirements of the GRI G4 standard and Financial Services Sector Disclosures (FSSD). The GRI G4 standard 'in accordance' option is "Core".



Design Concept

The design is based on the idea of social entrepreneurship, which is the focus of the Report on the Corporation's activities for 2013. Each section begins with a detailed illustration reflecting the key points of the Corporation's positive social impacts. A vector collage technique has enabled the creation of a tridimensional image; mapping the many aspects of the Company's social activity and demonstrating its impact at a community level.

Design and prepress by: B2B Zebra Design Bureau

Printed by: TalerPrint typography







THE REPORT IS PUBLISHED ON COCOON OFFSET PAPER, COMPRISED OF 100% SECONDARY WOOD PUIL! THE PAPER IS PRODUCED IN FRANCE BY ARJOWIGCINC, IN ACCORDANCE WITH INTERNATIONAL QUALITY MANAGEMENT ENVIRONMENTAL MANAGEMENT AND SECURITY SYSTEM STANDARDS. THE LOW LEVEL OF ENVIRONMENTAL IMPACT IS SUPPORTED BY CERTIFICATES FROM THE FSC (FOREST STEWARDSHIP COUNCIL) AND THE EU ECOLABEL.

THE REPORT IS PRINTED BY B2B ZEBRA DESIGN BUREAU, WHICH HOLDS AN FSI SUPPLY CHAIN CERTIFICATE.

2013 FINANCIAL CORPORATION URALSIB INTEGRATED REPORT



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1988

Establishment of Joint Stock Commercial Bank (JSCB) Avtobank, designed to provide services to the automotive industry. 1994

Creation of a VIP-service department at Depository Company NIKoil, the first financial structure working with large private capital.

1996

Formation of NIKoil Group of Companies to which Commercial Bank Rodina was joined Establishment of NIKoil Asset Management (NIKoil)



003

Establishment of Oil Investment Company NIKoil (OIC NIKoil).

1995

Establishment of a special subdivision of Investment Company NIKoil, Nikoil Private Bank.





2002

Integration of JSCB Avtobank, Leasing Company Capital and Industrial and Insurance Company (Promyshlenno-Strakhovaya Kompaniya) into Financial Corporation NIKoil.

2004

Merger of financial companies under a single brand, URALSIB Integration of leasing assets into URALSIB | Leasing company LC. NIKoil Asset Management rebranded as URALSIB | Asset Management.

The first Social Report was published in compliance with the GRI international standard.

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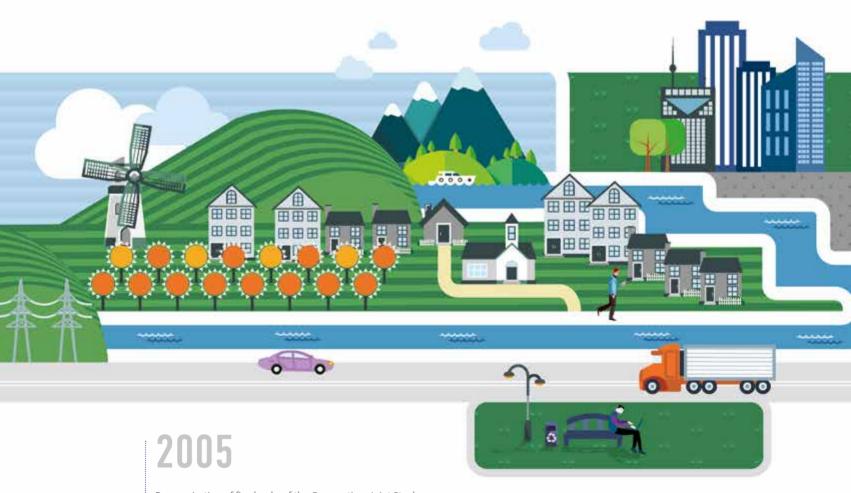
2000

Establishment of Capital Leasing Company (Moscow). Creation of Corporate Non-State Pension Fund Ural-Siberian Pension Fund.

2003

Acquisition of Ural-Siberian Bank with its extensive network of branches. Region-Leasing group of companies joined the leasing business.

SOCIAL INVESTMENTS



Reorganisation of five banks of the Corporation: Joint Stock Bank (Joint Stock Bank IBG NIKoil, Joint Stock Commercial Bank AVTOBANK-NIKOIL, Ural-Siberian Bank, Joint Stock Commercial Bank Bryansk People's Bank and Joint Stock Commercial Bank Kuzbassugolbank) into a multi-service, nationwide network bank — URALSIB Bank. NIKoil Brokerage Company LLC renamed URALSIB | Capital.

Acquisition of Leasing Company Yugbank.

Nikoil Private Bank rebranded to URALSIB | Bank 121.

2010

Joint Stock Commercial Bank Stroyvestbank and Joint Stock Commercial Bank URALSIB-YUGBANK joined URALSIB Bank.

URALSIB Bank became a member of the United Nations Global Compact.





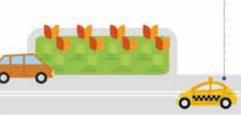


2007

Establishment of Holding Company Financial Corporation URALSIB (parent organisation in the bank holding structure). Non-State Pension Fund URALSIB entered the retail pension market.



URALSIB Bank opened an operating centre in Tver that brought together the processing and tracking of transactions and client payments for the whole network of branches. URALSIB Bank ranked first among financial companies in the list of corporate charity leaders.







2011

URALSIB Bank signed an agreement with the Bank of Moscow on the alignment of ATM and terminal networks. URALSIB Bank and Sberbank of Russia founded Federal Company UEC (Universal Electronic Card).

2013

Creation of a new brand URALSIB | Private Bank on the basis of Private Bank URALSIB | Bank 121. Development of a new URALSIB mission: "Value-Based Social Entrepreneurship".

Corporate Code of Conduct updated and renamed the Code of Ethics, Ecology and Value.



The URALSIB philosophy is to build our business based on ethical principles, relying in all of our activities on an understanding of timeless values



Message from the Chairman of the Board of Directors of FC URALSIB

Dear Colleagues, Partners, and Friends,

As the continued success of URALSIB shows, we have chosen the right strategy to modernise our business using the social entrepreneurship model, which is based on the goal of improving people's lives, as well as a commitment to higher ideals and timeless values, such as trust, creation, and love. The Corporation's contribution to social development is a priority for us, and we regularly review what has been done, what is yet to be done and what will determine our strategy for future years.

In Russia today, we are witnessing an emerging culture of national entrepreneurship, and we are pleased that among our customers, we see more and more businesses who share our values. These are social entrepreneurs, for whom our support is vital. To believe in them, one should look beyond strategic business plans and realise that added value is measured not only by profits, but by social impact. Our partnership with them will contribute to the creation of a long-term and sustainable course towards the public good.

This year, we celebrated the 25th anniversary of URALSIB. For a quarter of a century, a team of thousands has created a stable business reputation. We understand that trust leads to transparency and that partnership is based on ethical business principles, with URALSIB's key priorities being responsibility, honesty, efficiency, innovation, and social responsibility. We are proud to support responsible business practices.

We are now experiencing the same rush of energy that occurred during the establishment of our financial business in Russia. I am proud that my partners and colleagues have contributed to this, and that URALSIB is blessed to have such a professional team. Building on our experience will help us to better understand our responsibilities in the future.

I am confident that our employees will support our focus on social entrepreneurship development. This is the Corporation's destiny. We are united by common values, and this unity ensures the business synergy of all of our companies. It means we have a positive attitude towards one another and a desire to share our knowledge and experience. We are eager to strengthen the honourable motives underlying our business: we invest, we earn; we distribute profits. This is our power.



THE COMPANY

STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLI

Corporate Culture

Financial Corporation URALSIB follows the Management by Values (MBV) model.



In 2010, the Corporation began a stage-by-stage modernisation of its entire management system. The transfer to a new management model was needed in the wake of significant changes to business communications. The key goal of the project is to introduce personal parametres into a manager's way of thinking, not only in theory, but in everyday practice, as well. At the end of 2013, during the key management conference, a new URALSIB draft mission - "Value-Based Social Entrepreneurship" - was developed and proposed for discussion among employees. For all employees, the new mission means a higher degree of development and a clear commitment by the business to social responsibility for both its employees and society as a whole, with a focus on ethical initiatives. The Corporation is committed to transforming these words into actions — to create products and services that will change Russia for the better.

The transfer to the new management system is carried out based on the principles laid out in the Code of Corporate Conduct, which supersedes all corporate standards and regulations. The Code is applicable to all member companies of the Group. In 2013, due to the approval of the new mission, the Company adopted the updated Code of Ethics, Ecology and Value. It defines the Corporation's strategic goal — to achieve a strong financial result that will enable all Company employees to realise their ethical goals. This is our promise to society — to conduct our business based on the social entrepreneurship model and manage it on the basis of the common value.

The Code of Ethics, Ecology and Value demonstrates the company's roots and history, and defines its rules and motivations in all areas of activity — in relationships with each other, with customers, partners, professional and international communities. It promotes the proactive position of each Corporation employee — from senior managers to specialists. This approach will reinforce the Corporation's reputation as a socially responsible entrepreneur comprising financial and philanthropic companies on a federal scale.

In 2013, an analysis of employee motives was carried out based on the results of URALSIB-MBV testing. The results showed that the motives most commonly expressed by Corporation employees are "social good" and "constructiveness".

The development of these motives will enable us to increase employees' involvement in socially responsible activities and to create a positive example of value-based corporate governance. The Corporation's long-term goal of developing its corporate culture means that each employee should have a clear understanding of his or her inner motives, desires and intentions, including their place in the world, society, their family, their profession and company. This is what fills both work and life with meaning and drives our behaviour.

In addition to the Code, the interaction between the Group companies on significant issues of risk management, internal and external social policy and environmental safety is governed by the requirements of Russian legislation, internal corporate regulations and international standards on social responsibility (ISO 26000).

The following are the areas of social need to which URALSIB dedicates its resources, based on a social entrepreneurship (SE) model:



Value Creation Chain

The Corporation's key drivers to increase investment attractiveness are effective capital utilisation, increasing operational effectiveness, developing a synergistic effect and offering complex financial services to customers across all products and services of the Company.



Financial capital

Capital

Loss per year

Government support

RUB 54,416 million

387.13 million



Goodwill

Number of customers

presence in the RF

Human capital

Expenses on personnel development Number of employees

Personnel involvement level

2

Regions of

RUB 335.89 million



Intellectual capital

Personnel training expenses

Training hours per employee

Number of training courses



Environmental safety expenses

Water consumption

Paper consumption

524,026 cubic metres 153.02



Social capital

Social investments

Number of volunteers

Regions covered by social programmes

RUB 1,150 million

2013 Market dynamics indicators

Banking sector assets +16%

Asset management growth rate increased almost triple to 23%



Financial services and energy of money for the benefit of a Person and the Society

- 9 Retail bank
- **9** Corporate bank
- **9** Regional banking business
- 9 Overdue debt collection



To take care of the wealth of customers and their families, offering world-class experience and expertise

9 Servicing VIP customers



Mission

To increase public welfare through the professional management of capital entrusted to us

- **9** Unit investment funds
- 9 Individual trust management
- 9 Management of institutional assets



FINANCIAL CORPORATION URALSIB



Mission

Value-Based Social Entrepreneurship

- 9 Formation of a balanced investment portfolio
- 9 Development of human capital
- 9 Improvement of the quality of the social environment in which the Corporation and its subsidiaries operate

Target indicators by 2018



Cost-to-Income*

* In accordance with the development strategy of URALSIB Bank, the Group's key asset, until 2018 (approved by the Supervisory Board).

URALSIB | NPF

Mission

To increase the population's social benefits through professional management of capital entrusted to us

- 9 Formation of the funded component of retirement pension
- 9 Private pension programmes
- **Q** Corporate pension programmes



Mission

To renew and develop Russian business

9 Provision of leasing services to corporate customers

URALSIB | CAPITAL

Mission

To build a financial bridge between customer needs and the capital markets

- 9 Provision of broker services to individual and corporate customers
- Corporate finances (equity capital market, debt capital market, consulting)
- 9 Analytical research

Financial capital

Capital

Loss per year

Government support

RUB 264.52 million

31 December 2013

Manufactured capital

Goodwill

Number of customers

Regions of presence in the RF

Human capital

Expenses on *personnel* development

Number of employees

involvement level

Personnel

Intellectual capital

Personnel training expenses

Training hours per employee

of training courses

RUB 363 million

61.4 hrs/year

73.395

Environmental safety expenses

Water consumption

Paper consumption

Social capital

investments

RUB 594 million

Number of volunteers

Regions covered by social programmes

Placement of corporate bonds +46%

For more information see p.34

Brands

The activities of the Financial Corporation URALSIB companies are based on our relationship with customers and our social entrepreneurship principles. These principles are effective at all stages of value creation for customers — from the creation of a new product to promotion and servicing.

URALSIB Bank



URALSIB Bank is one of the largest Russian universal banks, with branches in seven Russian federal districts. Under the unified brand, it offers services to individual customers, small business, large corporate customers and financial institutions. The Bank's range includes more than 40 products. URALSIB Bank is the main asset of FC URALSIB.

In accordance with the development strategy adopted for product areas, in 2013 our main focus was on developing margin products — consumer lending and credit cards.



The Bank's authorised capital as of 31 December 2013



Equity



Assets



Number of regions in which the Bank operates



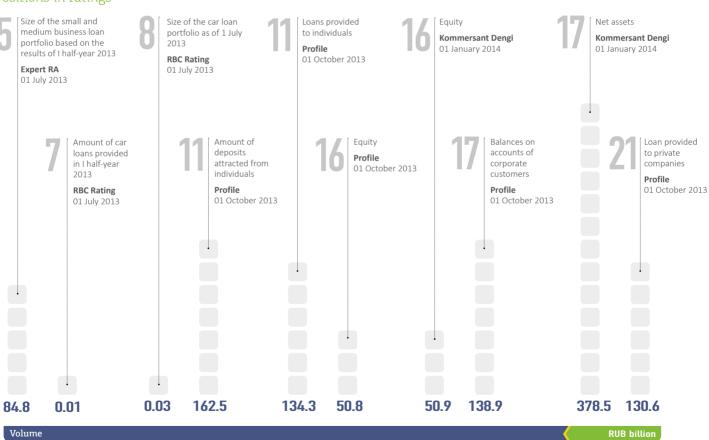
FINANCIAL CORPORATION URALSIB

URALSIB Bank capital adequacy

The Bank's capital adequacy ratio in accordance with Russian accounting requirements was 12.26%, which exceeded the established minimum by 2.26 p.p. The Bank's capital adequacy ratios exceeded the minimum level recommended by the Brazilian Agreement by 1.78 p.p., representing 11.78%.

Key product areas in 2013		
PRODUCTS	Volume	Δ,%
Mortgage loans		
Amount of mortgage loans	RUB 13,085 million	-4
Number of mortgage loans	8.7 thousand	-7
Loans provided to small business	RUB 9,859 million	-6
Car loans provided	RUB 20,497 million	+18
Consumer loans provided	RUB 30,988 million	+34
Credit card portfolio	RUB 10,408 million	+56

Positions in ratings



URALSIB | Asset Management



URALSIB | Asset Management is one of the leaders of Russian asset management industry. The company manages a family of 19 unit investment funds, about 9% of the Russia's collective investments segment, as well as the assets of the State Pension Fund of Russia (PFR) and 14 non-state Russian pension funds.

The company's status as a market leader obliges URALSIB AM to develop the most efficient investment technologies focused on the preservation and growth of its clients' capitals. URALSIB | Asset Management actively participates in expert groups on the industry's most important issues and in the development of the endowment funds segment.

Key product areas in 2013		RUB million
PRODUCTS	Assets	Δ%
Pension assets		
NPF pension reserves	4,914	40.2%
PFR pension savings	4,932	13.0%
NPF pension savings	10,646	-18.1%
Corporate clients' assets	•	
Corporate clients	9,206	910.6%*
Endowment funds' and self-regulated organizations' assets	45	9.8%
Private investors' assets		
Open-end unit investment funds	9,875	-7.0%
Interval unit investment funds	1,354	-4.2%

^{*}This growth is associated with the inflow from high-profile clients



Increase in the total volume of assets under management based on annual results



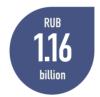
Total assets under management





Reserves of insurance companies





Equity

+2.5%

Ratings



Extremely high/highest level of reliability and service quality

Expert RA



Expert RA

Ranked 14th by the total amount of assets under management

Expert RA 01 July 2013

^{**}AM URALSIB's following eight UIFs were rated: URALSIB First, URALSIB Professional, URALSIB Sector Investments, URALSIB Conservative, URALSIB Energy Perspective, URALSIB Oil and Gas, URALSIB Financial Sector, URALSIB Long-Term Investments.



URALSIB | Private Bank



106 families

Number of customers



Managed assets



Key product areas

- q classic banking products;
- 9 investment services;
- 9 tax and legal consulting;
- 9 non-financial services forming together "Lifestyle" programme.

URALSIB | Private Bank is a specialized subdivision of URALSIB Bank, offering wealth management services to high-net-worth individuals who are ready to allocate funds in the amount of at least 1 million USD in any financial instruments. For each client URALSIB | Private Bank develops an individual long-term wealth management strategy offering a full range of private banking products and services.

The bank – formerly known as URALSIB \mid Bank 121 – was rebranded in the spring of 2013, when its positioning, name, logo, slogan and corporate identity were changed. The priority of the Bank expressed in its slogan "To see the essence (of things)" which means long-term trust-based relationship with the client's and family's wealth management from generation to generation.

320 million

Net operating income

Operating on the "Open Architecture" model enables the Bank to find the best financial solutions and provide all necessary services for the client "in the same spot" and ensure time efficiency, convenience, decision-making control and a strategic view on investments. In 2013, URALSIB | Private Bank began developing a new complex product for long-term wealth management.

URALSIB | Private Bank's network of foreign partners includes the largest private banks, management companies and providers of non-financial services from Switzerland, Austria, UK, Singapore, Lichtenstein and Monaco.

The priority of the Bank expressed in its slogan "To see the essence (of things)"

URALSIB | NPF



Key indicators for 2013	(unless ot	RUB million (unless otherwise specified)		
INDICATOR	Value	Place in the ranking*		
Return on pension savings	8.38%	21		
Pension savings under management	3,880.1	36		
Number of people insured under obligatory pension insurance (persons)	60,000	40		
Own property	4,321.21	44		
Pension reserves under management	293.74	59		

^{*} CBONDS rating as of 1 January 2014

URALSIB | NPF is a market non-state fund with a flexible custom-focused product range and wide service network. The Fund's mission is to increase living standards after retirement. Each customer is provided with high-level services based on an individual approach and the possibility to increase his or her pension savings. The NPF average annual income exceeds the inflation level. The Fund's advantages are

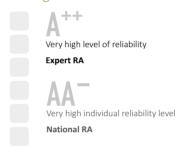


Return on pension savings (% of net asset value)



Number of people insured under obligatory pension insurance

Ratings



information openness and transparency — each customer may request information about his or her account and money movements for the reporting period. The Fund's corporate pension programmes enable employers to top up their employees' pension contributions and to devise a competitive package of benefits and privileges.



URALSIB | Capital

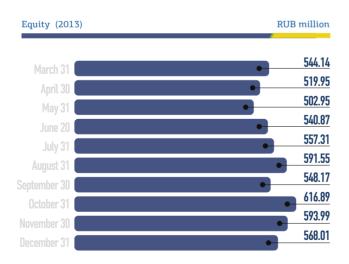


Key indicators for 2013		RUB billion
INDICATOR	Value	△,%
Total trading turnover for 2013 (including repo and FORTS market)	2,677	-3.08
Trading turnover for 2013, shares (including repo and FORTS market)	2,036	-2.02
Trading turnover for 2013, bonds (including repo and FORTS market)	641	-6.29
Total trading turnover (FORTS market)	954	-22.75
Total bond issue organised in 2013	30.8 15 issuers 19 emissions	-38.28
Total issues as an underwriter	32.4 29 issuers 38 emissions	-20.78

URALSIB | Capital provides a full range of investment and financial services for Russian and foreign customers. The company specialises in providing broker services, trading in securities, organising the issue of debt securities, and providing consulting services for capital market transactions in mergers and acquisitions within and outside Russia. URALSIB | Capital services are available at any branch of URALSIB Bank.

Customers are able to use our online trading system, which allows for independent investment decisions and provides direct access to the stock and forward market of the MICEX, as well as the international platforms NYSE, LSE and XETRA. Since 2013, the online trading system has also given customers access to the currency section of MICEX and the American trading platform NASDAQ. The Company ensures the reliability of customers' trading transactions.

In 2013, URALSIB | Capital offered its customers the following new products in the debt capital market: subordinated debt securities, mortgage bonds and other securitised instruments in accordance with Russian law, and Russian-issued bonds guaranteed by foreign legal entities.







11 th place
Among organisers
(corporate sector; excluding banks and financial institutions)

CBONDS
2013

PRATECY SOCIAL INVESTMENTS ENVIRONMENTAL DO

URALSIB | Leasing company LC



URALSIB | Leasing company LC develops diversified sale channels. The company provides finance leasing for vehicles, machines and equipment. Its sizeable branch network allows for extensible customer access and competitive leasing terms. The company's product offer is focused on fulfilling the needs of small and medium business.

Key indicators for 2013	F	RUB million
INDICATOR	Value	Δ,%
New business volume	13,777	-53.1
including operating lease	10	-88.1
Outstanding portfolio	29,891	-9
Lease payments received	13,388	+13.6

European Leasing Association Leaseurope included URALSIB Leasing company LC in Top-40 European Leasing Companies.



Lease payments received

Ratings

Expert RA 01 July 2013

By size of outstanding portfolio

among private companies

/

By amount of received lease payments among private companies

8

By number of transactions made

9

By new business volume among private companies

29,891 million 11

By outstanding portfolio

12

By amount of received lease payments

15

By total cost of leased objects for new transactions, exclusive of VAT

13,777 million 18

By new business volume

 A^{+}

Very high level of financial stability

Expert RA

B⁺

Long-term foreign currency rating of URALSIB | Leasing company LC

 ${\it Fitch Ratings}$



URALSIB Insurance Group*



Number of customers





URALSIB Insurance Group operates in 72 regions. 69 branches of the company are combined in 8 regional directorates.

URALSIB Insurance Group services 4,000,000 individuals and 200,000 companies from different economic sectors. The company has 3,500 employees and engages 5,000 agents for the sale of insurance products.

URALSIB Insurance Group provides a full range of insurance services to both individual and corporate customers in 250 cities and towns across Russia. The company has licences for 22 insurance types, which allows it to offer insurance programmes for property, cargo, construction and assembly risks and all types of liability, car insurance, voluntary and compulsory medical insurance, insurance against accidents, travel insurance and long-term savings schemes for life insurance.

The company offers solutions in accordance with customers' needs at each life cycle stage, in the form, place and time most convenient for customers and at a fair price.

Key indicators for 2013		RUB million
INDICATOR	Value	Δ,%
Business growth		
Compulsory medical insurance (CMI)	23,673	54
Voluntary medical insurance	1,830.7	1
Car insurance (hull insurance)	7,596	22.9
Car insurance (third party only)	4,699.7	48.5
Liability insurance	666.9	35.1
Insurance against accidents	817.5	6.4
Net profit	75	-75.56
Assets	20.3	20
Total amount of fees	40.4	39

Ratings

Reliability level
Expert RA

Ahr Employer attractiveness rating Expert RA

The company is included in the Top-15 market participants by amount of insurance fees. Based on its 2013 results, URALSIB Insurance Group was also included in the Top-10 car insurers.

^{**} OJSC FC URALSIB is a minority shareholder of URALSIB Insurance Group (less than 10% of voting shares) and has no significant influence on its activities. Shareholders view this asset as promising.

Socially Oriented Products



In accordance with the mission developed in 2013 — Value-Based Social Entrepreneurship — one of the Corporation's top priorities is to create and promote socially oriented financial products and services.





URALSIB traditionally dominates in socially significant areas such as small and medium business lending and consumer lending. There are two strategic priorities for our socially focused products: support of state social development programmes and support of strategic areas of the Corporation's external social policy.

			(=	
PRODUCT	Indicator	2013	2014	Δ,%
Consumer lending	Amount of loans provided	23.13	31.00	134.03%
Social card	Number of valid cards	143.47	160.80	112.08%
Decent housing for children	Number of valid cards	99.43	152.09	152.96%



Universal Electronic Card (UEC)

In 2013, URALSIB Bank began issuing and servicing universal electronic cards (UEC) in 15 regions of Russia, including Moscow and Moscow region, Bashkortostan, Komi Republic, Udmurtia, Arkhangelsk region,

Astrakhan region, Kaliningrad region, Kemerovo region, Murmansk region, Nizhny Novgorod region, Omsk region, Tambov region, Tyumen region, and Chelyabinsk region.



"Noble Deal" loans

2

URALSIB Bank has developed a special loan product for social entrepreneurs. The "Noble Deal" loan is for participants in a social entrepreneurship support programme implemented by the Bank, in partnership with the non-governmental organisation for small and medium business OPORA RUSSIA and the "Our Future" fund.

More than 35 socially oriented business projects have already taken part in the programme. The loan application procedure requires a minimum package of documents: a questionnaire for obtaining credit resources, a valid passport, constitutional documents for legal entities or registration certificate for individual

entrepreneurs, official and management reports. The interest rate on loans for social entrepreneurs is less than 10%. This is a nonprofit venture for the Bank.



"Social Responsibility" loans

URALSIB Bank and OPORA RUSSIA jointly support social entrepreneurship.

The partnership includes support for 12 projects from various Russian regions, with the provision of grants and loans on beneficial terms for business development, expert consulting on legal and financial issues, and training. The Bank has developed the

"Social Responsibility" loan specifically for entrepreneurs participating in this project. The maximum loan amount is RUB 10 million for a maximum term of 60 months, with an individual repayment schedule and deferment of the principal for up to six months.



Maximum loan amount



"Mortgage for Parents" marketing campaign





The key message of the campaign was, "To reduce the interest rate by 0.5% for each child".

Over the course of the "Mortgage for Parents" campaign, the Bank issued 1,226 loans to parents at a total of RUB 1,949 million, representing approximately 35% of the total amount of mortgage loans issued within the campaign period.

Communication channels:

- A Radio;
- 9 Internet;
- **9** Outdoor advertising;
- 9 Print media.

"Open Ideas Days" for entrepreneurs

The "Open Ideas Days" campaign is held within the framework of the small business support programme. URALSIB Bank specialists organise seminars for customers running small businesses to increase the general level of financial literacy, and to inform entrepreneurs about effective ways of using banking products and existing federal and regional state support programmes.

In 2013, this event was held in 72 cities and towns across Russia. A teleconference was organised between Krasnodar, Rostov-on-Don, Vladimir, Belgorod and Vologda, with the participation of Nataliya Larionova, Director of the Department of Small and Medium

Business Development and Competition of the Ministry of Economic Development of the Russian Federation, Evgeniya Kruglova, Deputy Head of the Tax Administration of the Central Office of the Federal Tax Service of Russia, and Iliya Filatov, Deputy Chairman of the Management Board of URALSIB Bank. Entrepreneurs were given the opportunity to ask hot-topic questions and receive answers directly from the heads of federal departments.

115 entrepreneurs visited the event in Krasnodar and over 400 in total for the South Regional Directorate.



Over



visited the event for the South Regional Directorate

Increasing the level of financial literacy of the RF population





As part of the National Programme for Increasing the Level of Financial Literacy of the RF Population, launched in 2012 in cooperation with the Federal Financial Markets Service, URALSIB Bank successfully launched a business game, "World of Successful People", which was developed by the Company's Corporate University.

The main educational and awarenessraising objective of the game is to prepare schoolchildren for life in real market economy conditions, and to develop financial literacy and personal financial planning skills for teenagers; training them to manage various forms of saving, insurance and capital increase transactions.

In 2013, the company's trainers staged 21 business games in various Russian cities and towns, in which over 300 teenagers took part. The business game was held for students of general education schools, boarding schools for disabled children and colleges in Moscow and other Russian regions.

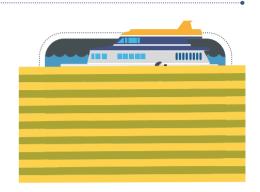


FINANCIAL CORPORATION URALSIB



The Bank offers a unique educational programme known as "Successor". It was created especially for clients of URALSIB | Private Bank who wish to prepare their children to effectively manage family's wealth. The training is offered on a one-

to-one basis by a private banker. The programme includes several stages: financial planning and capital management, non-financial opportunities for private banking, charity and philanthropy, and a work experience at a Swiss bank.



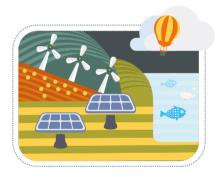


ASSET MANAGEMENT

In 2014, the company launched its "URALSIB Socially Responsible Business" fund, the first-ever investment fund in Russia focused on the equities of global and Russian companies adhering to the internationally accepted standards of socially responsible business — ESG (Environment, Social, Governance) and Management by Value (MBV). The fund portfolio is constructed

based on the assessment of the companies' environmental impact, social responsibility, corporate governance, and management by value.

The fund was launched as part of the company's strategy to promote socially responsible investing culture in Russia through the creation of relevant products.





The NPF offers 5 pension programmes, which take into account customers' age, social position, financial state and investment preferences. The unique advantage of the programmes is the opportunity to select one of two investment strategies for pension savings:

- Balanced (to 40% of shares or to 80% of bonds), minimal investment sum — RUB 10 thousand;
- Conservative (to 100% of bonds), minimal investment sum RUB 30 thousand.

This is a unique offer on the pensions market.





The Company regularly holds open and free webinars for market participants and beginner investors, enabling participants to obtain basic trading skills.

Since 2009, URALSIB | Capital has organised bond-related conferences for investors and debt market issuers devoted to government

control, macroeconomic issues and the relationship between investors and issuers. The 2013 conference, "Challenges of the New Reality", was the fifth such event, and more than 320 representatives of business, government authorities and the mass media took part.



Beginner investors can also use the QUIK online trading simulator and take part in webinars on the Company's website

www.uralsibenter.ru



LEASING COMPANY

In accordance with the Corporation's mission, URALSIB | Leasing company LC adjusted its standard product offer to better meet the needs of small businesses. In 2013, individual entrepreneurs and companies that apply the simplified taxation system were provided with an opportunity to lease equipment through the use of fund-raising schemes without their accounting statements being analysed. The requirements for the minimum permissible period for company registration were also changed, from 12 to 6 months.

In order to reduce the financial load on its customers URALSIB | Leasing company LC works with small and medium business support funds. State support is provided through regional funds that partially subsidise lease payments. It means the reimbursement of lease payments and advance payments of small and medium business entities and a part of expenses relating to payment of interest under finance lease agreements. Together with these funds, the Company plans to develop and implement together a programme for guaranteeing lease agreements.





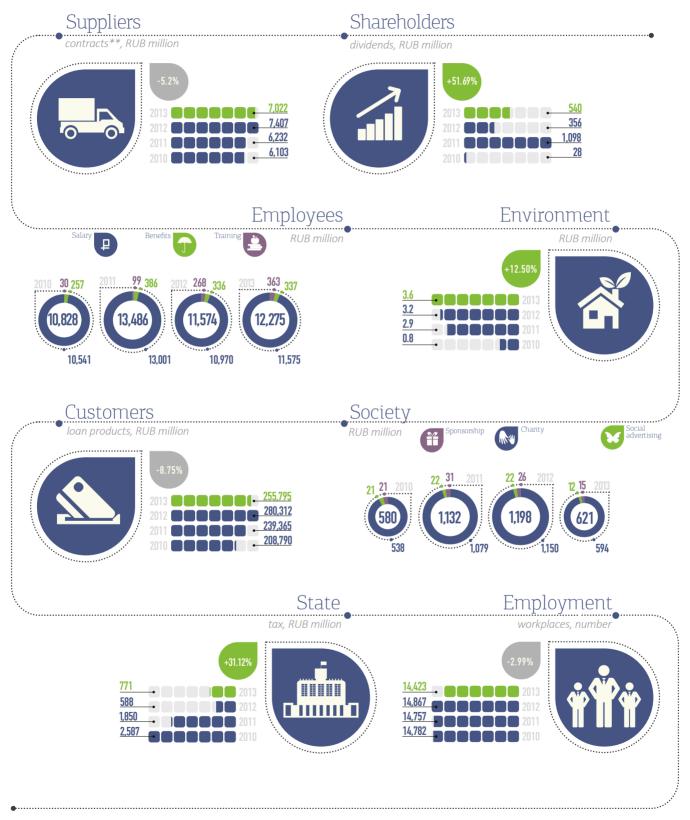
The Insurance Group URALSIB project "Buy a Policy and Help Children!" supports the Children's Charitable Foundation Victoria in its mission to build a children's village in Armavir — an innovative solution to provide home conditions for parentless children as an alternative to traditional orphanages.

Each classic car hull insurance policy, real estate insurance policy "My Fortress — Standard Apartment" and "Family" life and health insurance policy sold by the company increases the URALSIB Insurance Group charitable budget by RUB 100. The amount of payments under charitable insurance programmes in 2013 was RUB 5.7 million.

5.7 million

Amount of payments under charitable insurance programmes in 2013(project "Buy a Policy and Help Children!")

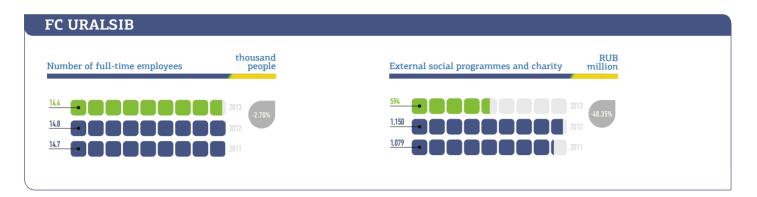
Contribution of FC URALSIB to the Community*

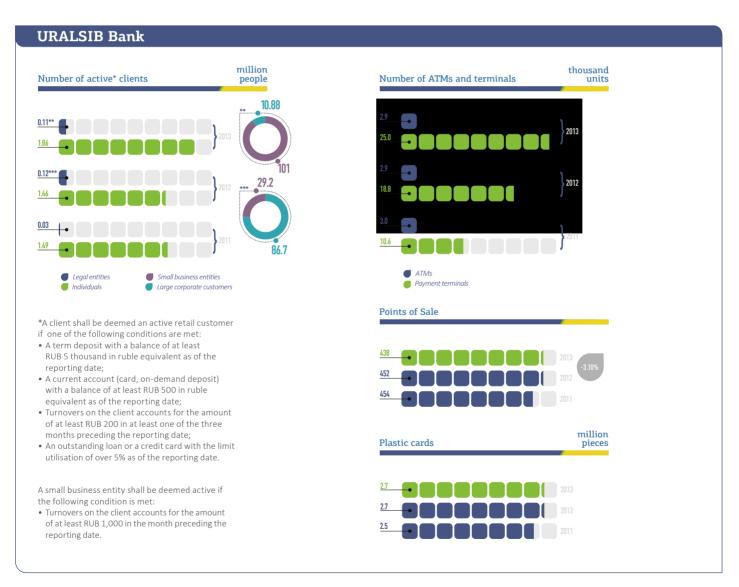


^{*} The data are provided on the basis of the 2013 Consolidated Financial Statements of FC URALSIB, prepared in accordance with IFRS

 $[\]ensuremath{^{**}}$ The data are provided from the item "Administrative and Operational Expenses".

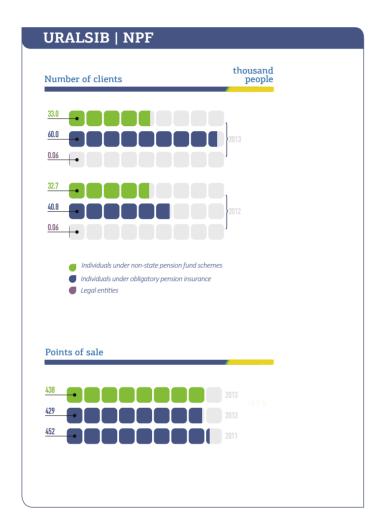
Infrastructure







FINANCIAL CORPORATION URALSIB











Geography





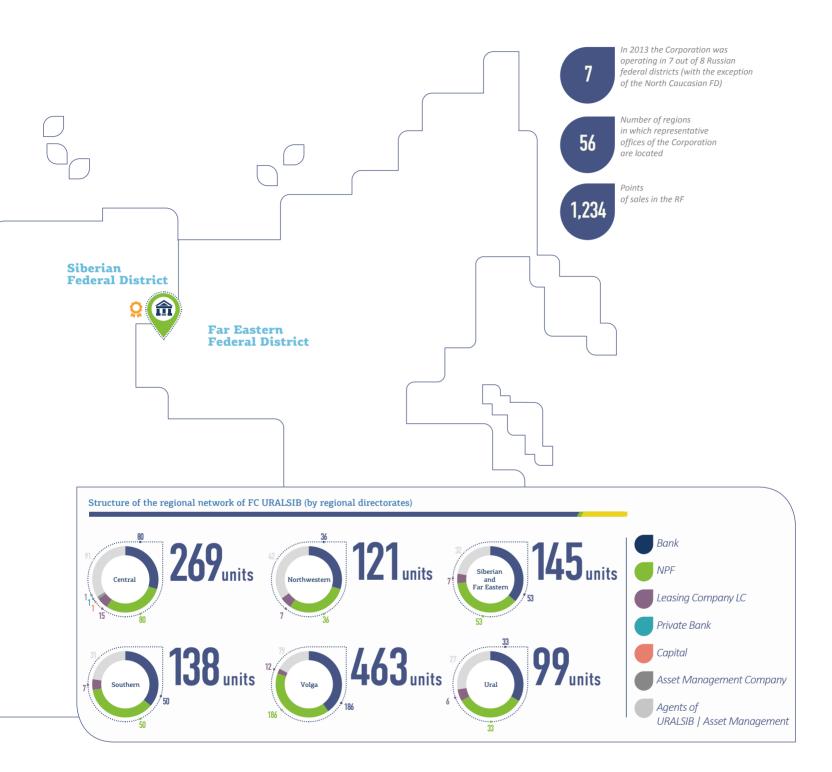


FC URALSIB has two management centres: Moscow Central Office (CO) is responsible for implementation of the corporate policy and Remote Central Office (RCO) administrates regional development.



In the Republic of Bashkortostan, Krasnodar region and Kemerovo region, the Corporation traditionally occupies the leading position and forms the financial infrastructure of the territory.





The Bank's regional network is managed through seven regional directorates: Volga, Northwestern, Southern, Siberian and Far Eastern, Ural, Central and Moscow. The Bank's regional network has 438 sales offices. In 2013, some of the Bank's sales offices were closed due to their low profitability, as part of measures aimed at increasing the efficiency of the Bank's regional network.

The offices of Private Bank and Asset Management Company, Headquarters of URALSIB | NPF, Headquarters of URALSIB | Leasing company LC and Headquarters of URALSIB | Capital are located in Moscow. Access to foreign markets is ensured through the Corporation's London office (URALSIB Securities Limited).

Customer acquisition and servicing are based in the offices of URALSIB Bank.

The URALSIB | Leasing company LC's regional network includes 47 branches.









Financial Corporation URALSIB's 2013 business activities strategy reflects its focus on the development of social entrepreneurship and corporate social responsibility.

FC URALSIB uses its own methodology to ensure the integrity and consistency of its strategic planning process and information completeness, as well as to align the strategies of its individual portfolio companies in order to achieve the best possible results.

Russian Financial Market Overview

STRATEGY

The Russian economy in 2013

In 2013, Russian economic growth slowed to 1.3% (as compared to 3.4% in 2012). GDP growth was almost entirely driven by final consumption. However, domestic demand gradually exhausted its potential for supporting economic growth. The slowdown of household income growth to 3.3% against 4.2% in 2012 and consumer lending growth rates to 28.7% against 39.4% in 2012 resulted in decreased consumption (retail trade turnover increased by 3.9% against 5.9% in 2012). The key factor for household income growth was the indexation of salaries in the public sector, as well as pensions and social benefits.

The contribution of international activities to economic growth decreased significantly in 2013. Based on the results of 2013, the average Urals oil price decreased to USD 107.9 per barrel (-2.4% against 2012). As a result, trade exports decreased by 1.2% in 2013 (the share of crude oil and oil products remains at a level of about 54%) against a 2.6% growth in trade imports.) The positive trade balance decreased by 7.8%, which makes it two years of decrease in a row.

The key factors that had a negative impact on the economy growth in 2013 were industry stagnation and a decrease in capital investment. Based on results for the year, the real increase in industrial production was only 0.4% (as compared to 3.4% in 2012). The growth in manufacturing activities slowed to 0.5% against 5.1% in 2012, while the extractive

industries increased by 1.1%, which is slightly higher than in 2012 (1.0%). Salary growth, with income outstripping industrial production, demonstrates a decrease in the workforce productivity and economic efficiency.

Based on results for the year, investments in fixed capital have decreased by 0.2% in real prices (as compared to the 2012 increase by 6.8%). A decrease in investment has therefore been recorded for the first time since 2009. The decrease in investment activity was accompanied by a significant capital outflow — net capital exports by the private sector reached USD 59.7 billion, which is almost 11% higher than in 2012 (USD 53.9 billion). Even the construction industry failed to support investment demand: construction volumes decreased by 1.5% (against a 2012 increase of 2.4%).

Continuing entrepreneurial pessimism and an unfavourable business climate are accompanied by increased unemployment (to 5.6% using the WTO method against 5.3% in 2012), a high level of inflation (6.5%) and weakening of the ruble (almost 8% to USD in nominal terms).



Industrial production growth

Retail trade

turnover

arowth

Banking system

In 2013, total banking sector assets increased by 16% and reached RUB 57.4 trillion. As compared to 2012, the annual growth rate of the banking assets decreased by almost 3.3 percentage points, which was due to lending limitations caused by the toughening



of bank reserve requirements, an increase in risk ratios on consumer loans and the unfavourable macroeconomic situation

The capital adequacy ratio H1 for the banking system decreased to 13.5%, against 13.7% as of the beginning of the year. The key factors contributing to the decrease were a change in the market risk accounting approach, starting from reports as of 1 March, and an increase in risk ratios for consumer loans from 1 August. According to our estimates, if it had not been for this legislative change, the H1 level would have remained the same.

Starting from 2014, additional ratios for basic (H1.1) and core (H1.2) capital were introduced as part of our implementation of the Basel III standards. The minimum for H1.1 ratio is set at 5% and for H1.2 — at 5.5%. From January 1, 2015 the minimum H1.2 value will be raised to 6%.

Aggregate loan portfolio

In 2013, consumer lending remained the key driver of banking market growth. Retail lending growth rates slowed during the year and amounted to 28.7% (against 39.4% in 2012). An increase in loan portfolios was mostly restrained by private banks that had to toughen their requirements for borrowers.

Consumer lending growth rates for private banks slowed to 24.3% as compared to 37.1% in 2012. The portfolio growth of state-owned banks slowed to a lesser extent (from 34.1% to 41.9%). From 1 January 2014, the Bank of Russia increased the risk ratios on loans with more than 45% interest and from 1 March 2014, the reserves on unsecured loans issued after 1 January 2014. Along with the toughening of borrowers' underwriting procedures and measures to combat fraud, this will contribute to a further slowdown of the consumer lending market.

2013 saw a 54% increase in the amount of bank loans provided to government financial authorities for the purpose of financing the deficit of local and regional budgets, which were short of approximately RUB 1 trillion of tax income due to the unfavourable economic situation. As a result, the share of loans provided to the budgets in the aggregate loan portfolio of the banking system reached 2%, which is a historical record and may have a negative impact on the stability of the banking system in the future.

Quality of assets

The total amount of overdue debt has increased by 11.2% in 2013, which is almost equal to the 2012 value (11.0%). The most unfavourable situation was observed in the retail segment, where overdue debt increased by 40.7% (as compared to 7.4% in 2012), as the result of a two-year "credit boost". Due to the fact that overdue debt growth was faster than that of the loan debt, the share of overdue debt in the portfolio increased to 4.4% against 4.0% as of the beginning of the year.

In order to support the quality of their portfolios, banks readjust scoring models, toughen requirements for borrowers and reconsider target customer segments in favour of clients with higher levels of income and a positive credit history, as well as in favour of current non-credit clients (salary clients, depositors) and corporate clients. Furthermore, in 2013 banks actively transferred bad loans to collectors, even at earlier stages of overdue debt, in order to avoid additional reserves and to decrease pressure on equity.

The total overdue debt of legal entities (non-financial organisations) increased in 2013 by just 1%. In contrast to 2012, in 2013 corporate borrowers became the key drivers of overdue debt growth in the corporate segment (increase by 3.9%), while the overdue debt of



Retail lending growth

small and and medium businesses decreased by 3.1%. In relative terms, the share of overdue debt in the loan portfolio of small and medium businesses decreased to 7.1% against 8.4% as of the beginning of the year, and for loans of large corporate clients, to 3.3%, against 3.5% in 2012.

STRATEGY

Resource base

The total amount of customer deposits has increased by 16% (or 14.2% without positive currency revaluation) in 2013, against 15.5% (16.7% in real terms) in 2012. In real terms, therefore, new customer deposits slowed in 2013. This dynamic was determined by the negative macroeconomic conditions: a profit decline and slowdown in companies' turnover growth, slowdown in the growth rates of real household income, growth in capital outflow from the private sector (USD 62.7 billion against USD 54.6 billion in 2012), decrease in deposit rates (for the entire range of individual deposits and for long-term corporate deposits) and an increased distrust of credit institutions against a backdrop of mass withdrawals of licences starting from the second half of the year.

In 2013, individual deposits increased by 19% (17.6% without positive currency revaluation), which is the minimum growth rate since 2008 (by comparison, in 2012, the growth rate was 20%, or 21.1% in real terms). The unfavourable background in the banking sector had a negative impact on retail attraction due to licence withdrawal. Despite a weakening of the ruble (the official RUB to USD exchange rate decreased in 2013 by 7.8%), the population's propensity to saving in foreign currency was quite moderate in 2013. The amount of foreign currency deposits has increased by 10.4% in USD, which is almost three times less than in 2012 (27.3%). Ruble deposits have increased by 19% (21.2% in 2012). This dynamic is associated with a significantly lower return on foreign currency deposits and a high risk of loss in the long run from conversion transactions, due to the high volatility of exchange rates.

Corporate attraction growth rates are still slower than in the retail segment. The amount of funds of legal entities on current and term accounts (excluding deposits of the Ministry of Finance of the RF and accounts of non-budgetary funds) in 2013 was 16.4%, which was somewhat higher than in 2012 (13.7%).

The corporate deposits increase in 2013, as in 2012, was secured by a growth in term deposits of 17.2%, while the increase in balances in settlement and current accounts was 14.2% in nominal terms.

Liquidity

The situation in the money market in the fourth guarter of 2013 was under pressure from a seasonal growth in cash money stock and the currency interventions of the Bank of Russia due to an increased capital outflow from the country in the second half of the year. Moreover, withdrawal of the licences of 29 credit institutions, including the large private Master Bank, caused anxiety in the inter-bank market. The increased risks and mutual distrust of banks resulted in the closing of limits and a growth in rates (overnight, the MosPrime rate reached 6.98% in late December, which is the maximum value since 2009). As a result, banks' demand for refinancing by the Bank of Russia has increased. By the end of the year, the banks' debt to the Bank of Russia under repo transactions had reached a historical maximum of over RUB 3.1 trillion.

Furthermore, the Bank of Russia has been holding auctions for the provision of loans secured by non-market assets since July, and the banks' debt under such loans reached almost RUB 14.1 trillion by the end of December. Thus, the amount of Bank of Russia loans on the balance sheets of credit institutions increased by 65% in 2013, exceeding RUB 4.4 trillion, which is about 7.7% of the total assets and is the highest level since mid-2009.

A partially increased demand for funds from the Bank of Russia in December is explained by the withdrawal of budgetary funds from the deposits of the Ministry of Finance of the RF within the budget execution process. In December, the amount of budgetary funds on deposits decreased by RUB 1 trillion to RUB 0.45 trillion, which is 40% lower than the amount placed by the end of 2012. Overall, the total share of state funding (loans from the Bank of Russia, deposits of the Ministry of Finance, and budgetary and non-budgetary funds on settlement accounts) in banks' liabilities as of 1 January 2014 increased to 8.6% against 7.1% in the previous year. In the near future, the dependency of the banking sector on refinancing by the Bank of Russia will remain at a high level.

Profit

Based on the results of 2013 the aggregate profits of Russian banks were RUB 993.6 billion, which is 1.8% lower than in 2012. The key factor in the decrease in profits was the threefold increase in payments to reserves for possible loan loss (the increase in reserves in 2013 was RUB 321.6 billion against RUB 107.8 billion in the previous year), which almost fully nullified the net interest income growth. The changes in the institutional parameters of the banking market were also of a negative nature. The number of loss-making credit institutions reached 88 by the end of the year, which is 1.6 times more than in 2012. The aggregate loss of loss-making banks increased twice, to RUB 18.7 billion. The profitability of assets continued to decrease in 2013, having reached 1.9%, against 2.3% in 2012. Capital profitability also decreased, having reached 15.2% against 18.2% in the previous year.



Asset management market

Based on 2013 results, the Russian trust management market size amounted to RUB 3.064 trillion. There was an almost threefold increase in growth rates, to 23% against 8% in 2012, which was due to the accelerated growth of the pension savings segment of NPF before the termination of transfer agency agreements between NPF and the Pension Fund of Russia (PFR).

Obligatory pension insurance (OPI)

In 2013, the amount of obligatory pension savings managed by NPF and asset management companies was RUB 1.126 trillion – an increase of 60% for the year. For the past few years, the segment has made a significant contribution to the growth of the asset management market. As a result, the suspension of transfer of pension savings to NPF and asset management companies will considerably decrease the dynamics of this segment.

In the immediate future, the toughening of the pension market regulation (particularly the corporatisation of NPF) may decrease the investment attractiveness of the sector. According to Expert RA, the inflow of pension savings to asset management companies may resume by 2016.

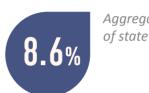
Non-state pension insurance (NPI)

Based on 2013 results, NPF reserves increased by 9.7%, having reached RUB 831.6 billion. The number of participants in voluntary pension insurance programmes has remained stable (6.77 million participants). A small increase in the NPF segment is due to the limited popularity of corporate pension programmes among small and medium businesses and an insufficient level of financial literacy among the

general population. The voluntary pension insurance segment is also restricted by the implementation of cost-saving programmes, life insurance segment development, and a lack of state support (particularly for tax benefits).

Unit investment funds (UIFs)

The aggregate net asset value (NAV) of open-ended and internal funds has increased to RUB 120.3 billion (against RUB 104.5 billion in 2012). An inflow of funds was observed in bond funds and money market funds, while there was an outflow of funds from stock funds and mixed investment funds. The average return on investment in UIFs for the year was about 1.7%, which is not only half as much as in the previous year but is considerably less than the return on investment in alternative areas (bank deposits, purchase of real estate and precious metals).



Aggregate share of state funding



Increase in total customer deposits

Leasing market

According to Expert RA, the volume of new business decreased in 2013 by 1.5% to RUB 1.3 trillion. The aggregate leasing portfolio increased by 14.6% to RUB 2.9 trillion. The property value (exclusive of VAT) growth rates under new transactions amounted to 1.7%. This means that in 2013, the amount of finance lease premium decreased: the average term of transaction, the cost of borrowed resources and the margin of leasing companies declined.

The fastest growth was observed in the aviation equipment segment (+69%). The growth drivers were stimulating state programmes for the renewal of aircraft fleets and the need to place available resources by leasing companies with state participation. The automobile transport segment also demonstrated positive dynamics in the

volume of new transactions (for cars, the increase was 13.5%, for trucks, 33%). In 2013, the leading segment — railway equipment — continued to shrink (-17.6% as compared to 2012). Overall, the market volume without taking into account the railway and aviation segments remained almost unchanged.

STRATEGY

In 2013, the share of small and medium business was 32.2% of the total new business in the market, which is 2.6 percentage points less than in 2012. It should be noted that the amount of transactions with medium-sized companies decreased (-35.2% as compared to 2012) while the amount of new transactions with small companies increased by 7.5%.

In 2013, the territorial structure of new transactions also changed. The share of St. Petersburg increased to 12.7% against 7.4% in 2012, thanks to large aviation transactions. As for federal districts, the shares of Ural FD and Siberian FD decreased (to 10.3% against 13.3% and to 7.2% against 9.5%, respectively). Without taking large transactions into account, the share of Moscow was almost 25% (taking large transactions into account large, the share of new business is 42%).

The average level of overdue debt in leasing for 2013 in the small transactions sector was about 3.5-4%, and in the large transactions sector, about 1-1.5%. The relaxation of requirements for lessees, a decline in creditworthiness of customers and a considerable time gap between the dates of financial statements, together, are likely to contribute to the deterioration of the total market portfolio quality and an increased number of legal actions against customers.

Investment and banking services market

Initial market for corporate bonds

The volume of placement of corporate bonds increased by 46% in 2013, to almost RUB 1.8 trillion. The wide range of high-quality issuers and relatively short loan terms helped to secure record levels. In 2013, the issue of exchange-traded bonds increased by 82%, while the increase in the placement of classic bonds was only 22%. The regions' pressing need for additional monetary funds to cover the budgetary deficit resulted in an increase in the placement of municipal bonds by 23% to RUB 151.8 billion.

Secondary market for shares and bonds

In 2013, the structure of the Russian stock market was adversely affected by unstable conditions on the global financial market, the Cyprus banking crisis, and the escalation of political tension. Additional restraining factors for a growth in quotations were the slowdown of the RF economy, capital outflow, the low investment attractiveness of Russian assets and proactive attempts by the Bank of Russia to "clean" the banking sector.

The Russian stock market closed 2013 with almost no changes, and the MICEX index increasing by 2% to 1,504 points. The RTS index decreased by 5% to 1,443 points. The highest growth in 2013 was seen in the consumer sector. Investments



Share of small and medium business

12.6 trillion

Aggregate amount of stock exchange transactions with ruble bonds



in the aggregate index of this sector netted almost 25%. Among the leaders was also the financial sector, which increased by 16% despite a mass withdrawal of banking licences in the fourth quarter. General capitalisation of the stock market was RUB 25.3 trillion as of the end of 2013.

Based on the results of 2013, the market of ruble bonds in circulation increased by 19.1%, to RUB 9.4 trillion, at nominal value. The corporate bonds market increased by 24.6%, to RUB 5.2 trillion. The share of corporate bonds in the total volume of ruble bonds reached a historical high — 55.2% against 52.7% in 2012. The market of municipal bonds increased by 13.4% to RUB 498.6 billion.

The total volume of stock exchange transactions with ruble bonds in 2013 exceeded RUB 12.6 trillion, which is 17% more than in 2012. The amount of transactions with municipal bonds in 2013 was about RUB 445 billion, which is 10% lower than in 2012. The amount of transactions with corporate bonds decreased in 2013 by 1.1% to RUB 5.95 trillion. This was the result of both unfavourable market conditions and the lack of "panic" sales, which had often taken place during previous periods of financial crisis moments. Moreover, about 75% of bonds in circulation are included in the Lombard List of the Bank of Russia, so banks did not rush to sell obligations; preferring instead to use them for refinancing transactions.

In 2014, the situation in the internal stock and corporate bonds market will be affected by increased risks relating to the reduction of investment activity, increased capital outflow.

In 2014, an increase in the demand for highquality sub-federal and corporate bonds after their inclusion into Euroclear and Clearstream is anticipated. The interest of Russian banks in bonds will support the expansion of refinancing possibilities by the Bank of Russia.

M&A

According to KPMG, in 2013 there were 320 transactions, totalling USD 108.4 billion. The share of internal M&A transactions has reached USD 86.9 billion, or 80% of the total amount of transactions declared in 2013. The cost of foreign assets acquired by Russian investors fell by 71% to USD 4.6 billion, and the number of transactions decreased by 23%. The share of transactions for acquisition by foreign investors of Russian assets was 16% of the market, which grew in value by 6% to USD 16.9 billion.

The energy and natural resources sector remains the leader in the M&A market in monetary terms (61% of total transactions). In particular, the acquisition by Rosseti of a 79.64% share in FGC UEG for USD 14.4 billion became the world's ninth largest transactions in terms of value. The highest activity was observed for companies in the real estate and construction sector, with 61 transactions. Foreign investors in 2013 were mostly interested in the metallurgical and mining sector (23% of the total cost of transactions).

IPO/SPO/PO

In 2013, five companies undertook a initial public offer of shares, out of which three undertook IPO on international platforms. The software manufacturer Luxoft and mobile payment operator Qiwi launched an IPO on the New York Stock Exchange and the head company of the bank Tinkoff Credit Systems at the London Stock Exchange. Within a few months, responding to strong investor interest, Qiwi and Luxoft also undertook an SPO.

Only two IPOs were undertaken in Russia. In early 2012 the Moscow Stock Exchange listed its securities within its own trading system. The last placement among Russian companies was conducted by ALROSA. The sale of ALROSA shares also became the largest privatisation transaction in the form of an IPO.

Direct investments markety

Influenced by the Russian economy growth slowdown in 2013, the total amount of direct and venture investments in the RF decreased by 30%, to USD 3.07 billion. The number of transactions increased by 33% to 238, which was mainly due to the active participation of angel investors at earlier stages of projects financing. The largest volume of investments was recorded in the information and telecommunication systems sector (over 70%), which was due to the wide spread of mobile devices and high demand for data processing technologies (Big Data and Business Intelligence). Russian investors continue to play the most important role in the formation of the Russian private equity market, and state structures remain sufficiently active.



Total amount of direct and venture investments in the RF

Complex Strategic Plan

STRATEGY



FC URALSIB's strategy is focused on the development of social entrepreneurship and corporate social responsibility.

FC URALSIB uses its own methodology to ensure the integrity and consistency of the strategic planning process and the completeness of its information, as well as to align the strategies of the individual portfolio companies of FC URALSIB in order to achieve the best results.

The planning methodology is based on the Balanced Scorecard (BSC) system. Along with the classic set of perspectives (Resources, Processes, Stakeholders and Results), this includes the high-level Social Result perspective, which, in the KPI system, is responsible for the implementation of the Corporation's mission. For this purpose, three types of target indicators are introduced at all stages of business strategy planning and supporting functional strategies: sustainable development of the organisation, personal development of employees, and management of the organisation's influence on sustainable development of the external social and ecological environment. The corporate strategy's focus on these three key areas enables Financial Corporation to conduct its affairs responsibly, based on the combined strategic interests of the business, state and society.

In 2013, the portfolio companies of Financial Corporation URALSIB began moving towards a new business model aimed at creating a complex, diversified offer for customers. The key processes of the new business model are the effective management of synergies between the portfolio companies of FC URALSIB and the development of an innovation culture.

The primary factors to ensure the effective implementation of this strategy are:

- A comprehensive range of financial solutions and products that meet the needs of target customer segments
- Long-term partnership relations with customers based on a deep understanding of their needs
- Geographic business diversification at a federal level due to a wide network and presence in most regions of the Russian Federation
- Cost management and an improved operating performance in the key activities of the portfolio companies of FC URALSIB
- The effective development of synergies between the portfolio companies of FC URALSIB
- Improved management of innovation
- A creative team of professionals and a unified corporate culture of value-based management.



In accordance with the adopted strategy, FC URALSIB is committed to sustainable development. Therefore, the traditional objectives — increasing economic efficiency and maintaining market positions — are supplemented by objectives reflecting a thorough understanding of corporate social responsibility by the management and employees of its portfolio companies.

The list of key areas of activity of the Corporation in the mid-term perspective includes:

- improving customer satisfaction (a line of high-demand and convenient products, multi-channel service, high service quality, safety and protection of personal data, reputation and brand loyalty enhancement, loyalty programs);
- building relationships with the community (interaction with the investment community and mass media, formation of a public opinion, implementation of programs for increasing the financial literacy, socially oriented products, small business support projects implemented in cooperation with government authorities, charitable activities);
- improving the corporate governance quality (improvement of the organizational and corporate governance structure, increasing the transparency and reporting quality improvement, protection of the shareholders' interests, development of synergies between the FC portfolio companies);
- increasing the involvement and satisfaction of employees and reputation

of a responsible employer (effectiveness management, motivation, training; personal development, competitive social package, healthy lifestyle programs; unified management-by-value corporate culture);

 positive impact on the environment (energy and resource efficiency, using renewable resources, "lean" technologies).

The world experience shows that socially oriented business is more innovative, gains a higher level of trust from its stakeholders, which makes it more attractive for investment. Thus, implementation of strategic initiatives in the area of development of social entrepreneurship and corporate social responsibility will enable FC URALSIB to achieve its key goal — to increase the shareholder value of the portfolio companies and FC and ensure the return on equity above the market average.

The achievement of "social result" target indicators is ensured through a combination of three innovative management models:

- The value-based corporate culture (Management by Values (MBV) model);
- The social entrepreneurship (SE) model;
- The social investment (SI) model, based on the achievement of positive changes in society.

This methodology is fully aligned with the Corporation's development priorities and encompasses all business aspects in the economic, social and ecological spheres. It also allows for the required level of centralisation in operational planning.

Dynamic scenario modelling

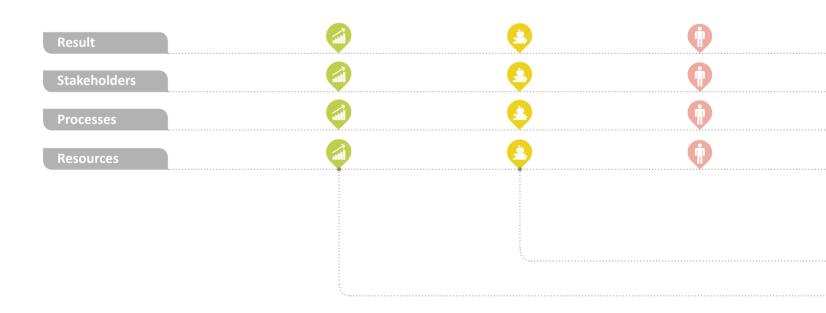
FC URALSIB applies a dynamic scenario modelling system for a quick forecast of balance, profits and losses, liquidity positions and capital adequacy, both for the Bank and the Corporation as a whole. These forecasts are highly accurate, as they are based on the monitoring of key internal data, macroeconomic indices and pre-set strategic initiatives.

Two-level strategic planning model of FC URALSIB

I. Top-level strategic perspective



II. Standard perspectives of balanced scorecards





Social investment strategies

SI model -

defines the principles of distribution of profits and non-financial resources of the Corporation by socially significant projects

SI-KPI's

Business Strategies

Business KPI + CP

Business KPI + CP

Business KPI + CP

Business KPI + CP

Functional Strategies

Functional KPI + MBV

Functional KPI + LEAN

Business model

Business concept of FC URALSIB integrated on the basis of the Social Entrepreneurship model

Business areas

Retail bank

Corporate bank

Regional banking business

Overdue debt collection

Unit investment funds

Individual trust management

Management of institutional assets

Formation of the accumulated portion of retirement pension

Private pension programmes

Corporate pension programmes

Broker services for private and corporate customers

Corporate finance

Leasing services for corporate customers

Implementation of Business Strategies

STRATEGY



In 2013 URALSIB Bank continued to develop its model of a national, universal network bank. As part of its centralisation programme in 2013, more than half of all branches were transformed into operational offices, creating a base for the transition to macro-branches in 2014. At the end of the year, URALSIB began implementing a programme to reformat its sales offices after having analysed customers' needs in the regions.

In accordance FC URALSIB's new, socially focused direction, a percentage of profits were allocated to finance more than 200 charity projects and campaigns. More than a third of the Bank's employees were involved in corporate charity and voluntary work projects. URALSIB Bank took second place in the annual all-industry ranking "Corporate Charity Leaders 2013" and was ranked first among financial companies for three consecutive years.

The Bank actively develops a line of socially oriented products – in particular, banking products in the "Decent Housing for Children" series, in partnership with the Children's Charitable Foundation Victoria. By the end of 2013, there were 180,000 active accounts and cards participating in the "Decent Housing for Children" programme. Together with the Ministry of Economic Development and OPORA Russia, the Bank implemented a social entrepreneur/social

business programme for customers from the small business sector.

Retail banking business

In preparing for the implementation of Basel III standards, the Bank followed reduced its volume of assets and restricted the portfolio in order to increase its share of retail husiness.

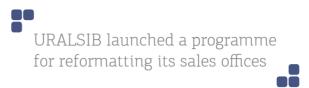
The 2013 retail banking business strategy was aimed at building portfolio return by increasing the share of high-margin consumer lending. The key objective here was to manage risks in order to ensure stable risk margin levels. The implementation of analytical CRM allows the Bank not only to differentiate its client base, but also to track customer payment discipline, resulting in the mitigation of risk.

In addition to unsecured lending, the Bank continues to offer new mortgage programmes. It actively cooperates with developers in joint lending programmes for the purchase of residential property. In 2013, the Bank also implemented the "Mortgage for Parents" programme for the purchase of residential property in newly constructed buildings, under the conditions of which the interest rate is reduced by 0.5% for each minor child in the family. The Bank continues

to develop electronic and remote servicing channels

An updated version of online banking was put into operation, with improved interface, broad setting options and an up-to-date security system, using one-time passwords sent via SMS, thereby satisfying customers' needs for convenience and increased security. A range of innovative card projects was introduced, as well. The Bank began issuing the co-branded PayWave debit and credit cards Visa Gold LUKOIL-URALSIB, which provide an opportunity to collect points to pay for gasoline; introduced the URALSIB Gosuslugi credit card, allowing access to the www.gosuslugi.ru portal; underwent certification for the provision of American Express products and services; introduced the Experience programme, offering customers a set of two cards of MasterCard and American Express payment systems pegged to the same bank account and registered in the Aeroflot Bonus programme; and launched "Compliments", a programme of privileges under which the customer collects bonus points when making payments. In addition, the functions of the URALSIB Bank universal electronic card were extended, with the implementation of a federal programme for issuing universal electronic cards beginning in 15 regions of the RF.





Small business customers remain the Bank's top priority

Thanks to the number of loans issued to small and medium business, the Bank consistently ranks among the top 5 Russian banks. In 2013, the loan process for customers in the small business sector was improved due to the automation of the loan application processing stage and centralisation of the underwriting process. The Bank offers a wide range of loan products for small businesses: unsecured loans ("Business Trust"), target loans secured by property acquisition ("Business Equipment", "Business Auto", "Business Mortgage"), loans with investment purposes secured by existing property ("Business Invest"), loans for working capital financing purposes ("Business Turnover") and "Business Overdraft", allowing customers to manage their own liquidity and cover cash reserves

The promotion of small business products is aided by national campaigns such as "Days of Open Ideas". Twice a year, the Bank holds these special educational seminars to support small business, at which programmes of state support and lending for small and medium business are explained. During the campaign, interest rates are reduced in all of the Bank's operating regions. All seminar participants receive certificates for the free opening of a

settlement account and free installation of the Bank-Client system.

Corporate banking business

Corporate banking business in 2013 continued to develop on the basis of a customer-oriented model and clear customer segmenting. Medium-sized businesses remain the top-priority sector. In order to increase commission income, a range of transactional products (such as online acquisition, currency risk hedging, cashpooling with overdraft) is being actively developed With limitations on the growth of assets, the top-priority regions are regions where the lending market capacity in the medium business segment, as well as competition density. allows the Bank to increase its loan portfolio with target profitability. The Bank focuses on economically developed cities, where potential customers are concentrated.

By industry, the Bank's key customers are companies from across the construction sector: residential and non-residential development; the construction of shopping malls, office centres, and hotels, and all manner of mid-sized chains, including regional supermarkets, food retailers, industrial retail, local restaurant chains, coffee shops, cafes, fitness centres, small

production facilities and subcontractors of large companies. To increase profitability, the Bank introduced a range of initiatives for pricing optimisation, including a system to control pricing and discounting.



STRATEGY



URALSIB | Private Bank is the leader in the Russian private capital management market. Private Bank develops a personal wealth management programme for each customer based on their financial situation, goals, and personal preferences.

In 2013, Private Bank increased its assets to RUB 32 billion, with a rate of return being 0.1%. One of the most important objectives — attraction of new families — was achieved and by the end of the year the number has reached 106 families.

In April 2013 Private Bank announced rebranding and name changing and at the end of the year SPEAR's Russia Awards ranked the Bank first in the nomination "Best Russian Bank Providing Private Banking and Wealth Management Services". The key attention is paid to the improvement of the customer service model, extension of the product offer, implementation of IT platform. Development of these three areas is closely related with the modernisation of programme of training and development of employees of Private Bank, additional training of advisors-consultants. These strategic objectives are slated for completion by 2015.

In 2013, the strategic objective of URALSIB | Asset Management was to become a key provider of comprehensive investment solutions and global diversification tools. URALSIB AM helps its customers to determine their own individual risk profile and select an appropriate investment strategy. The product line was expanded due to the launch of six new funds and four model portfolios. We also launched OUIF Socially Responsible Business.

According to Investfounds, based on 2013 results, URALSIB AM ranked 11th by the amount of managed funds (RUB 87 billion). By key performance indicators, the Company is among the top 5 in the market. By the aggregate net asset value of open-ended and interval funds (OUIFs and IUIFs) URALSIB | Asset Management is in second place.

URALSIB | Asset Management was ranked ninth in the RUSSIA'S TOP 20 MONEY MANAGERS rating by Institutional Investors.

URALSIB | Asset Management is among the major players in the pension funds management segment. URALSIB AM is ninth by total amount of managed pension savings (RUB 15.6 billion), eighth by volume of managed pension reserves of NPF (RUB

4.9 billion), and fifth by volume of managed pension savings of PFR (RUB 4.9 billion). Among the top AMs by volume of managed reserves of insurance companies, URALSIB AM is ranked ninth (RUB 1.2 billion).

In 2014, there are plans to continue the diversification of sales channels through improved partner relationships. An effective and legal infrastructure for foreign investments will be implemented in order to increase the base of wealthy customers. With some markets closing, the emphasis will be on increased risk management effectiveness and solutions with the most predictable investment results. URALSIB AM also plans to gradually increase its level of customer service, develop loyalty programmes and offer a flexible pricing policy. URALSIB | Asset Management will continue to focus on the social aspects of business by creating a trust management culture and increasing trust in investing.





In February 2013, the Bank's management board approved an updated business concept for the Fund for 2013 as part of the NPF Development Business Model until 2020. Approved in 2012, the business model incorporates the use of a specialised URALSIB Bank sales network. In 2013 the Bank increased the founder's aggregate contribution to NPF by more than 20% to RUB 226 million, which enables NPF to develop successfully within the framework of the approved strategy.

In 2013, URALSIB | NPF continued to attract pension savings through a specialised sales network of URALSIB Bank, which is the Fund's agent. The availability of its own distribution networks is the Fund's most important competitive advantage. Working with the Bank, the Fund made and delivered to the PFR over 60,000 agreements. Pension savings grew by 65%, to RUB 3.9 billion. By 1 December 2013, the Fund had shown growth in almost all key indicators:

- Assets grew by 1.6 times, to RUB 4.3 billion:
- The Fund according to expert estimates capitalisation increased to RUB 1.2 billion for the year.

A 40% growth in pension reserves resulted from the successful realisation of a corporate non-state pension programme for employees. Pension reserves amount to RUB 291.7 billion, with 90% of these funds captive, transferred for the benefit of employees of Financial Corporation. The contribution amount depends on the period of employment in the Corporation and represents 0.5-12% of an employee's salary. An average Corporation employee account is about RUB 90,000, while the average account of retail clients accumulating additional pension for themselves under a non-state retirement plan in the Fund exceeds RUB 100,000. The results of managing pension funds correspond to the average market return rate and exceed the inflation rate, which is a benchmark for pension savings and was 6.5% in 2013.

RUB 3.9 billion

Pension savings

In 2013, the Bank increased its aggregate contribution to the non-state pension fund (NPF) by more than 20% to RUB 226 million, enabling NPF to develop successfully within the framework of the approved strategy.

STRATEGY





In 2013, the investment banking business of URALSIB was focused on developing the debt instruments sector, with an emphasis on working with municipal issuers and corporate issuers with a credit rating of B-to-BB. URALSIB consistently ranks among the largest leading participants in the Russian debt market. According to Chonds, in 2013 URALSIB acted as organiser for 19 issues by 15 issuers, totalling RUB 30.8 billion; while its underwriting in 2013 comprised 20 issuers and 39 issues, at a total of RUB 32.4 billion. In the debt capital market, URALSIB | Capital offered the following new products to the customers: issue of subordinated securities, issue of mortgage bonds and other securitised instruments under Russian law, and Russian-issued bonds quaranteed by foreign legal entities.

According to Chonds, based on 2013 results, URALSIB | Capital was in the top 10 organisers of bonded loans (market issues), ranked 12th among organisers (all issues) and named one of the top 10 underwriters.

In 2013, URALSIB's investment banking business continued to develop its online trading service. The online trading system enables investors to make independent

investment decisions and offers direct access to the equity and term markets of the Moscow Stock Exchange and the international platforms LSE, NYSE and XETRA.

URALSIB | Capital is ranked 23rd by number of transactions among leading operators of the stock market at MICEX (ROT+RPS) (RUB 125 billion) and 22nd among the leading operators of the bond market of MICEX (RUB 261 billion).

Professional awards in 2013:

- INVESTOR AWARDS
- 1st place in the nomination "Sub-federal/Municipal Bonds: Transaction of the Year"
- 2nd place in the nomination "Corporate Bonds: Transaction of the Year"
- 3rd place in the nomination "Corporate Bonds: Transaction of the Year"

In 2013, the employees of URALSIB's investment banking division participated in several charitable campaigns to collect funds for severely ill children and to support disadvantaged families.

In 2013, the priorities of the FC URALSIB leasing business included the successful use of alternative or electronic sales channels and partnership with conglomerates, the restoration of capital and return of investments, and the financing of small and micro businesses. Based on 2013 results, the share of transactions with small and medium business accounted for 91% of the total number of transactions.

URALSIB Leasing company LC has turned to a principally new model of assessment of potential customers: not by industry, but by the company life cycle stage, and formed its product range based on this assessment. The leasing portfolio is diversified by industries to which the leased objects belong, which allows the Company to compensate the impact of potential negative tendencies in one industry with the account of another.

In 2014, URALSIB Leasing company LC has set a strategic objective of reinforcing its financial strength and increasing income. It plans to organise the resale of leasing products through the URALSIB Bank network, to increase the share of sales through regular suppliers to reduce the dependency of sales on the Company's salesmen, to develop its own sales channel, and to improve customer service.



FINANCIAL CORPORATION URAISIB

Implementation of Functional Strategies

Development of lean technologies (LEAN)

FC URALSIB is engaged in a large-scale strategic programme, known as "Cascade", to increase the efficiency of its operational and supporting subdivisions. The programme focuses on transformation in four key areas:

- Centralisation of operating support;
- Centralisation of supporting functions;
- Consolidation of the branch network;
- Implementation of lean technologies (LEAN*).

LEAN implementation is a critical success factor to ensure the continuous improvement of business process quality.

In 2013, the Corporation continued to implement its programme of lean technologies (LEAN) launched in 2012, with employees who had taken training courses under the guidance of McKinsey consultants implementing the project at URALSIB Bank.

The key success factor of the LEAN programme is a change in employees' thinking and behaviour

Key areas of the LEAN programme

Operating system

A method of a process configuration to deliver value and minimise loss

Optimisation of processes and performance-based work methods:

- Optimisation of work time utilisation;
- Management of flexible load for employees;
- Process design and transformation.

Management system

Formal structures and systems used to manage resources

Creation of formal structures and processes in order to ensure:

- An employee motivation scheme;
- Productivity management;
- Continuous improvement;
- Use of cross-functional teams;
- Transparency and visible management.

Mentality and behavious

What people think, feel and how they behave at workplace, individually and collectively

Strong and qualified management:

- Talent and skill development;
- Teamwork;
- Productivity culture;
- Managerial role models.

Customer's voice

Increasing customer satisfaction by changing service rate and quality

Configuration of other LEAN areas to ensure maximum customer satisfaction:

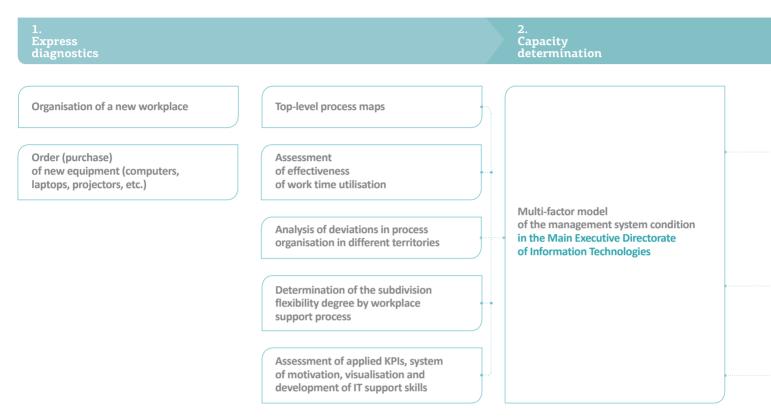
- Demand forecasting;
- Meeting customer expectations;
- Continuous customer feedback.

^{*}LEAN — a management concept based on continuous commitment to eliminating all types of waste. Lean manufacturing necessitates the involvement of each employee in the business optimisation process and prioritising customer focus.

LEAN project in Main Executive Directorate (MED) of Information Technologies

STRATEGY

2013



In order to adjust the behaviour model of employees in the subdivisions included in the LEAN programme in 2013, there was an emphasis on two aspects: informing and training employees, and changing elements of the management system. The standard training plan provides for about 15 topical trainings, with a total duration of 40 hours. During training activities, knowledge and skills of the use of LEAN instruments and LEAN-style leadership are formed.

The implementation of LEAN technology in the Retail Lending Department was completed in 2013. The processes at all stages of the centralised lending process, as well as functional roles, (underwriter, writer and loan inspector) were optimised. 450 full-time employees participated in the

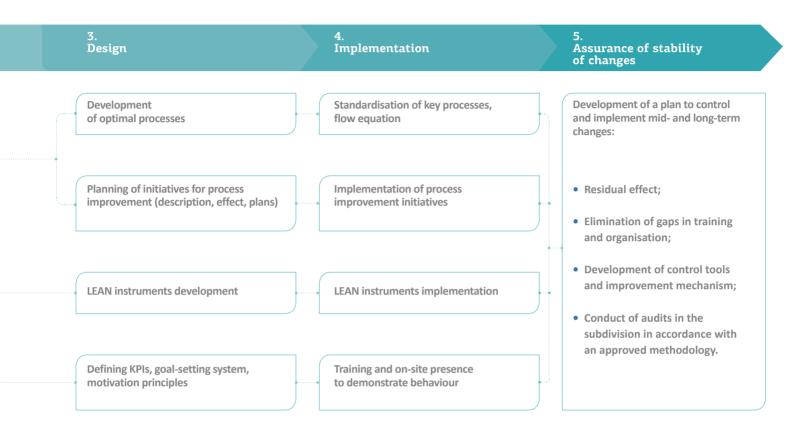
programme, and more than 100 initiatives were developed. Underwriters' productivity rate increased by 70%; writers, by 34%, and loan inspectors by 33%. The key effect for the head of subdivisions was work structuring, which allowed the achievement of results at less cost. The atmosphere in directorates also changed: managers began to think about their own processes and to develop employees while keeping customer profiles and needs in mind.

The Bank's management board made a decision to expand the LEAN project's organisational framework and to implement lean technologies in almost all the Corporation's subdivisions. In May 2013, the project was launched across the regional network of URALSIB Bank. The optimisation

of transaction processes and cash service provision to individuals and legal entities, as well as the cash service provision processes of internal structural subdivisions and the ATM chain of the Bank was considered.

In addition, the LEAN project was launched in the "Operating Centre" department in 2013. 300 full-time employees were trained on lean technologies, including diagnostics, the discovery of potential to increase the efficiency of all key processes and the implementation of LEAN standards instruments. Process monitoring was launched in the Business Support Service, Cash Service and Collection departments and in the Chief Executive Directorate of Information Technologies.





New software complex of customer relationship management

In 2013, a project was launched to implement a new automated software suite at URALSIB Bank to create and manage chains of communications with customers — OCRM (Operational Customer Relationship Management).

The project envisages the achievement of several goals:

- Implementation of operational CRM in order to increase URALSIB Bank retail business sales;
- Re-engineering of contact centre business processes in order to increase the effectiveness of operating activities.

The software suite allows for the unification of the Bank's consulting, selection and design processes and its products and services. The implementation of this system will have a significant impact on the transparency of banking product sales, which will allow us to offer products using both active and passive communications with a retail customer with the same level of efficiency. The system will also allow us to record the data of potential customers and use it to communicate with them in order to convert them into active customers, which increases the effectiveness of attraction.

The new software suite allows us to:

- Consult customers and select optimal banking products and possible combinations of options with other types of financial services, thereby stimulating cross-sales within the Group;
- Document and provide selected products and services in a fast and error-free manner;
- Work with potential and passive customers.

The implementation of OCRM at the Bank guarantees:

 More intense communication, including offers without active preliminary communication using other information channels; A higher level of sales of products and cross products;

STRATEGY

- More efficient questionnaires, reducing costs to a minimum thanks to the synchronisation of existing contact data to use in further communications;
- Recording the data of potential customers for further communication with them;
- Customer outflow reduction and customer loyalty increase thanks to consulting based on a history of past interactions.

Personnel development

The Corporation's HR policy envisages, first and foremost, the creation of a personnel management strategy based on the three key aspects: business development strategy, interests of the organisation and personal development. For FC URALSIB, the most important business priority and criterion for success has always been an involved, highly professional team of employees committed to common values. Much depends on employees' competencies and their belief in results, creativity, and an innovative approach to work, but of the outmost importance are also the motives on which they develop business. For the FC team, honourable behaviour motives are vital. We try to make not just ourselves, but the world around us, better and happier.

This goal was reflected in the key priorities of the personnel development strategy for 2013:

- Developing honourable behaviour motives among Corporation employees;
- Increasing the level of staff involvement;
- Increasing business effectiveness and productivity through standardisation and the implementation of a motivation system;
- Innovation in personnel training and development.

Involved and competent employees create the basis for stable development, which is why an important aspect of the personnel development

strategy was employee retention and increased involvement in the Corporation. This creates a collegial atmosphere among the Corporation's teams, helps develop corporate traditions and aids the implementation of a comprehensive motivation system, including linear, long-term and non-financial motivation.

In 2013, the Corporation developed a new personnel motivation system that takes into account both overall business results and an employee's personal effectiveness. An employee assessment system was created, for which it was necessary to update personnel productivity requirements in terms of 100% functional roles and organise a regular assessment of personnel effectiveness on the basis of meeting productivity requirements, professional testing and customer satisfaction measurement (both internal and external).

To increase personnel effectiveness and increase employees' corporate and managerial competence levels, new approaches to training, professional knowledge development and personal growth are of great importance. The Corporation continuously monitors business goal setting and business assessment, which aids in tracking the practical application of acquired competences.

Based on the corporate model of competences, instruments were developed for key HR processes (selection, assessment, training, development) and key personnel assessment was conducted. This assessment underpins the development of new corporate competences for Corporation employees.

Creating a warm work atmosphere in teams necessitates the development of a system of non-financial motivation and the formation of a favourable social and psychological climate based on the principles of management tutorship. The Corporation has created a pool of tutors and change agents who have sufficient knowledge and competences in the relevant professional area and corporate culture.

Institute of Change Agents

The Institute of Change Agents was created as a means of cascading a unified understanding of the corporate culture of management by values, internal corporate standards of the corporate strategy building, business effectiveness criteria and business process structuring.

The objectives of the Institute are:

- Change management;
- Creation of a unified information space;
- Formation of a unified understanding of standards and approaches to the corporate system of management by values;
- Creation and launch of a system of cascading information and knowledge;
- Formation of a proactive position by Corporation employees.

The Institute is formed by target and topical teams of agents depending on the position occupied, the subdivision, and knowledge translation areas.

In 2013, the Institute had five groups of change agents:

- Shareholder the key agent of influence and transformations, mastermind of the change process:
- Senior managers implement changes and innovative technologies in the activities of their subdivisions, action training;
- Experts employees of the business and functional subdivisions of the Central Office and Remote Central Office and regional directorates;
- Trainers professional trainers and teachers of the Corporate University and regional training centres;
- Employees of HR departments, the Internal Control Service and the Business Support Service



The total number of change agents in all categories in 2013 was 398. The number of training activities conducted by change agents was 1,920.

Training Centre of the Corporate University in Tver

As part of the creation of an Operating Support Centre in Tver, with planned staff of approximately 700, the Corporate University facilitated the rapid adaptation and orientation of all newly hired employees and the appropriate qualification upgrade of existing employees, as well as the modernisation of technologies and business processes.

For this purpose, a training centre was created in Tver. Trainers at the centre instructed employees in the following areas:

- Orientation programme;
- Professional training for all functions of the Operating Centre (11 programmes);
- Training to work in banking systems (103 user guides);
- Management training programmes for managers of the Operating Centre;
- Training on LEAN technologies.

In 2013, 227 employees were trained.

The tutorship system was successfully implemented at the Tver Operating Support Centre in 2013, 45 employees took the "Tutorship" training course and became instructors.

Perfection of Customer Technologies

The development of customer technologies is a complex undertaking, comprising activities for the training and development of employees interacting with the Bank's customers and aimed at achieving high-quality customer service and high sales levels for banking products and services.

The project is based on the following principles:

- Business orientation. The training is built upon particular examples and situations which employees face in their work. Training programmes and courses are aligned with the specifics of business types and functions.
- Integrity. Depending on the goals and objectives of the function or business unit, the training is conducted in different forms: face-to-face, remote, online and using training films. Training programmes include courses and units based on sales and customer service technologies.
 Training subjects are supplemented by new technologies and approaches applied at different stages of the employee's activities and allow them to obtain and upgrade qualifications within the relevant functions.
- Continuity. In each period of employee's work, he/she has to take particular courses and programmes in accordance with his/ her professional level. Employee training and internships are conducted at the workplace by the manager, tutor or business trainer.
- Post training support. Supervision and control by the line manager or tutor, additional minitraining, and remote training contribute to the successful reinforcement of knowledge and skills and their effective application in the workplace.

In 2013, 5,111 Bank employees were trained as part of the Perfection of Customer Technologies project. .



Carried out by change agents



Trained in the
Tver training centre



Trained as part of the Perfection of Customer Technologies project



Ildar Muslimov

Director General Chairman of the Management Board of FC URALSIB

Interviews with Senior Managers



In the past year, URALSIB has focused its attention on social entrepreneurship. What will the first area of emphasis be?

In my opinion, it is very important that employees sense the cohesion of the team, which is achieved when each understands that they are united by the common mission and common vision of the Corporation companies' goals, and that the achievement of these goals will help make our world better. All of our activities, including investments in social projects, are aimed at fulfilling our chosen mission of social entrepreneurship. In 2013, we thoroughly developed areas of social investment along with our strategic partners. In each of the companies that help us implement our charitable and voluntary programmes, portfolios were focused on the Corporation's strategic priority — the development of valuebased social entrepreneurship. Our financial businesses placed an emphasis on the development of socially conscious products.



Does the Corporation intend to expand its charitable activities?

We sponsor valuable large-scale social projects, such as Children's Village Victoria, the All-Russian Academic Competition on Orthodox Culture, "URALSIB Gives Hope: Work — Education - Housing", and "URALSIB for Equal Opportunities". We will continue to support these projects, inviting the participation of our customers and partners. For us, these charitable projects are an integral part of social entrepreneurship.

What areas will help you to follow the chosen strategy of social entrepreneurship?

We plan to focus on the following important aspects of our activities:

- Development of a corporate culture of management by values:
- Development of investment programmes taking into account social effects and investment return mechanisms;
- Achievement of a high level of employee involvement through the implementation of motive management programmes;
- Work to satisfy the requests and expectations of stakeholders — shareholders, investors, founders, employees, customers, and donors — all those who make it possible for us to deliver our mission.

What are the prospects for social entrepreneurship in Russia?

For the last few years, the state has been focusing on social entrepreneurship development. It will become an area of widespread development in the country in the near future. However at the moment, the share of private business in Russia helping to resolve social issues is only 1%, while this figure is 50% in France, 50% in USA and 93% in Germany. Partly, this is due to the fact that in Russia, there is still no legal definition of social entrepreneurship.

We are at the very beginning of the path. But global trends show that socially oriented business is now more innovative, more active and developing rapidly. It makes it more attractive for investment, with a shorter payback period. By contributing to the development of social entrepreneurship in Russia, URALISIB is investing in sustainable development for society, creating a reliable platform for successful business of the financial sector in general and the Corporation in particular. This strategy helps us find the solutions the society needs and fulfill our mission.



STRATEGY

The bank has been carrying out organisational transformation for almost two years now. What results have been achieved through the operational efficiency increase programme?

Because we have faced increased macroeconomic risk, we aim to invest in the development of strategic areas as rationally as possible. The key objective is to exclude non-profile investments and optimise costs through centralisation of support and business support services. "Cascade", our strategic programme for the optimisation of operating costs, was launched to fulfill these objectives in February 2012, and has already contributed to the modification of business processes and business support processes, a reduction of costs and increased business effectiveness. The majority of customer service in the regional network is conducted through the Tver Operating Centre, and by the end of 2014, all branch networks of URALSIB will have centralised support. Overall banking support for business will be located at another centre in Ufa.

Over the past few years, our business vocabulary has become richer. One of the new terms is LEAN, or "lean" technologies. What is the appeal of this technology?

Lean technologies are already used by companies such as Sberbank, MTS, Severstal, and RUSAL. Lean manufacturing technologies allow us not only to increase productivity, but also to make important steps towards expansion of the line of innovative products and services, using less resources, space, equipment, labour and time.

Does this approach involve employees in the optimisation process?

Any implementation of lean manufacturing principles starts with employee training. This is why we will continue concentrate on professional training and emp; oyee development of employees — creating new programmes and modifying the existing ones. The Bank management sees its employees as the main capital and key value of the Company. From the perspective of personnel management strategy, our priority is to foster greater employee involvement (career planning, a transparent and effective motivation system, open dialogue between management and employees on the bank's development strategy, development prospects, and current situation). Programmes for the social protection of employees will also continue. URALSIB depends on the skills of highly effective personnel, which is why we will keep developing our goal setting and activity assessment system.

URALSIB Bank is currently working on a new development strategy. Which areas the Bank will focus on, in accordance with the latest goals?

Our key objective is to increase profits through greater effectiveness and productivity, while maintaining economically reasonable business growth rates. Over the next few years, we aim to become one of the leading Russian private retail banks in terms of profitability and efficiency, to form a role model brand associated with reliability, quality, success and innovation, and become

one of the best employers in the Russian financial sector. Increased efficiency will allow the Bank to reduce its total expenses to less than RUB 17.5 billion by 2015 and take a leading position by efficiency – even matching the efficiency levels of European banks, based on these indicators.

In the corporate banking business, the focus should be on servicing medium-sized business, especially in the regions. Retail business is our driving force, which should be developed by implementing new technologies. For this reason, it is important to establish an effective and multichannel interaction with customers, including through the development of e-business, by proactively offering financial services to customers based on our understanding of their needs. We need to adjust our banking sales channels and establish offices in order to proactively offer customers access to all the products and services of FC operating companies.



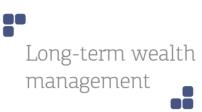
Overall, increased efficiency will enable the Bank to reduce its total expenses to less than RUB 17.5 billion by 2015 and take a leading position by efficiency.



Airat Gaskarov

Deputy Chairman of the Management Board of URALSIB Bank





Rebranding Private Bank was a bold and responsible step. How would you describe the Company's new market position?

This year we switched from the "Exclusive Service" concept to one of "First Russian Private Bank in an International Format". It resulted in the change of the Bank's name from URALSIB | Bank 121 to URALSIB | Private Bank, as well as a change of its logo, slogan and corporate identity. We must move with the times. One of the precursors for these changes was the shift in generations of owners of large capital in Russia and, hence, the formation of a new target clientele for private banking.

Olga Degtyareva

Chief Executive Officer of URALSIB | Private Bank



At URALSIB | Private Bank, we define the new generation of capital owners as "analysts". They are the owners of large businesses and senior managers who are not inclined to do anything on trust; who have high expectations for results and service levels. We saw for ourselves, first-hand, that it is impossible to retain these customers solely with attractive deposit rates. They need more: freedom in decision-making, a strategic view on investments, and global portfolio diversification.

Which strategies does URALSIB | Private Bank consider the most promising?

For the past five years, the most requested service has been a classic bank deposit. This is mainly due to the beneficial deposit rates that private banks in Russia offer in comparison to Western banks.

Moreover, the former generation of capital owners have mostly strived to keep their capital. Those customers, certainly, were interested in the options of keeping and increasing their capital, but they were also ready to discuss investment ideas — as the government bonds of developed countries, and structured notes with capital protection — that allowed them to build income without increasing their portfolio risk level.

The new generation owners are usually ready to accept a larger degree of risk in investing — and we are ready to offer both balanced and aggressive strategies. Within these

strategies, we offer a wide range of investment instruments, allowing us to balance the customer's portfolio to the maximum extent possible (diversification by currencies, asset classes, countries) and to achieve the desired level of return.

What are the top priority objectives of URALSIB | Private Bank?

We have only one priority — the long-term management of our customers' wealth. We believe that this is the essence of private banking: to keep and to increase capital. Only if we become a partner in achieving the long-term goals and objectives of the customer and their family will we be able to successfully manage family capital. In my opinion, this approach will define the Russian private banking agenda for the next few years.



On the Principles of Partnership

STRATEGY



"Volatility" has been the stock market's key term for a while now. Which investment strategies are in the highest demand today?

In the immediate future, the driving force of the Russian stock market and the source of long-term finance for the economy will be institutional investors. According to Minister of Finance Anton Siluanov, the volume of internal sources of "long" money in the RF - the assets of pension funds and insurance companies — is about 5.5% of GDP. In the past few years, pension assets have also played a dynamic role in the trust management market, in which management companies focus on their work with pension funds.

Does URALSIB | Asset Management develop in accordance with this trend?

Our work with institutional investors is one of the strategically important areas of activity of URALSIB | Asset Management . Today, the volume of assets of institutional and corporate customers of URALSIB AM is approximately USD 1 billion. Among the Company's customers are 14 of the largest non-state pension funds, the Pension Fund of Russia (PFR), five insurance companies, five self-regulated organisations (SROs) and a number of corporate customers. In past years, customers have also included the Fund for the Support of Reformation of Housing and Utility Complex, the Deposit Insurance Agency (DIA) and Rosvoenipoteka. The share of institutional business in the structure of the

Company's assets is 74% and its 2013 revenue was RUB 132 million. URALSIB is the key market player in the institutional segment of the Russian asset management market: we are the third by the amount of pension savings of the Pension Fund of Russia.

Along with the stock market, this business has been through a series of ups and downs. What helps URALSIB to avoid substantial losses?

Our attitude towards our customers has remained unchanged over all these years: it is built upon the principles of partnership, openness and flexibility in servicing. Among the Company's advantages that are highly appreciated by institutional organisations are our high level of automation in the investment process and risk management and the effectiveness and accuracy of our back office work.

But the very base of stability is, of course, our team of professionals. Our account managers have a huge level of responsibility. Every day in their work, they have to display the qualities of both a lobbyist and regulator. Working together with portfolio managers, they select optimal investment instruments and find new financial solutions. In particular, in the post-crisis years, URALSIB AM has expanded the line of conservative strategies for the benefit of its customers. Each new situation requires new solutions: at the moment, we are preparing to launch option strategies and global portfolios that will enable customers to contribute to the growth of selected market assets.

CORPORATE GOVERNANCE EVENTS AND AWARDS APPENDICE

How ambitious are URALSIB AM's objectives?

The Russian asset management market is entering a new phase of development, and management companies are looking for new growth points. The management of URALSIB AM has set very ambitious objectives for its institutional business for the next five years; most notably, to become a "benchmark" for other market players. The company's intention is to reinforce its position in the top five companies managing pension assets and, at the same time, to become a leading player in the segments of reserve management for insurance companies and target capital funds.

74%

The share of institutional business in the structure of the Company's assets



Yuri Belonoschenko
Director General of URALSIB AM



Professionalism and responsibility are the fundamentals of sustainable development

The pension fund you head is one of the most efficient funds in the market. How do you manage to maintain these positions?

In 2013, the Expert RA rating agency increased the reliability rating of URALSIB | NPF to A+ level, with a stable outlook. Among other factors, the rating was positively affected by our conservative investment policy, a high level of return on pension funds, a high level of information transparency and a high level of strategic planning, which, has been the most important factor.

Elena Kremenetskaya

President of Non-State Pension Fund URALSIB



Which events of 2013 were the most significant?

In 2013, a number of legislative changes significantly affecting the development of the pension market in Russia were adopted. For example, limitations were introduced to the period for choosing an NPF that will manage the accumulated portion of pension. I hope this measure will become an additional motivating factor for people who are still thinking about how best to secure their future savings. Today, we speak not only of the advantages of NPF and PFR. An individual must decide whether he or she will use their right to the accumulated portion of the pension or refuse it and make up his or her future pension solely from insurance contributions. It means a choice has to be made between a distribution system where pensions are derived from the payments of working individuals and an accumulated system where pensions come from our own savings deposited in a personal pension account. If we remain in the distribution system, we become more dependent on the country's demographic and economic situation.

How do you assess the prospects of non-state pension savings management?

I don't see any insurmountable obstacles in the development of non-state pension funds. The state introduced requirements for the corporatisation of funds and new guarantees for the rights of insured individuals. This will increase the openness and transparency of NPF activities and will ultimately lead to an increase in the population's trust of the savings system in general. The changes in the NPF corporate governance system have a positive effect on the reinforcement of the entire pension sector — joint-stock pension funds are more attractive for investors, in contrast to non-profit NPFs.

There are many innovations, and they all are aimed at developing the pension system and the opportunity for every person to have a decent pension. NPFs play a significant part in the system. For the state, these "long" pension funds accumulated in NPFs are the blood in the body of the financial market flowing to the country's economy.

What is URALSIB | NPF going to focus on in 2014?

Firstly, the Fund plans to undergo all necessary procedures for corporatisation and will be one of the first funds to guarantee the rights of insured individuals. A number of organisational and legal actions are required before we reach this goal, and there is a lot of work to do. Technically, the corporatisation process is quite complex. However, it will not affect the Fund's key pension activities. We will continue our rapid development and intend to focus on increasing the quality of services provided to our customers.



The strategy of reasonable optimism



In early 2013, URALSIB | Capital followed an investment strategy called "In Search for Growth". Did the forecasts hold true?

STRATEGY

The investment strategy adopted in 2013 was quite successful. Despite a general reduction in market size and a decrease in both the number of investors and the funds managed by them, our objectives relating to the promotion of services, the attraction of debt capital and trading debt instruments were mostly met. The strategic development principle was selected accurately so that the market volatility growth and increased competition between its participants affected the company development less than had been expected.

What results were achieved in such a complex market?

We have completed several major indicative transactions. Having the correct emphasis and strict control over expenses allowed us to overshoot our target performance indicators by more than 20%.

Since 2013, our online trading customers have had access to the currency section of the Moscow Stock Exchange and are among the leaders by volume of customer transactions. They also have access to Western trading platforms (NYSE, LSE, NASDAQ, XETRA, etc.). Even in the face of constant global change, the company ensured reliability of its customers' trading transactions.

What, in your opinion, should URALSIB | Capital focus on to be effective?

The company's effectiveness in this challenging market situation depends on a whole range of factors, with the key factors being the development of traditionally strong aspects of business and a search for new solutions. The debt instruments market and our online trading system remain the top priority development areas. Based on rapidly changing market conditions and customer needs, we continuously adapt our business focus to the current situation. It is important to note that cost reduction has become one of the key factors in achieving the financial goals of URALSIB | Capital, which contributes to increasing business profitability overall.

What development strategy will the company follow?

The practical implementation of synergy within all Bank businesses will become an important development area in 2014. We plan to introduce online trading products in key regions across the country, using the Bank's wide network: Bashkiria, Southern Federal District, Khanty-Mansiisk autonneomous district, and million-plus cities (primarily, Ekaterinburg and St. Petersburg).

Success in the online trading market is determined, first of all, by the financial literacy of our customers, so the work aimed at increasing it is a top priority for us. Significant



Correct emphasis and strict control over expenses allowed for overachievement in target performance indicators

attention must also be paid to the development of our customers' work skills in the stock market with existing products, which we can address through special webinars. Despite the constantly changing market situation, one of our areas of development focus will also be around complex products offered to customers who prefer high-quality broker services with a personal account manager, entailing the development of a personal strategy and the optimisation of investment opportunities.

What are your forecasts for the near future?

The Russian stock market will, most likely, remain under the influence of negative factors relating to both general prospects for the Russian economy and continuing capital outflow from Russia. Under these conditions, our attention will be focused on a narrow market segment — oil and gas companies and companies related with final consumption whose cash flows are less influenced by the slowdown of the economic growth; promising a reasonable dividend yield to investors. The limited prospects of the stock market overlap with considerably decreased rates of rerun in the debt market. That is why one should not expect high income from the Russian financial markets in the near future.



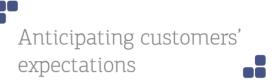
Mark Temkin
Chief Executive Officer

of URALSIB | Capital



Oleg Litovkin

Director General of URALSIB | Leasing company LC



What were the most important 2013 events for your Company?

2013 was not bad for us: there was no serious downfall in the leasing market. At the same time, the large transaction sector has been through a difficult time, because it is linked to government transactions in investment projects and traditionally depends on the policy of state-owned banks.

Will the tendency towards an increase in the number of large transactions continue in 2014?

It is more than likely that development of this segment will depend on state support programmes for certain companies in the form of the purchase of equipment, aircraft, rail cars, ships and other property. If there is enough money in the budget, or sufficient lobbying for the realisation of these programmes, large transactions will remain at the 2013 level. Failing that, we will see a considerable decrease in the number of large transactions in the most significant industries.





And what is the top priority for URALSIB Leasing company LC?

Our company is more interested in the small and medium business segment. I believe that market growth, even at insignificant levels, will happen due to small and medium transactions. Currently, the small and medium business share in leasing is 30-35%, and this segment has prospects for growth, if not this year, then the next one. It is becoming more and more difficult to obtain money from a bank over the long term. The number of banks is decreasing — this is less noticeable in Moscow, but quite visible in many regions. Under such conditions, a leasing transaction is most convenient, because it comes from the supplier. I believe that the situation in the banking market will push a certain section of small and medium companies towards leasing transactions.

Is it possible to outline the main trends of leasing development in Russia?

At the moment, we begin with the customer's needs. Soon we will need to get ahead of the customer, anticipating his needs and developing a purchase policy with the supplier in order to have the object to be leased before the customer expresses a demand. In most cases, we must understand and anticipate what will be ordered and work with the supplier to create the relevant purchasing and pricing policies. This is necessary because pricing competition results in decreased profits, so profit becomes possible only on other components of the transaction: the incoming purchase price and additional services. In this way, operational leasing will become widespread.

Is a growth in overdue debt anticipated in 2014?

Once the economy slows down, the settlements under major contracts also slow down — customers try to put their liquidity problems on somebody else's shoulders. In 2014, the issue of payment discipline will be very topical and the ability to quickly settle overdue debt and withdraw the leased object will be very important. These are the key aspects. It is exactly under such conditions that a company's business model is demonstrated and tested.

Are you planning on introducing new products into the Company's product line?

We have two key products. At the moment, we do everything to ensure their reliability. But special attention is paid to one of the products. We have changed the way we assess potential customers: not by industry, but by the company's life cycle stage, and based on this insight, we form our product line. We are interested in a segment of companies incorporated for less than six months and those that have not yet issued their first statements. We believe that only relationships that are built at birth of a company can become long-term relationships.



From common interests to effective customer policy

STRATEGY



Insurance Group URALSIB has been increasing sales and showing net profit for more than two years. Has the company finally overcome the consequences of the crisis?

2013 was one of the most difficult years for the domestic insurance market. The industry responds quite dramatically to any changes in the macroeconomics and banking sector. This year, we saw a repetition of some of the 2008-2009 trends, although their form is somewhat modified. At the same time, our philosophy is to try to look at the world in a positive way and focus not on problems, but on solutions. The key is to remain customer-focused in all of the company's processes and in all that we do – from product creation to sales reorganisation and from agreement support to loss settlement and prolongation. Without that, no further development will be possible and we will not be able to withstand the competition.

We pay great attention to ensuring increased efficiency – for instance, by improve the ratio between the company's revenues from the sale of insurance policies and investments and business-related costs and insurance payouts. To this end, we reduce costs while simultaneously increasing operational efficiency and return on investment. These are the directions in which we are moving.

What solutions and projects led the company to profits?

Over a short period, we have achieved what took other leading companies years to complete. First of all, we centralised our cash flow management, which contributed to an increase in our return on investment and allowed us

to increase control over expenses. We also centralised the processes of HR accounting, the calculation and payment of salaries and wages, marketing expenses, rent, and purchasing. These measures are not always the most popular, but they have clearly resulted in serious savings for the company as a whole. Our future results promise to be even better. Furthermore, the budgeting and reporting processes were elevated to a higher level and tools were implemented to analyse the investment attractiveness of new projects.

You identified customer focus as one of the secrets of success of IG URALSIB. Have there been any changes in this area lately?

As for changes, so that we could be in the place where our customer is, and for our customer to be able to communicate with us in the most convenient way, we introduced a multichannel distribution system — retail, corporate sales, partnership and direct sales. This year, our focus is not only on attracting new customers, but on retaining and develop the existing client base through prolongations, cross-sales and supplementary sales. This is a serious challenge for us. We conduct honest and socially responsible business. This year, just before the International Day for the Protection of Children, we announced the launch of the "Buy a Policy and Help Children!" project. By the end of October, our company has sold 57,000 policies linked to the project. 100 rubles from each policy were transferred to Charitable Foundation Victoria for construction of a children's village in the Krasnodar region — an innovative solution for the

CORPORATE GOVERNANCE EVENTS AND AWARDS APPENDICE

provision of home-like conditions for orphans. As a result, we collected over RUB 5.7 million. This project is designed to ensure that the dream of hundreds of Russian orphans— to find a family—comes true.

What are your forecasts for the coming year?

This year was significant for IG URALSIB — we celebrated the Company's 20th anniversary, reinforced our market positions, having climbed in various rankings, and received an award "For Efficiency Growth and Development Dynamics". As part of a large financial corporation, we should take into account a possible synergy effect. We have the largest sales network in the market — 69 branches, 250 cities and towns, 400 points of sale and 5,000 agents. On this basis, we and our partners can make more if we sell long-term insurance policies, mandatory medical insurance (MMI) policies (thankfully, people can now can choose their MMI provider) and banking credit products, as well as leasing and factoring for corporate customers. This is envisaged in the sales plans and supported by relevant motivation. And we already have the result a lion's share of payments to our customers are made to URALSIB bank cards, while thousands of banking products and dozens of complex financial solutions were sold.





We have the largest sales network in the market

Sirma Gotovats

Director General, Chairman of the Management Board of Insurance Company URALSIB







These Consolidated Financial Statements were prepared for the Group Financial Corporation URALSIB, comprising OJSC Financial Corporation URALSIB and its subsidiaries and dependent companies in accordance with the International Financial Reporting Standards (hereinafter the "IFRS"). Independent auditor: CJSC KPMG. Meetings with analysts on financial performance were conducted on a regular basis within the framework of IFRS/RAS requirements in accordance with the approved reporting procedure.

Key Financial Indicators

The consolidated financial statements were prepared on an 'at cost' basis, which excludes buildings, trading assets and liabilities, assets and liabilities categorised as recognised at fair value, the changes of which are reflected in the period's profit and loss, securities available for sale, derivative

financial instruments and investment property recognised at fair value. The Russian ruble is the reporting currency of the Group. Each Group member identifies its own functional currency and the company's Financial Statements indicators are calculated in the aforementioned currency.

2012

Consolidated Statement of Financial Position as of 31 December 2013

	2012	2013
Assets		
Cash and its equivalents	82,380	59,220
Mandatory reserves in the Bank of Russia	4,965	2,920
Funds in credit institutions	7,851	2,269
Trading securities	9,911	4,438
Securities available for sale	35,457	40,376
Securities held to maturity	122	45
Derivative financial assets	160	88
Trade receivables	2,152	2,617
Loans provided to customers	254,170	230,794
Net investments in financial leasing	17,048	16,454
Investments in associates	2,076	943
Investment property	22,334	19,679
Fixed assets	15,008	16,036
Goodwill and intangible assets	7,020	7,384
Other assets	11,334	11,536
Total assets	471,988	414,799

Liabilities Funds of credit institutions Settlements with brokers and investment companies Derivative financial liabilities Trade portfolio liabilities Customers' funds Promissory notes issued Other borrowings Other liabilities Total liabilities Equity	F0 770	
Settlements with brokers and investment companies Derivative financial liabilities Trade portfolio liabilities Customers' funds Promissory notes issued Other borrowings Other liabilities Total liabilities	FO 770	
Settlements with brokers and investment companies Derivative financial liabilities Trade portfolio liabilities Customers' funds Promissory notes issued Other borrowings Other liabilities Total liabilities	59,739	52,657
Derivative financial liabilities Trade portfolio liabilities Customers' funds Promissory notes issued Other borrowings Other liabilities Total liabilities		
Trade portfolio liabilities Customers' funds Promissory notes issued Other borrowings Other liabilities Total liabilities	153	71
Customers' funds Promissory notes issued Other borrowings Other liabilities Total liabilities	2.754	535
Promissory notes issued Other borrowings Other liabilities Total liabilities		
Other liabilities Total liabilities		
Total liabilities	40,529	37,786
Total liabilities	5,009	6,120
Fauity	417,572	362,534
Equity		
Authorised capital	1,146	1,146
Share premium	24,485	24,301
Available for sale securities revaluation reserve	140	-13
Building revaluation fund	5,568	5,752
Foreign currency revaluation fund		
Undistributed profit	22,498	21,412
Total equity attributable to parent company shareholders		
Share of non-controlling shareholders	2,024	
Total equity	54,416	52,265
Total equity and reserves	471,988	



Equity

52,265 RUB million

Assets

414,799 RUB millio

Loans to customers

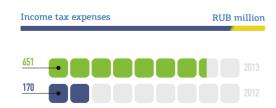
230,794 RUB million

Customers' funds

258,615 RUB million

Consolidated Income Statement for the Year ending 31 December 2013	RUE	million
	2012	2013
Total loss for the year	-4,251	-562
Attributable to:		
Parent company shareholders	-4,177	-519
Non-controlling shareholders	-74	-43

Goodwill and intangible assets	R	UB million
	2012	2013
Goodwill	4,737	4,737
Software and licences	2,283	2,647
Goodwill and intangible assets	7,020	7,384





Consolidated Statement of Changes in Equity for the year ending 31 December								RUB 1	million
	Authorised capital	Share premium	Available for sale securities revaluation reserve	Building revaluation fund	Foreign currency revaluation fund	Undistributed profit	Total equity attributable to parent company shareholders	Share of non- controlling shareholders	Total equity
As of 1 January 2013	1,146	24,485	140	5,568	-1,445	22,498	52,392	2,024	54,41
Total loss					•				
Loss for the year	-	-	=	-	-	-281	-281	-45	-32
Other total income									
Items that are reclassified and can be reclassified to profit or loss									
Net change in fair value of securities available for sale, less deferred tax of RUB 15	-	-	-59	-	-	-	-59	-2	-6
Net change in fair value of securities available for sale, carried to income statement, less deferred tax of RUB 24	-	-	-94	_	-	-	-94	-3	-9'
Foreign currency revaluation fund	-	-	-	-	-273	-	-273	4	-26
Total items that are reclassified and can be reclassified to profit or loss	-	-	-153	-	-273	-	-426	-1	-42
Items that cannot be reclassified to profit or loss					•	-			***************************************
Transfer of building revaluation reserve due to retirement of the buildings, less deferred tax of RUB 1	-	-	-	-4	-	4	-	-	
Buildings revaluation less deferred tax of RUB 48	-	-	-	188	-	-	188	3	19
Total items that cannot be reclassified to profit or loss	-	-	-	184	-	4	188	3	19:
Total other loss	-	-	-153	184	-273	4	-238	2	-230
Total loss	-	-	-153	184	-273	-277	-519	-43	-562
Charitable payments on behalf of the shareholder	-	-	-	-	-	-479	-479	-	-47
Change in the share of non-controlling shareholders n subsidiaries	-	-	-	-	-	195	195	-581	-38
Other payments to shareholders, less deferred tax of RUB 50	-	-184	-	-	-	-	-184	-	-184
Dividends paid	-	-	-	-	-	-525	-525	-15	-54
As of December 31, 2013	1,146	24,301	-13	5,752	-1,718	21,412	50,880	1,385	52,265

Loan portfolio structure by creditor class

)

Customers' funds structure by category

%







Loans provided to customers by loan class	RUE	3 million
	2012	2013
Loans to individuals:		
Mortgage lending	42,175	45,102
Consumer lending	28,612	
Car lending	22,961	28,877
Credit cards	6,789	10,586
Other loans to individuals	6,098	4,047
Loans to corporate customers	161,065	111,752
Loans to small business	12,612	12,765
Loans to customers before provision for impairment	280,312	255,795
Less provision for impairment	-26,142	-25,001
Total loans to customers	254,170	230,794

Loans provided to customers by economic sector	R	UB million
	2012	2013
	106,635	131,278
Trading companies	76,558	54,165
Construction and transactions with real estate	27,018	19,241
Financial services (excluding credit institutions)	8,480	8,860
Industrial production	11,668	8,310
Food industry	10,916	7,656
Gold mining industry	6,199	5,682
Metallurgy	5,771	5,246
Transport	5,558	3,651
Forest industry	2,138	1,780
Services	1,880	1,691
Oil and gas industry	5,517	1,547
Machine building	1,564	1,316
Agriculture	1,654	958
Chemical industry	1,295	404
Consumer goods manufacturing	479	382
Telecommunications	108	85
Energy sector	1,260	80
Other	5,614	3,463
Loans to customers before provision for impairment	280,312	255,795

Customers' funds	RUI	RUB million			
	2012	2013			
Term deposits	186,266	- ,-			
Term deposits of legal entities	69,458	41,624			
Term deposits of individuals	116,808	115,273			
Current accounts	110,366	101,718			
Current accounts of legal entities	71,391	63,553			
Current accounts of individuals	38,975	38,165			
Customers' funds	296,632	258,615			

Customers' funds by category	RUE	3 million
	2012	2013
Private companies	128,095	103,573
Individuals	151,042	149,125
Employees	4,741	4,313
Government and budgetary organisations	12,754	1,604
Customers' funds	296,632	258,615

Customers' funds by economic sector	RU	UB million	
	2012	2013	
Individuals	155,783	153,438	
Trade and food industry	32,475	22,815	
Construction	18,829	19,016	
Investment and financial activity	28,733	18,616	
Services	16,775	17,281	
Industrial production	11,877	9,831	
Transport and communication	4,555	4,183	
Chemical industry	1,273	1,770	
State structures	12,754	1,604	
Energy sector	1,279	790	
Other	12,299	9,271	
Customers' funds	296,632	258,615	

Financial Analysis by Business Segment

Group management defined and recorded the operational segments of the Group on the basis of the composition of reports regularly analysed by management in the course of strategic decision-making.

All operational segments of the Group gain revenues — in the form of different financial income — from sources located mainly in the territory of the Russian Federation. Because of a relatively similar business environment within the country, Group management gives special priority to managerial business analysis by product line but not by geographic area of business conduct. All types of Group business broken down into operational segments are developed in the analysis of activities of reporting segments.

Segment analysis is regularly submitted to the management for review as a part of management reports. It is used to evaluate the efficiency of segment activities and making decisions on the distribution of resources. In accordance with the management accounting methodology, capital is distributed to the segment "Corporate Investments and Other Transactions".

Changes in the accounting policy for segment reporting

In 2013, the Group reviewed its approach to the recognition of assets and liabilities, income and expense attributable to small businesses and reclassified these articles from the segment "Retail Banking Sector" to a new segment, "Small Business". The presented comparative data as of 31 December 2012 and for the year ending on this date were adjusted with regard to these changes.

Business segment analysis											RUE	3 million
		Assets			Liabilities		Pro	ofit for the ye	ear		Revenue	
	2012	2013	△,%	2012	2013	△,%	2012	2013	∆,%	2012	2013	△,%
Corporate banking transactions	133,611	90,158	-32.52	106,854	60,500	-43.38	506	3,487	589.13	14,972	13,130	-12.30
Retail banking transactions	102,477	127,794	24.71	151,554	150,836	-0.47	5,323	5,960	11.97	19,642	26,428	34.55
Small business	11,971	12,136	1.38	34,831	44,603	28.06	3,228	4,040	25.15	3,762	4,652	23.66
Leasing transactions	31,829	31,436	-1.23	30,679	31,281	1.96	-1,495	-1,213	-18.86	4,726,	3,729	-21.10
Investment and banking activities	35,914	39,171	9.07	19,524	24,807	27.06	-241	2,063	-956.02	2,960	3,226	8.99
Private banking activities and asset management	2,970	2,617	-,1189	18,932	16,354	-13.62	571	173	-69.70	1,422	1,106	-22.22
Treasury and resource management transactions	97,067	58,176	-40.07	41,579	20,797	-49.98	800	1,206	50.75	2,008	1,063	-47.06
Corporate investments and other transactions	74,756	68,720	-8.07	34,481	30,754	-10.81	1980	-2,033	-202.68	1,205	544	-54.85
Corporate centre	8,913	8,944	0.35	526	446	-15.21	-13,640	-13,345	-2.16	-,	-	•
Insurance	1,140	1,431	25.53	659	1,173	78.00	295	208	-29.49	76	106	39.47
Transactions between segments	-8,536	-5,591	-34.50	-8,540	-5,582	-34.64	2	-10	-600.00	260	-191	-173.46
Total	492,112	434,992	-11,61	431,079	375,969	-12.78	-3,671	536	- 114.60	50,513	53,833	6.57



Business activity segments:



Full range of banking services provided to large and medium customers, including provision of loans, attraction of deposits, cash and settlement transactions, export financing and transactions with precious metals



Full range of banking services provided to individuals, including attraction of deposits, provision of loans, money transfers, foreign exchange transactions, issue and servicing of banking cards



Full range of banking services provided to individual entrepreneurs and small companies, including provision of loans, cash and settlement transactions, attraction of deposits



Leasing transactions performed by LG



Performing transactions on primary and secondary markets of equity instruments and borrowed funds, provision of broker services and trading transactions with securities, including repo transactions and transactions with derivatives



Full range of banking services for customers with high income, including savings management and financial consulting, trust management, attraction of funds of large corporate and private customers by forming private and collective investment schemes, including open-ended and closed-ended unit investment funds offered to customers through regional network of the Group

Treasure transactions and resource management transactions Treasury lending and borrowing in the money market, offering Group funding by issuing debt securities, attraction of syndicated loans and carrying out transactions with foreign currency. Moreover, this segment is responsible for maintaining an optimal position of Group liquidity by conducting transactions with market securities. This segment is also responsible for accumulating and further redistribution of all resources attracted by other segments.



Corporate transactions not conducted by and not attributable to other business segments. This segment is responsible for transactions with related parties of the Group and certain transactions with securities. This segment handles Group capital.



This segment includes expenses of centralised services of the Group, expenses of the headquarters and indirect overhead expenses, such as brand (trademark) advertising, which are common for all reporting segments. This segment also conducts transactions not related to the key business activity of the Group, for example, management of the Group's own administrative real properties.



A range of insurance services including life insurance, pension insurance, accident insurance and medical insurance.

Volume of State Support Received by FC URALSIB



In 2013, the Bank continued its policy of reduced usage of state funds in its current financial activities.

Loans received from the Bank of Russia under Regulation No.312-P are used by the Bank to diversify its sources of medium-term attractions portfolio. Direct repo transactions enable the Bank to receive additional arbitrage income in the interbank market. The volume of such transactions decreased in accordance with the structure of this market.

Volume of funds received from government institutions

31.76%

264.52 RUB million

Funds received from government institutions			RUB million
	2011	2012	2013
Secured loans received in the manner and on the conditions provided by Regulation of the Bank of Russia No.312-P	6.00	6.00	10.00
Funds of federal budget on bank deposits in accordance with Resolution of the Government of the RF dated March 29, 2008 No.227	24.09	0.00	200.00
Maximum amount of borrowed funds	13.09	0.00	200.00
Direct repo transactions	262.80	381.13	254.33
Maximum amount of borrowed funds	10.12	0.86	8.90
Total	292.90	387.13 + 32.2%	264.52

Capital management

The key goals of capital management are:

- Adherence to capital requirements as set by the Russian Central Bank and Russian Law;
- Maintenance of the Group's ability to operate as a continuously functioning enterprise earning profit for shareholders and generating benefits for other stakeholders;
- Provision of capital adequacy for continued business expansion and development.

As OJSC URALSIB Bank is the largest company of the Group, the capital management procedures adopted by the Bank and its subsidiaries define the entire Group's capital management.

Capital management of the URALSIB Group of companies also includes:

 Creation of "4th tier liquidity reserves" compiled from contributions for emergency needs in case of liquidity deficit. These reserves are constantly calculated and maintained by the Group Treasury;

• Monitoring of capital requirements as set by the creditors.

As of 31 December 2013, the Group has met all capital requirements.



FINANCIAL CORPORATION

Compliance with requirements for minimum banks' capital

Federal Law dated 2 December 1990 No.395-1 on Banks and Banking Activities and Federal Law dated 10 July 2002 No.86-FZ on the Central Bank of the RF establish the minimum capital of operating banks in the amount of EUR 5 million in ruble equivalent. In the reporting period, the Bank met these requirements.

Compliance with capital adequacy requirements

Group management continuously monitors the adherence to capital adequacy norms in compliance with existing requirements. For banking companies, the Group applies provisions and norms approved by the Bank of Russia. All necessary calculations

regarding capital adequacy are carried out in accordance with the applicable Russian legislation. These calculations are submitted to the Bank of Russia on a monthly basis.

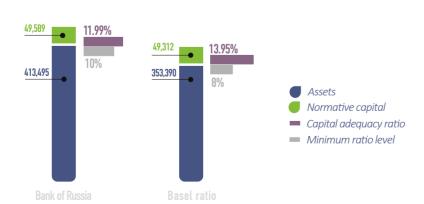
The Bank of Russia requires that every bank should maintain a ration of "common normative capital" (as defined by Russian accounting requirements) versus risk-weighted assets of at least 10%. As of 31 December 2013 and 2012, the Bank's capital adequacy exceeded the minimum level set by the Bank of Russia.

Since 1 April 2013, the Bank has calculated the capital and capital adequacy ratios in accordance with the requirements of the Bank of Russia based on the Basel III provisions. Capital adequacy ratios exceed the minimum level of 8% recommended by the Basel agreement. As of 31 December 2013 and 2012, the Bank had complied with the Basel agreement provisions.

These capital and capital adequacy ratios of the Bank were used by the Bank of Russia in 2013 for information purposes, but not for the purpose of prudential supervision. As of 1 January 2014, the Bank had complied with the minimum level of capital adequacy calculated on the basis of the Bank of Russia's new requirements.

Overall, the Bank's capital management policy is aimed at the dynamic optimisation of its equity size to ensure faster development of the Bank and simultaneous compliance with the capital adequacy ratio in case of unforeseen market or liquidity risks. The capital management policy allows for stable support of the shareholders' long-term development strategy. In comparison with 2012, the capital management policy did not change.

Capital adequacy



In the reporting period, URALSIB Bank complied with the minimum capital requirements of the Bank of Russia





Transferring to a social entrepreneurship model is a long-term goal for all companies of FC URALSIB and its strategic partners from the non-profit sector. For 25 years, URALSIB has created a unique system of network partnership between specialised nonprofit organisations and commercial companies of the Group. Thanks to a consistent policy aimed at increasing quality of life, our effective system of strategic partnership harmoniously combines key elements of the classic social entrepreneurship model: business scale, economic efficiency, social and philanthropic activities, and the honourable motives of both shareholders and employees.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS

ENVIRONMENTAL POL

Entrepreneurship Development Support

"Days of Open Ideas" national campaign for entrepreneurs

According to experts, one of the key problems of developing one's own business is the high cost of funds from credit institutions, which are necessary for entrepreneurs. Moreover, many entrepreneurs are in need of additional education in the field of business conduct, finance management, and HR policy. Since 2011, in order to solve these objectives, FC URALSIB (based on a special research by the Russian Public Opinion Research Centre) has developed and implemented a programme of open seminars for entrepreneurs known as "Days of Open Ideas". The agenda for these seminars includes training on opportunities to develop business for entrepreneurs, increasing awareness of key financial and

banking products, national and regional state support programmes, a special-purpose master classes and an education module.

So far, 14,985 small businesses from 80 cities and towns have taken part in the seminars Of these, 10,189 are new customers. Overall, thanks to the campaign, 2,898 new accounts were opened and 944 loans were provided. This means that every fifth participant in the campaign opened an account with URALSIB Bank and every tenth one received a loan.

As part of "Days of Open Ideas", teleconference bridges for entrepreneurs were organised with the participation of managers from the Ministry of Economic Development of Russia, the Federal Antimonopoly Service of Russia and the Federal Tax Service of Russia. In 2013, for the first time, the event was held in a new format — as a webinar. This drew the attention of both entrepreneurs and mass media. Around 50 questions were received and answered online by Nataliya Larionova, Director of the Department of Small and Medium Business Development and Competition of the Ministry of Economic Development of the Russian Federation.

Creation of conditions for social entrepreneurship development

In 2013, FC URALSIB, in partnership with OPORA Russia and the "Our Future" fund, launched a unique programme of complex social entrepreneurship support in the Russian regions. For the first time in banking, a special-purpose loan product for social entrepreneurs, "Noble Deal", was developed.

The support system for the social entrepreneurship programme includes:

- The special-purpose loan product "Noble Deal":
- Monthly grant payments during the first year;
- A set of training, educational and consulting programmes, including work with an experienced tutor;

- Expert consultation on legal and financial issues;
- Project promotion aid and experience exchange in social media.

In addition, specialised training seminars from the Moscow International Higher Business School (MIRBIS) were organised for social entrepreneurs in the format "Puzzle of Ideas", where representatives from specific groups — entrepreneurs, consultants, financiers, experts and government officials — discussed social projects and jointly developed recommendations for their improvement. An official partner of the programme, OJSC "Rostelecom", provides videoconference rooms for the conduct of training and information events.

Anyone can submit an application for participation in the online version of the programme and become a participant through a competitive selection procedure.

For the entire period of its existence



of which there have been





FINANCIAL CORPORATION

"Noble Deal" loan product for social entrepreneurs

Programme participants qualified in competitive selection can apply for a loan from RUB 100 thousand to RUB 10 million for a period of three months to five years. The interest rate will be lower than the refinancing rate of the Bank of Russia. For example, an interest rate for a loan of up

to RUB 5 million will be 8% (the loan is provided without collateral under surety), and for a loan of over RUB 5 million, 7%. At the same time, participants obtain the right for principal deferral for up to three months and a discount for life and health insurance.



Interest rate for a loan of up to RUB 5 million



Interest rate for a loan of over RUB 5 million

Increasing the financial literacy of the population

One of the Bank's top priorites is its educational activities and the popularisation of financial and economic knowledge.

Since 2011, URALSIB has taken part in the federal project "National Programme for Increasing the Level of Financial Literacy of the RF Population", initiated as a joint project with the Federal Financial Markets Service (hereinafter the "FFMS"). In 2012, URALSIB developed and implemented an independent sub-programme designed to increase the level of financial literacy among children and youth, including disabled and disadvantaged children (such as students of boarding schools and orphanages).

Among the purposes of these activities are:

- The economic and financial education of children and youth and the popularisation of financial and economic knowledge;
- Increasing the financial literacy of entrepreneurs;
- Formation of an active social position and increasing the number of participants in relevant projects and joint volunteer programmes with partners/customers of the Bank.

In 2011-2012, in eight Russian cities, more than 50 business games were conducted, in which approximately 500 children took part with the help of more than 70 trainers and assistants.

This work continued in 2013, with the Corporation not only supporting the key events of its partners, but also undertaking its own project for increasing financial literacy — the business game "World of Successful People". The game is designed to develop an awareness of financial instruments in the market economy, give students an understanding of the significance of education and qualification, and help provide the skills to preparation a personal financial plan. FC URALSIB employees also participate in the organisation and teaching of open financial literacy lessons in schools.

The Bank's work on increasing financial literacy was marked by an honorary diploma from the FFMS "For Significant Contribution to Development of Financial Education in the RF".

In 2011-2012



AROUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS

ENVIRONMENTAL POL

Public-Private Partnership

FC URALSIB consistently implements its strategy of socially responsible business, paying close attention to the interests and problems of society. Alongside government institutions, the public and our partners, we strive to create a society in which a favourable and comfortable social environment will contribute to the successful life of our fellow citizens.

Cooperation with the government is aimed, primarily, at ensuring social and economic development in the regions of the Corporation's presence. In all points of sale and in 53 subjects of the RF, management and experts regularly participate in key activities, work on discussion platforms, and speak at national and regional conferences, forums, and round tables.

A complex approach to cooperation with government authorities and the availability of standard products and procedures promote effective interaction in the implementation of private-public partnership programmes. These projects also involve partners of the Corporation from several non-profit organisations —

Charitable Foundation Victoria, Educational Fund META, Evolution&Philantropy, Moscow International Higher Business School (MIRBIS), and the Kremlin Horse Riding School.



Support of entrepreneurship, small and medium business development

FC URALSIB views small and medium business as a key development segment. The Corporation uses significant effort to develop this sector, to form an appropriate environment and to stimulate entrepreneurship initiatives at both the federal and regional level.

URALSIB implements a whole range of programmes along with regional small business support funds. In particular, joint projects with the funds of the Arkhangelsk, Belgorod,

Bryansk, Vladimir, Vologda, Orel, Smolensk, Ryazan, Tver and Tula regions, Krasnodar krai, the and the Republics of Karelia and Komi have been launched and are being successfully implemented.

URALSIB was one of the first in the market to unify its product line for small and medium business, having created loan product offers aimed at solving typical small business challenges. In addition to loans, the Corporation

offers a wide range of transactional and service products for this segment of the economy.

FC URALSIB employees also actively participate in the working and project groups of government authorities and public organisations designed to support small and medium business development. The Corporation's proposals were used to create the new measures of state support for small and medium business and social entrepreneurship developed by the Russian Government in 2013.

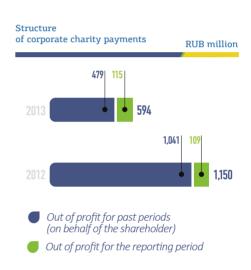
Charitable Activity

FC URALSIB's external social investment management model is based on a common corporate mission and the world's best examples of philanthropism.

The new format of business relations built on the principles of social entrepreneurship enables the Corporation to take into account the interests of its employees, customers and partners and to manage the influence of its activities on all sides of public life. Particular attention is paid to external socially oriented programmes designed to bring systemic changes in society towards the reduction of the social tension.

Traditionally, FC URALSIB concentrates its efforts in the following areas: helping parentless children, reinforcement of the family institute, the promotion of healthy

lifestyles and education. The Corporation's responsible external social policy is based on the targeted free help and formation of a wider public coalition to organise support for those in need. Together with government authorities, the public and its business partners, FC URALSIB does its best to make a favourable and comfortable social environment available to more and more Russian citizens. Relying on the partnership and volunteer initiatives allows us to increase the efficiency of our philanthropic programmes and ultimately, leads to a significant improvement in quality of life in the regions in which the Corporation operates.



Management principles

The planning and monitoring of external socially oriented programmes are within the scope of responsibility of the FC URALSIB Board of Directors. The implementation of social projects is delegated to strategic partners from a number of specialised non-profit organisations.

The project selection procedure is based on the 'open door' model, whereby the Corporation and its partners do not impose time limits to apply for aid.

Project applications are reviewed, approved and implemented throughout the year as they are received. New projects, changes in the intended objectives of previously approved projects and budgets are reviewed as part of routine affairs. All decisions on additional financing, if required, are made at the Corporation's Management Board Meeting. The efficiency of FC URALSIB charitable activity is assessed annually at the stage of preparation of consolidated reports on social activities, and includes the following criteria:

- Quality changes in the life of charity recipients (according to specific project objectives);
- Number of children who received support as a result of charitable projects implementation;
- Number of volunteers who participated in projects;
- Number of regions where charitable activity is conducted;
- Number of charitable and volunteer projects and campaigns.

External social projects management scheme





FINANCIAL CORPORATION

"Healthy Generation" programme

Programme areas

"URALSIB for Equal Opportunities" "URALSIB for a Healthy Generation" "URALSIB Gives Hope: Education-Work-Housing"

"URALSIB to Children"

- Prevention of social orphanhood*, improvement of living conditions for children from foster families and at-risk families, support for the physical, educational and moral development of orphans, and facilitation of their social adaptation, healthy lifestyle and personal development
- Assistance in higher education and profession qualification obtainment for orphans, disabled children, and children from foster and at-risk families

"Corporate Volunteering" programme

Programme areas

"Development of Volunteer Initiatives"

"Projects of Financial Literacy Improvement" *Social orphans are orphans with living parents and social orphanage is a phenomenon of children left without parental care as a result of parental rights deprivation, parental incapability or parental absence.

- Projects with FC URALSIB volunteers' involvement
- Fulfillment of employees' needs in volunteering and personal development

"Creation of Partner Networks" programme

Programme areas

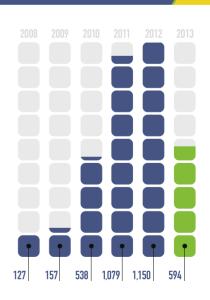


"Development of partner projects with funds/NGOs"

- Financing programmes of strategic partners (Children's Charitable Foundation Victoria, Educational Fund META, Evolution&Philantropy, Moscow International Business School MIRBIS, Kremlin Horse Riding School)
- Involving customers and partners in charitable activity
- Fund-raising, social funds (using financial products and services for involvement of the Bank's customers in charity)

Volume of financing of strategic social investment programmes

RUB million



ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS

ENVIRONMENTAL POLI

"URALSIB for Equal Opportunities" (EF META by the Bank's order)

The "URALSIB for Equal Opportunities" programme, designed to provide consulting and methodical assistance to Russian regional higher and vocational secondary education institutions in ensuring social adaptation for disabled people through affordable inclusive education, has been running since 2007. The programme is implemented by Educational Fund META in seven regions of Russia.

Educational institutions — partners of the programme — were selected by EF META on the basis of an open grant-based tender. The system of regular grants facilitated the consistent performance of project activities on the base of educational institutions with information, consulting and methodical support by EF META.

The goal of the programme:

The social adaptation of disabled people through a continuous education system and the social integration and increased social status of disabled young people through creating conditions for them to receive higher or vocational secondary education and their professional self-realisation.

"URALSIB Gives Hope: Education-Work-Housing" (Children's Charitable Foundation Victoria by the Bank's order)

This complex programme is designed to support the social adaptation and professional orientation of secondary school and university students who are orphans or parentless children.

The programme operates in seven Russian regions: the Vologda, Kaliningrad, Kemerovo, Rostov and Perm regions, the Republic of Barkortostan and St. Petersburg.

The programme participants are Grade 10 and 11 secondary school students from children's institutions and foster families. Children become participants based on the results of a contest. Candidates are selected on the

basis of diagnostics, testing and motivational interview. As part of the programme, secondary school students increase their general level of education, expand their knowledge on primary and additional school subjects, and receive group and individual consultations on professional orientation.

Psychological and pedagogical training and individual psychological sessions are held for students to help young people who have just embarked on independent adult life to adapt in the student community and society. Based on their learning results, students obtain scholarships designed to support and stimulate their learning activities.

The goal of the programme:

increasing the motivation of children of secondary school age and students in a difficult life situation to receive education and qualification, helping them to get a job, socialise, and find hope and confidence in their future life success.

"URALSIB to Children"

Co-branded card "Decent Housing for Children"

URALSIB Bank gives a donation of 0.5% from each purchase made using a "Decent Housing for Children" MasterCard to finance the programme of the same name.

Special deposit "Decent Housing for Children"

URALSIB Bank offers its customers the opportunity to open a "Decent Housing for Children!" ruble deposit account with an interest rate of 8.2% per annum. The Bank will transfer, on the customer's instruction, 0.5% per annum of the deposit amount, taking into account additional contribution, out of the amount of interest payable under the deposit, to finance the programme of the same name.

The collected funds will be used to build the Children's Village Victoria in Armavir, Krasnodar region, in which approximately 70 children will be able to live, and to furnish social apartments where the graduates of children's institutions will obtain basic housekeeping skills.



Development of volunteer initiatives

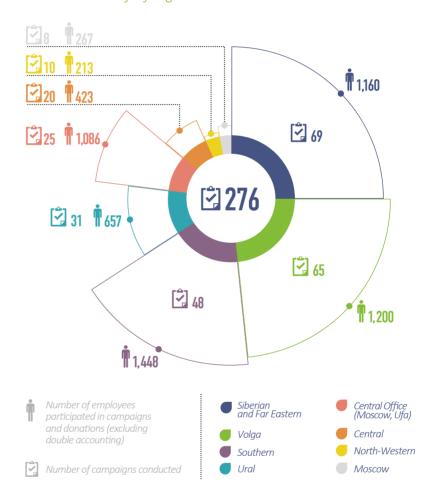
The long-term strategy of the development of charitable programmes is aimed at increasing the quality and efficiency of the Corporation's social investments.

Considerable attention is paid to supporting the honourable motives of employees. One of the traditional forms of charitable activity in the Corporation is the volunteer initiatives of employees. Relying on partnership with specialised non-profit organisations and the volunteer initiatives of employees allows for a substantial increase in the efficiency of the Corporation's philanthropic programmes and ultimately leads to a significant improvement in quality of life in the territory.

Campaign "Daily Wage"

Participants of the campaign voluntary transfer the amount of their daily wage or a part thereof to support the programme for construction of the Children's Village Victoria in Armavir. The campaign is being run by employees of Financial Corporation and its strategic partner companies: National Factoring Company (NFC), Insurance Group URALSIB, Health Recovery Company META, and Charitable Children's Fund Victoria. In 2013, 650 employees participated in six campaigns and collected RUB 1,490,535.

Volunteer activity by regional directorates





Volume of voluntary contributions in 2013

52RF subjects

Regional cover of the programme in 2013

Volume of Corporate Volunteer Activities of FC URALSIB						
	2011	2012	2013			
Total number of volunteers	5,516	5,258	6,454			
Including volunteers participated in on-site campaigns	1,246	2,276	2,013			
Number of initiative implemented	241	372	276			
Number of beneficiaries	69 thousand children	192 organisations	7,5 thousand children 149 organisations			
Regional cover of the programme (number of the RF subjects)	44	49	52			









FC URALSIB's environmental policy is based on the principles of information openness and environmental risk management, including risks relating to investment contracts. Taking into account the specifics of the business and, in particular, its low level of direct negative influence on the environment, the Corporation's Environmental Service monitors a limited number of indicators.

The Corporation's environmental risk management activities are based on the requirements of GOST R ISO 14001 (2007), guidelines for the application of key federal laws regulating the activities of companies in environmental safety, and the federal and regional regulations adopted in accordance with these federal laws.

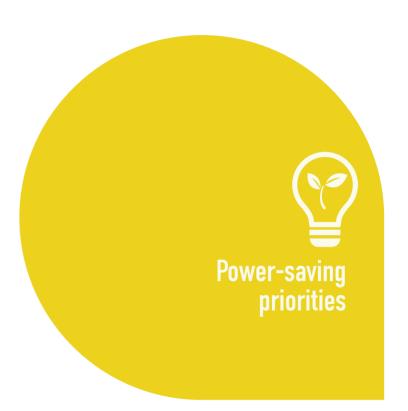
Environmental Risk Management Priorities



To reduce energy consumption, FC URALSIB takes the following actions:

Use of energy efficient equipment,

- including the replacement of gas discharge lamps with modern energy-saving lamps;
- Ongoing control of energy consumption;
 Scheduled and preventive maintenance of power equipment;
- Regular control over adherence to operating rules for electrical installations;
 Use of automatic systems for energy
- consumption regulation.



Maximum allowable emissions of atmospheric pollutants

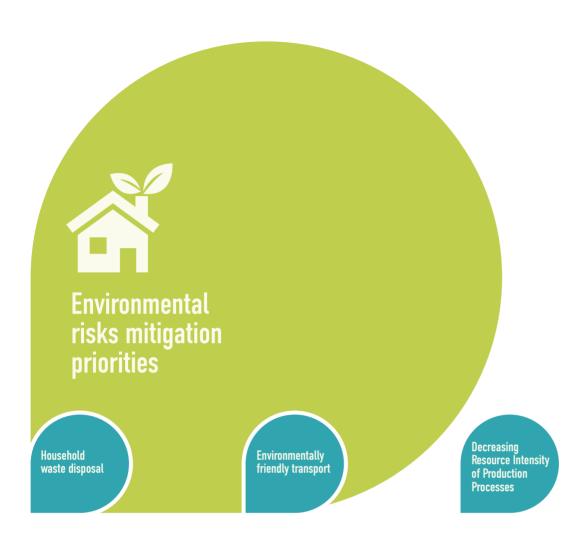
FC URALSIB has developed drafts for the maximum allowable emissions of atmospheric pollutants (MAE), which were updated in 2012 and will remain effective

The drafts are intended to assess the quality and volume of potential emissions. The volumes of pollutants were calculated on the basis of regulatory, scientific and technical literature, as well as the pollution source type. The norms adopted by the Corporation are based on the requirements of the Russian Federal Law "On Protection of the Atmospheric Air", OND-86 Guidelines, Sanitary Norms SN-244 and GOST 17.2.3.02-78.

The URALSIB drafts include no description of specific atmosphere protection measures, as the Corporation is not a production facility, which could considerably harm the environment.







The main bulk of waste generated by activities of the Financial Corporation is low-toxic and relates to minimal hazardous type. Waste for disposal is transferred to specialised external contractors. The contract for waste removal and disposal is signed on the basis of open tender results. Compulsory conditions of the tender include the contractor's use of environmentally friendly materials and the availability of a relevant licence, as well as landfills in which to dump solid household waste (SHW).

The Corporation's transport remains its main potential source of environmental pollution. To decrease its negative environmental impact, the Corporation has implemented the following:

- Priority is given to purchasing transportation vehicles equipped with high-class power units (at least Euro-3);
- Diagnostics and maintenance of systems that support the operation of transportation vehicles' power units are carried out regularly;
 The amount of fuel consumed by
- The amount of fuel consumed by transportation vehicles is continuously monitored;
- Monthly limits are optimised and motor transport use is rationalised to reduce fuel consumption;
- The Corporation's motor transport is fuelled at automatic fuelling stations to prevent fuel spillage and environment pollution:
- environment pollution;
 100% of exhaust oil, automobile batteries and tires are transferred for recycling.

The Corporation uses a unified electronic document flow system, which allows ofr reducing the resource intensity of internal processes, including paper consumption and courier delivery volume. The operations resource intensity is also reduced due to the implementation of a unified IT platform based on the Finance system. To facilitate energy saving, the main office buildings (Moscow and Ufa Central Offices) are equipped with automatic systems that provide for the operation of engineering equipment (lighting, ventilation, air conditioning and heat supply) under a specifically

adapted time schedule.

Environmental Performance Indicators

Environmental safety costs			RUB thousand
Indicator	2012	2013	△,%
Personnel training	32.5	50.00	53.8%
Payments to external contractors engaged in disposal/neutralisation of waste that is unsuitable for burial	477.9		-14.0%
Payments to carriers engaged in transportation of solid household waste to landfills	2,173.7	2,398.44	10.3%
Payments to federal budget for atmospheric emissions	12.6	4.003	-68.2%*
Payments to federal budget for the use of landfills for solid household waste	596.5	785.7	31.7%
Total	3,293.20	3,648.91	10.80%

^{+10.8%}

Environmental safety costs

Resources consumption				
Indicator	2012	2013	Measurement unit	Δ,%
Energy	18.98	19.22	GWh	1.30%
Water	524,026	457,517	m³	-12.70
Heating	27,621	32,251	Gcal	16.80
Paper	153.02	150.82	t	-1,40



Paper consumption

Amounts of atmospheric pollutants emissions			kg
Indicator	2012	2013	△,%
Carbonic oxide	380	436.43	14.8%
Nitrogen dioxide	24	26.25	9.4%
Sulphur dioxide	6	8.70	45.0%
Nitrogen oxide	4.0	4.29	7.3%
Soot	1.0	1.01	0.6%
Total	415	476.04	14.7%



Amounts of atmospheric pollutants emissions

^{*} The decrease in payments to federal budget for atmospheric emissions was due to an inventory check of pollutant emissions sources conducted in 2013 and obtaining emission permit No. 146-13/UTU dated 30 April 2014, valid until 10 December 2016; therefore, emissions payments were made within the limits of maximum allowable emissions.





Waste transferred for neutralization				tonne
Indicator	2012	2013	△,%	Commentary
I class waste	1.32	2.04	54.2%	
II class waste	0.91	0.40	-56.0%	The decrease in the amount of II class waste was due to the exclusion of this class of waste from newly developed draft waste generation norms and placement limits.
III class waste	2.83	1.15	-59.4%	The decrease in the amount of III class waste was due to the exclusion of certain types of waste from newly developed draft waste generation norms and placement limits.
IV class waste	31.11	116.56	274.7%	The increase in the amount of IV class waste was due to the burning (neutralisation) of SHW at waste incineration plant in accordance with agreements or SHW utilisation at waste sorting plans.
V class waste	10.54	4.70	-55.4%	The decrease in the amount of V class waste was due to the exclusion of certain types of waste from newly developed draft waste generation norms and placement limits.
Total	46.7	124.85	167.3%	



Waste utilisation and b	urial			tonne
Indicator	2012	2013	∆,%	Commentary
Waste for burial				
IV class waste	656,06	797,64	21,6%	The increase in the amount of waste to be buried at landfill was due to the adjustment of calculations in newly developed drafts.
V class waste	154	155,61	1,0%	
Total waste transferred for burial	810,06	953,25	17,7%	
Total waste transferred for neutralisation/ utilisation	46,7	124,85	167,3%	
Total	856	1,077.55	25.9%	
Paper waste				
Paper waste	10.52	10.84	3.0%	
Paper transferred for recycling	4.77	3.15	-34.0%	The decrease in the amount of paper transferred for recycling was due to the unexpired storage period of archived documents.









OJSC FC URALSIB ensures the effective interaction of all business areas of the URALSIB Group and enhances its profitability growth on the basis of a synergistic effect. Cross-interaction within the URALSIB Group allows for the creation of a diversified offer of products and services, enabling customers to form and maintain their lifestyle and gain additional income.

The current corporate governance system is aimed at ensuring the balance of interests of various stakeholders.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLICE

Business Activities of OJSC Financial Corporation URALSIB



OJSC Financial Corporation URALSIB was established in March 2007 and is a holding company. The Corporation, its subsidiaries and dependent companies (SDCs) form a group of companies under the umbrella brand Financial Corporation URALSIB.

The Group is not a separate entity; however, its member companies have common goals and values and are united by the ownership system.

A full list of subsidiaries and dependent companies is published in OJSC FC URALSIB's 2012 Consolidated Financial Statements (IFRS).

Along with profit-making as an initial goal of the Company's creation and activity, its shareholders focus on the following tasks:

- Maximising the value of corporate assets by developing a balanced investment portfolio, which could diversify business risks and implement intersegmental and service synergies;
- Occupying considerable market shares in business segments where significant growth or high profitability are expected and in relation to which the Company and its subsidiaries have long-term competitive advantage and competencies;
- Developing the human capital of employees and improving the quality of the social environment in areas in which the Company and its subsidiaries operate.

The legal entities within the Group are mainly engaged in banking, leasing, investment business and asset management.

Financial and economic activity

Under its Charter, the major types of the Company's activities are the following:

- Securities operations;
- Participation in the charter capitals of other organisations;
- Other activities in line with the Company's goals and consistent with the applicable Russian Federation legislation.

As of 31 December 2013, the Company's Charter Capital was RUB 1,140,954 thousand, divided into 570,473,500 ordinary registered uncertified shares with a par value of RUB 2.00 each and 70 preference registered uncertified shares with a par value of RUB 100.00 each, placed among the Company shareholders.

The Company may, in addition to the outstanding shares, place the following shares:

- 4,431,500,000 ordinary registered uncertified shares with a par value of RUB 2.00 each;
- 930 preference registered uncertified shares with a par value of RUB 100.00 each.

As of 31 December 2013, the Company's Charter Capital was fully paid.

Charter Capital of OJSC Financial Corporation URALSIB as of December 31, 2013

1,140.95 RUB million

Average number of OJSC FC URALSIB employees in 2013





URALSIB

Payment of declared (charged) dividends on OJSC FC URALSIB shares

The Annual General Meeting of the Company Shareholders (Minutes No.1 of 28 June 2013) passed the following resolutions:

• To pay dividends in the amount of RUB 600 (six hundred rubles) per 1 (one) preference registered uncertified share with a par value of 100 (one hundred) rubles each.

Therefore, RUB 42,000 (forty-two thousand rubles) were transferred for dividend payments from the undistributed profit of past periods, recognised on balance account 84 "Undistributed profit";

• To allocate a part of undistributed profit recognised on balance account 84

"Undistributed profit" for shareholders' dividend payments in the amount of RUB 524,835,620, which makes RUB 0.92 per 1 (one) ordinary registered uncertified share with a par value of RUB 2.00.

Major transactions

In 2013, no decisions on major transactions approval were made by the Company's authorised bodies. Transactions performed by the Company in the normal course of business are not subject to disclosure in this section of the Report.

Dividends paid
to Company shareholders

524,83 RUB million



ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLICE

Corporate Governance Scheme

General Meeting of Shareholders

According to the Charter, meetings are held once a year. An extraordinary shareholders meeting can be convened for solving urgent Company management issues.

Competence of the General Meeting of Shareholders:

 Making amendments and supplements to the Company's Charter or approving a new version of the Company's Charter;

- Determining the quantity composition of the Board of Directors, the election of its members and the early termination of their powers:
- Defining the number, par value, category (type) or declared shares and corresponding rights;
- Making decisions on interest party transactions approval, as provided by the Federal Law on Joint-Stock Companies and Charter of the Company;
- Reorganisation and liquidation of the Company;
- Profit distribution, including paying (declaring) dividends at the end of the fiscal year;
- Resolutions on other issues as stipulated by Russian law

Board of Directors

The Company's Board of Directors operates on a permanent basis and holds its meetings as required. The activities of the members of the Board of Directors are not limited to their participation in meetings. The Board of Directors is comprised of the most highly trained and competent employees of the Corporation, taking into account the specifics of certain business areas of FC URALSIB.

The FC URALSIB corporate governance system is based on the interaction between the Board of Directors of the parent company and the Boards of Directors of subsidiaries and dependent companies. The Board of Directors of FC URALSIB passes resolutions on the approval of candidates for election to the Boards of Directors of subsidiaries and dependent companies.

Competence of the Board of Directors:

- Determination of the Company's top priority business areas and development strategy, and the approval of the business plans (budgets) of the Company;
- Calling annual and extraordinary General Meetings of Shareholders, except for as provided by the Federal Law on Joint-Stock Companies;
- Creation of executive bodies of the Company and early termination of their powers;
- Making decisions on the participation and termination of participation of the Company in profit and non-profit organisations (except as provided by the Charter);
- Approval of Company financing transactions, including attraction by the Company of loans (with the exception of trade and

- commercial loans provided by suppliers of goods, works, and services), credits and/ or provision by the Company of loans and guarantees to third parties;
- Determination of the Company's (its authorised representatives') opinion on agenda items for General Meetings of Shareholders (Members) and meetings of Boards of Directors of business entities and partnerships, in which the Company participates as a shareholder or member, including the voting procedure on agenda issues, nomination of candidates (authorised representatives of the Company) to Boards of Directors and/or revision bodies on behalf of the Company;
- Considering and making decisions on other issues stipulated by the Federal Law on Joint-Stock Companies and Charter of the Company.

Composition of the Board of Directors

From 1 January 2013 to 28 June 2013

Fuad Namik ogly Akhundov Douglas Weyr Gardner (independent director) Denis I. Korobkov Mikhail Yu. Molokovsky Ildar R. Muslimov Nikolay A. Tsvetkov Lyudmila A. Shabalkina

From 28 June 2013 to 31 December 2013

Fuad Namik ogly Akhundov
Douglas Weyr Gardner (independent director)
Olga A. Evdokimova
Sergey S. Mitirev
Ildar R. Muslimov
Nikolay A. Tsvetkov
Galina V. Tsvetkova

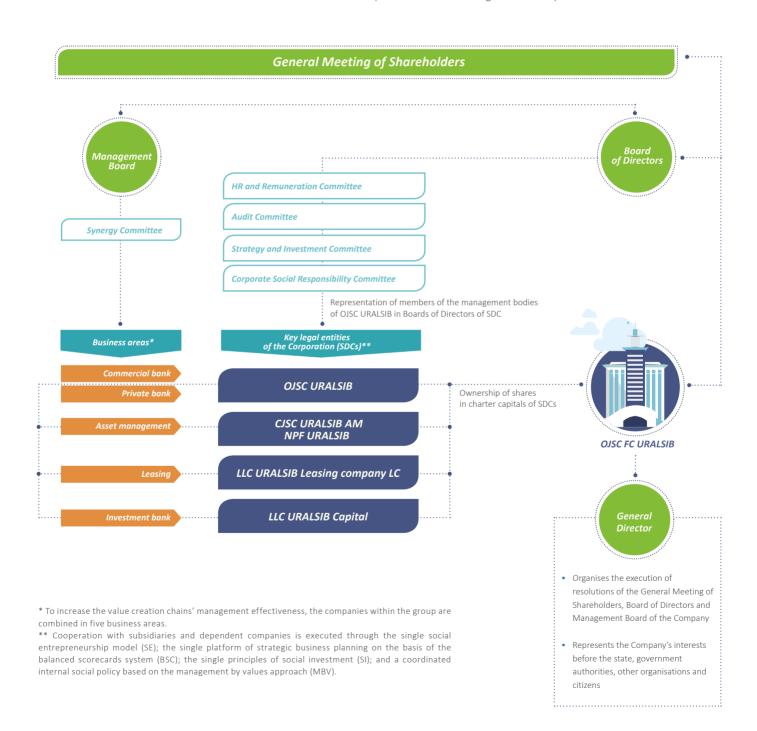


FINANCIAL CORPORATION

Financial Corporation URALSIB Corporate Governance Scheme

In 2013, the Corporate Governance Scheme of OJSC Financial Corporation URALSIB included the following management bodies:

- General Meeting of Shareholders;
- Board of Directors;
- Management Board;
- General Director (Chairman of the Management Board).



ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLITION

Meetings of the Board of Directors

In 2013, the Company held 18 meetings of the Board of Directors. The major issues, reviewed at the meetings were the following:

- Expiration of the term of the employment agreement of the General Director of the Company and the election of a new General Director of the Company;
- Determination of the Company's opinion on agenda items for the Annual General Meeting of Shareholders of Open Join-Stock Company URALSIB Bank (OJSC URALSIB);
- Suggestions of candidates for voting on elections to the Company's Board of Directors and the Audit Commission;
- Determination of the mode, date, place and time of the General Shareholders Meeting and the beginning of participants' registration;
- Approval of the agenda of the Annual General Shareholders Meeting;
- Preliminary approval of the 2012 Annual Report of OJSC Financial Corporation URALSIB:
- Recommendations of the Board of Directors on the distribution of profit for 2012, including the amount of dividends on the Company shares and its payment procedure;
- Recommendations to the General Shareholder Meeting of the Company on approving its Auditor;

- Approval of decisions drafts of the General Shareholder Meeting;
- Determination of the Company's opinion on agenda items of the Annual Resolution of the Sole Shareholder of CJSC URALSIB Asset Management, in which the Company participates as the sole shareholder;
- Determination of the Company's opinion on agenda items for the Annual General Shareholder Meeting of OJSC Holding IG URALSIB, in which the Company participates as a shareholder;
- Approval of the material terms of the employment agreement with the General Director of the Company;
- Election of the Chairman of the Board of Directors of the Company;
- Determination of the quantity, composition and creation of the Management Board of the Company;
- Termination of powers of the Corporate Secretary of the Company and approval of the candidate (appointment) of a new Corporate Secretary of the Company;
- Acquisition by the Company of a share in the charter capital of LLC URALSIB Leasing company LC;
- Approval of transaction(s) relating to the disposal of the Company's real property and increase of the Company's share in the charter capital of OJSC URALSIB;

- Giving consent to concurrent holding by General Director and members of the Management Board of these positions with positions in management bodies of other companies;
- Determination of the Company's opinion on an agenda item of the Resolution of the Sole Shareholder of CJSC URALSIB Asset Management, in which the Company participates as a shareholder;
- Approval of a system of social benefits and guarantees for members of the Management Board of the Company;
- Approval of key principles of remuneration:
 - principles of formation of fixed and variable part of remuneration;
 - principles of the annual motivation system;
 - principles of the long-term motivation system;
- Determination of the Company's (its authorised representatives') opinion on agenda items for the Extraordinary General Meeting of Shareholders of LLC URALSIB Leasing company LC;
- Determination of the Company's (its authorised representatives') opinion on agenda items for the Extraordinary General Meeting of Shareholders of OJSC Holding IG URALSIB.

Committees of the Board of Directors

The Board of Directors maintains several committees – the number of members and personal composition of which are determined by the Board of Directors..

Since 2007, the following committees have been formed by the Board of Directors:

- Strategy and Investment Committee;
- HR and Remuneration Committee:
- Audit Committee;
- Corporate Social Responsibility Committee.

Candidates for membership in the committees are proposed by members of the Board of Directors of the Company. If there are no such proposals, the personal composition of committees is approved based on the proposal of the Chairman of the Board of Directors of the Company.

When electing members of a committee, preference is given to candidates with a degree in law or economics. Moreover, certain additional requirements are made of candidates, including:

- For candidates to the Audit Committee: work experience in corporate finance, accounting and audit;
- For candidates to the Strategy and Investment Committee: education management and work experience in investment, corporate governance and strategic planning;
- For candidates to the HR and Remuneration Committee: education in management and work experience in corporate governance and personnel management;

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FINANCIAL CORPORATION URALSIB

 For candidates to the Corporate Social Responsibility Committee: education in management and work experience in the field of implementation of socially significant projects. The Committee is headed by its chairman, whose appointment shall be approved by the Board of Directors of the Company from among the members of the committee, who are members of the Board of Directors of the Company.

Management Board

The Management Board is a collegial executive body of the Company which organises and performs the day-to-day management of the Company's activities and ensures the practical implementation of resolutions of the General Meeting of Shareholders and Board of Directors. The Management Board holds its meetings as necessary.

Competence of the Management Board:

- Preliminary determination of key business activities of the Company;
- Making decisions on performing transactions for acquisition, disposal or the possibility of disposal of property, the cost of which is 5-25% of the book value of the Company's property, determined

on the basis of the accounting statements:

- Coordination of operations of the Company subdivisions and services;
- Determination of investment, HR, information and technology, social, safety and other policies of the Company and control over the implementation thereof:
- Determination of the accounting policy, control over the improvement of the accounting methodology in accordance with Russian and international management accounting standards;
- Approval of internal documents regulating general labour motivation provisions;
- Approval of the corporate ethics rules of the Company;
- Determination of the planning and budgeting methodology in the Company;
- Review and decision-making on other issues of daily activities of the Company.

In order to increase the effectiveness of interaction between financial types of business, the Management Board of OJSC URALSIB maintains the Synergy Committee.

For the purpose of implementation of the business effectiveness increase strategy, the Committee determines the key areas of target application of synergistic effects: know-how transfer; joint use of resources, focusing key functions for effective interaction and development.

Composition of the Management Board

11 July 2013 to 31 December 2013

Ildar R. Muslimov (Chairman of the Management Board)
Denis I. Korobkov
Ekaterina A. Uspenskaya
Alexander S. Smirnov
Lyudmila A. Shabalkina
Lidiya E. Plytnik
Dmitry A. Timoshin
Dmitry A. Savinkov
Andrev M. Uspensky

General Director

The General Director of the Company is the sole executive body of the Company.

From 1 March 2011 to 28 February 2013, General Director of the Company was Mikhail Yu. Molokovsky (in the reporting period, he owned none of the Company's shares).

Since 1 March 2013, the General Director of the Company has been Ildar R. Muslimov (in the reporting period, he owned none of the Company's shares).

Competence of General Director

- Acting on behalf of the Company without a power of attorney, including representation of the Company's interests before the state, government authorities, other organisations and citizens;
- Making claims and bringing legal actions against individuals and legal entities;
- Making proposals for approval by the Board of Directors of candidates to the membership in the Management Board, allocating responsibilities among members of the Management Board;

The General Director of OJSC FC URALSIB is Ildar R. Muslimov.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLITION

- Performing transactions within the limits of his competence as provided by the Charter;
- Signing financial documents;
- Organising the implementation of resolutions of the General Meeting of Shareholders,
 Board of Directors and Management Board;
- Approval of policies, instructions, procedures and other internal documents of the Company in connection with the performance of his functions, except for the documents
- the approval of which is referred to the competence of the General Meeting of Shareholders, Board of Directors and Management Board;
- Performing other functions necessary for achievement of the Company's goals and assurance of its normal operation, in accordance with the laws of the Russian Federation, its Charter, internal documents of the Company and employment agreement.

Determination criteria and amount of remuneration

The resolution of the Extraordinary
General Meeting of Shareholders dated
31 August 2007 defined remuneration and
compensation for the members of the Boards
of Directors and for the Committee Chairmen
within the Board of Directors.

In the reporting period, remunerations (salaries, bonuses, commission fees and other due payments) paid for performance of functions of the sole executive body and participation in the work of the Board of Directors for 2013 amounted to RUB 57.498.923.

Remuneration for performance of functions of the sole executive body and participation in the work of the Board of Directors

57.49 RUB million

Compliance with the Corporate Code of Conduct

The Company complies with the Corporate Code of Conduct approved by the Federal Commission on Securities Order dated 4 April 2002 No.421/p, including in respect

of the election of an independent director in the Board of Directors and the formation of relevant committees at the Board of Directors.

Prospects of OJSC Financial Corporation URALSIB development

Development of the Company and URALSIB Group will be carried out with account to existing trends in the world and Russian financial markets in accordance with the plans and objectives determined within the strategic planning system.

In its activities, the Company and URALSIB Group will focus on achieving target profits, increasing performance indicators and ensuring sustainable development by increasing the profitability of transactions taking into account assumed risks and operational efficiency growth for URALSIB Group as a whole and for individual business areas.



Compliance Control System



Information analysis system

URALSIB's Compliance Service uses the Transaction Request information database, which automates the reconciliation process with the Compliance Service for transactions with securities made by the Corporation employees in their own interests. These are subject to the risk of conflict of interests in accordance with the requirements of the URALSIB Financial Corporation Compliance Policy. A new version of the Compliance Policy was approved by an order of the FC CEO in May 2012.

In accordance with the Compliance Policy, the following events must be disclosed and analysed:

- Participation in any mergers of acquisitions using the employees' own funds;
- Affiliation with any company or business in any form;
- Participation, including free of charge, in the customer's governance bodies of any member company of the Corporation;
- Work in governmental bodies or in stateowned organisations in any form;

- Membership in political parties or movements:
- Financial consultancy relations providing financial services outside the framework of direct work responsibilities;
- Participation in transactions with personal assets in which FC URALSIB has a participatory or ownership share;
- Possession and access to FC URALSIB insider information.

Combating Money Laundering and Terrorist Financing

The key principles of activities of FC URALSIB companies in the area of anti-money laundering and combating terrorism financing (AMLTF) are the following:

- Ensuring the protection of FC URALSIB companies from the receipt of criminal proceeds, and the control and management of reputation risk relating to the involvement of FC URALSIB companies in transactions which may be associated with money laundering and terrorist financing;
- Ensuring the participation of employees of FC URALSIB companies, regardless of the position they occupy, within their competence in carrying out internal control for AMLTF purposes.

The above-mentioned principles are delivered through the analysis and application in FC URALSIB companies of AMLTF best practices and international standards and compliance with the requirements of the effective laws of the Russian Federation on AMLTF.

URALSIB Bank is a permanent member of dedicated committees of professional associations and self-regulated organisations of the financial market: the Association of Russian Banks, National Payment Council, and National Financial Market Council.

FC URALSIB companies conduct, on a regular basis, training and assessment of the knowledge of employees to provide them with the skills and knowledge required to follow AMLTF procedures.

The "Know Your Customer" policy was established by the Corporation in 2008. It is intended to protect the Corporation's interests from the actions of dishonest customers and agents, dealing, in particular, with money laundering and terrorism financing. The "Know Your Customer" policy is a part of the corporate risk management system.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLI

Managing the conflicts of interest of senior personnel

The Corporation applies rules for the disclosure and management of conflict of interest among its managers and members of the Financial Corporation's collective bodies. This document envisages ongoing control over disclosed conflicts of interests and the resulting managerial decisions to be presented in quarterly managers' reports.

In accordance with the requirements of Russian law and best corporate governance practices, the Bank has determined key types of conflicts of interest, which may arise in relationships between the Bank and stakeholders — shareholders, customers and partners, management, employees,

and regulatory and government authorities. In order to prevent and settle conflicts of interests, an internal normative base of types of conflicts of interests, control procedures and responsibility of subdivisions has been developed. In order to meet the requirements of the Federal Law on Corruption Counteraction, which obliges organisations to develop measures for the prevention of conflicts of interest, updated guidelines for managing conflicts of interests in respect of members of the Bank's collective management bodies and middle managers have been prepared. For compliance control purposes, a list of positions in which a conflict of interests is possible has been approved.

A new revision of the procedure for managing conflicts of interests in respect of members of the Bank's collective management bodies and middle managers has been prepared.

Combating the misuse of insider information

Employees of the Compliance Service of FC URALSIB, in partnership with the Association of Russian Banks and Stock Market MICEX-RTS, have developed practical recommendations on the application of provisions of new laws on combating the misuse of insider information and/or market manipulation for various categories of financial market participants. An automated system for the accounting of and notification about transactions conducted by FC URALSIB with financial instruments of organisations that included the Bank in their insider lists has been developed and implemented.

In order to ensure compliance control of the business processes of FC URALSIB in line with the new legal requirements, algorithms and methods for controlling manipulations in the organised securities market have been developed. Each day, the Compliance Service monitors the Bank's

stock exchange transactions to identify any nonstandard transactions on the basis of analysis of submitted requests and performed transactions. The new control system covers the following critical points:

- Transactions on the basis of a preliminary agreement;
- Transactions affecting prices, demand, supply and trading volumes;
- Counter-requests;
- · Requests with deviations;
- Misleading;
- Submission of requests with no intention to execute them.

An automated system for the accounting of transactions with organisations that included the Bank in their insider lists has been implemented.



Control over offering and receiving gifts

Receiving gifts from customers and counteragents, participation in hospitality events or other forms of remuneration of Company employees are determined by internal documents regulating the ethical aspects of behaviour and business conduct of Company employees. Employees may accept from customers/counteragents gifts of an approximate value of no more than three thousand Russian rubles. The Company understands that refusal to accept

an expensive gift may result in negative consequences for the business. An employee shall notify the Compliance Service about his or her decision to accept the gift in an established form no later than the following business day. The Compliance Service shall review the request and make a decision on approval or declining the gift. The Company's Compliance Directorate shall keep a register of approved gifts. It is strictly forbidden to accept cash gifts.

The Company monitors corruption risks in the most vulnerable business processes

Anti-Corruption Efforts

In 2012, URALSIB Bank approved and introduced its Anti-Corruption Policy, which sets the internal rules, standards and principles for the prevention and disclosure of corruption and bribery. The policy was developed in accordance with the effective laws of the Russian Federation, taking into account the requirements of generally accepted principles and the norms of international law, international agreements and anti-corruption legal acts, including the principles of the United Nations Global Compact. On the basis of the policy, internal procedures were developed, including a "hot line" for reports of any known cases of past or potential violation. Loval informers are guaranteed the Bank's protection from any form of persecution or discrimination.

The procedure for preventing corruption offences, including business standards and control procedures, has been approved, as has a list of subdivisions in which employees regularly undergo anti-corruption training and testing. Corruption risks are monitored in the most vulnerable business processes, and a criteria of necessity to include anti-corruption clauses in agreements are set, with an account of the risk level depending on the agents' category and the type of relationships established. To minimise any risk of the Bank's involvement in corruption, it checks counteragents — legal entities and individuals with whom the Bank plans to sign an employment or civil contract. Staff involved in interactions with suppliers, customers, and contractors (risk groups) must complete training on anti-corruption procedures. The Bank contributes to the increase of anti-corruption awareness level and ethical business.

To minimise the risk of the Bank's involvement in corruption, it checks counteragents — legal entities and individuals with whom the Bank plans to sign an employment or civil contract.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLICE

Anti-Corruption Procedures

Compliance Service

(A responsible person for preventive anti-corruption measures is appointed)

URALSIB Bank's Anti-Corruption Policy







Expert verification of internal regulations and draft contracts to detect corruption risks

Standard contracts contain anti-corruption exclusion — certification of rejecting rejection of violation the applicable anti-corruption laws

Control activities for corruption detection are carried out:

compliance with the granted authorities;

detection of corruption crimes in business processes;

detection of employees conflicts of interests

Creation of the Operating Centre (OC) in Tver and the transfer of operating support processes to it from the regional network and the headquarters

Establishment of the Bank-Wide Services Centre (BSC) in Ufa and the transfer of support functions from the regional network to it

Consolidation of branches in five macro-branches and their transfer to a single accounting system

of gifts and hospitality expenditures are established

Procedures on control and treatment

Contractors are checked by:

attitude towards corruption crimes;

existence of own anti-corruption systems;

affiliation with Bank stakeholders



Disciplinary responsibility for corruption-related violations



FINANCIAL CORPORATION

Risk Management System

Major risk factors for OJSC FC URALSIB

The Company does not conduct active business in any particular industry. All industrial risks of the Company are related to its SDCs, which operate in different segments of the Russian financial market. The dominating activities of the legal entities within the URALSIB group of companies are the following: banking (key legal entity — OJSC URALSIB), leasing (key legal entity — LLC URALSIB Leasing Company LC), and investment and asset management (key legal entities — LLC URALSIB Capital and CJSC URALSIB AM).

To provide reasonable assurance that its development goals are achieved and its risk level is maintained within the limits acceptable for shareholders, the Company implements an integrated risk management system (ERM) based on international standards, guidelines, and best practices in risk management. This system is characterised by the balance between the risk management specialisation in SDCs and the Group's consolidated risk assessment.

In managing risks, the Group actively applies strategic opportunities and the synergistic effect from cooperation of the parent company (FC URALSIB) with its subsidiaries and dependent companies in different sectors of the financial area. In particular, it implements cross-selling, standardised products, and unified sales organisation technologies.

Risk management organisation and policies in the Group companies are controlled on a system basis: primarily through representation in the Supervisory Boards/Boards of Directors of subsidiaries and the coordination of activities of their internal control/audit services accountable to the Supervisory Boards/Boards of Directors.

The major risks that may have a negative effect on the Company's activities are:

- Worsening of the macroeconomic situation and general investment climate in the Russian Federation and in the world;
- Changes in the legislation regulating industries in which the Company and its SDCs operate (including legal risk relating to changes in the legislation regulating activities of banking holdings);
- Worsening of the situation in industries issuing the securities in which financial investments are made.

The Company implements the Enterprise Risk Management system (ERM).



Natalya Tutova

Head of Risk Management Service of URALSIB Bank



Risk under control



What changes occurred in risk management in 2013?

First of all, the centralisation and unification of processes in the Bank's credit factory were carried out. Our specialists put into operation a unified, centralised module of decision making which takes into account all aspects of customer risks. Thanks to more effective automated data verification and making objective decisions on credit applications, the number of people involved in the assessment process was considerably reduced. In addition to the decision-making module modernisation, we updated the system of registering changes in the formation of delayed payments and reserves. Now, the model takes into account many critical parameters: the specifics of current and planned disbursements of credit products, the credit quality of the portfolio, and its behaviour in stressful economic situations. Such a comprehensive approach will enable us to substantially increase the efficiency of our debt collection activities.

It is commonly believed that it is very difficult to manage credit risks in the small business sector. How do you solve the problems that you are faced with?

In order to mitigate risks and reduce administrative costs, we apply a centralised credit process. We plan to continue improving this in order to build a quick and transparent small business lending process. We plan to pay particular attention to reducing operating costs, processing times for loan applications and Bank losses by improving the quality of the decisions made.



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Each year, the number of loan applications which the Bank has to process increases. What do you do to maintain the stability of the assessment system?

You are right. Today, there are dozens, sometimes even hundreds, of loan applications per employee. At the same time, the results expected from the employee may be conflicting — fast application processing, on the one hand, and making a substantiated and correct decision, on the other. It is very hard to cope with such a situation without the help of IT technologies. For the correct identification of customers' creditworthiness and the accuracy of information and documents they provide, we must develop automated solutions that enable us to detect any signs of fraud. The Bank works with unified information from three credit bureaus: the National Bureau of Credit Histories, the Bureau of Credit Histories (Unified Credit Bureau), and the International Bureau of Credit Histories Equifax Credit Services. In 2013, we created a set of new scoring cards that use data provided by credit bureaus. As a result, the efficiency of risk profile identification has more than doubled.

At the same time, we have been developing our own tools. For example, we have recently completed the implementation of the local anti-fraud system AFS, developed by MTC company. Cross-consumer lending programmes for second-time and salary customers of the Bank have also been successfully launched. At the moment, more than 80% of the consumer lending segment is represented by "our own" customers, because customers "from the street" are characterised by low credit quality and a high debt load.

As the popularity of electronic payments grows, criminals keep attempting to break remote and electronic service systems, plastic cards, ATMs and loan disbursement processes. How do you combat the new challenges?

The Bank applies a comprehensive anti-fraud system that includes the coordinated actions of the internal and external security services, the Information Security Service, and the Internal Control and Audit Service. The Risk Management Service performs analytical and control functions. Fraud risk

management is carried out, among other things, through the Bank's operating risk management system. All identified fraud-related events are registered in the common loss base. For each case, we conduct cause analysis and develop a set of measures aimed at reducing or eliminating the risk source in the future.

In 2013, an effective system of prompt escalation of information about major events to the Bank's top management level was implemented. We also implemented a "feedback" procedure, applied in case of concentration of an operating risk in a business process, product or service. These measures were mainly designed to ensure the prompt notification of senior managers of major events and large losses for the purpose of timely response. Each major event (from RUB 3 million) is taken under special control in order to obtain the maximum possible repayment. In certain cases, we see a significant compensation on the initially incurred loss and, in particular, the potential to reduce the risk in future.

What results have you achieved thanks to the transformations you have implemented?

In 2013, due to the implementation of a set of proactive, business-focused risk management initiatives, with significant retail loan portfolio growth (by 24% in 2013) we have managed to keep our share of non-performing loans (NPL) at 6.4%. The major part of the loan portfolio (56% as of 1 April 2014) is presented by low-risk secured loans (mortgage, car loans). Among unsecured loans, the low-risk loans of the "our own customers" segment dominate (80% in consumer loans, over 90% in credit cards). This enables us to maintain a balance of target profitability and loss indicators.

AROUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLITIONS

Risk Management System of URALSIB Bank

The creation of an effective risk management system of the Bank is ensured through a centralised risk management service, the tasks of which include management and monitoring of significant risks.

Due to the escalation of the global economic crisis, the Bank continues to focus on improving its risk management system and reserving procedures. Transactions in financial markets are carried out using instruments characterised by an acceptable and relatively high level of credit and market risk. The Bank executes the comprehensive and integral management of bad assets on corporate and retail credits, as well as on leasing agreements. The transfer to unified technologies for dealing with bad debt has allowed the Bank to considerably reduce its costs and the resource intensity of its processes.

The Bank manages its risks based on recommendations from the Bank of Russia and the Basel Committee on Banking Regulation and Supervision.

The OJSC URALSIB risk management system controls the following:

- · Liquidity risk;
- Credit risk;
- Country risk;
- Market risk, including capital, foreign currency and interest rate risk;
- Operating risk;
- Legal risk;
- Goodwill (reputation) risk;
- Strategic risk.

The Bank's risk management policy relies on a comprehensive approach to risk management process organisation, with a focus on identifying all essential risks and developing the corresponding methods and procedures of assessment, mitigation (prevention) and monitoring.

Liquidity risk

The primary goal of liquidity risk management is to secure sufficient liquid assets to ensure timely performance of the Bank's obligations and to satisfy the Bank's own needs in case of unforeseen capital outflow. The liquidity risk is assessed as moderate, as the Bank has considerable liquidity reserves to prevent possible crisis situations. The Bank also implements current organisational methods for business processes and financial management instruments.

Country risk

The bank operates primarily in the territory of the Russian Federation and as such is subject to specific, country-related risks. The main country risks are the following:

- The dependence of the Russian Federation economy on global economic conditions;
- The structural weakness of the economy,
- The geographical peculiarities of the RF.

The transfer to unified technologies for dealing with bad debt allowed a considerable reduction in costs and in the resource intensity of processes

When performing transactions in financial markets, the Bank prefers counteragents and instruments characterised by risk levels acceptable for the Bank Assessment of the environmental component of investment projects is carried out on the basis of the Guidelines for the Assessment of Environment Impact (GAEI)

FINANCIAL CORPORATION

Credit risk

Credit risk is a probability of loss due to a debtor's failure to perform, or the improper or untimely performance of financial obligations to the Bank in accordance with the terms and conditions of the agreement. The identification of credit risks is carried out at the transaction pre-qualification and review stage, and its further follow-up (monitoring, modification of the transaction conditions).

The key credit risk management tools are:

- A system of limits and restrictions;
- A system of assurance of performance of borrowers' obligations (property and nonproperty collateral);
- A system of monitoring and control over the financial conditions of borrowers, the amount of loan loss reserves, lending terms and conditions, and loan portfolio quality, including work with non-performing assets.

When performing transactions in financial markets, the Bank prefers counteragents and instruments characterised by risk levels acceptable for the Bank.

In order to form high-quality loan portfolios with predictable profitability and low risk, during loan decision-making the Bank sets stricter requirements for the financial stability of borrowers, the assessment of cash flow forecasts, and the quality and liquidity of collateral.

Market risk

The Bank is prone to market risks that arise due to unfavourable changes in the market price of financial instruments in the trade portfolio and derivative financial instruments, as well as foreign exchange rate and/or precious metals costs.

The Bank applies the following approaches to reduce the level of market risks:

- Setting limits on instruments and groups of instruments;
- Portfolios for all subdivisions responsible for assuming risks;
- Diversification of transactions;
- Setting discounts (including multicurrency) on pledge and repo transactions;
- · Risk hedging;
- Setting limits on the amount of loss per portfolio (stop-loss, stop-alert);
- Stress testing.

Operating risk

The Bank interprets operating risk as direct or indirect losses that arise due to deficiencies or errors in internal processes, personnel actions, information systems and the functioning of information system or due to external events.

The Bank's operating risk management is based on the performance of self-assessment in subdivisions in order to identify key operating risks, the improvement of measures for their mitigation, and the development of key risk indicators. Events relating to the realisation of operating risk are recorded in the "Operating Risks" database, which serves as a source for analysis of the general operating risk level in the Bank and as statistical data for the development of quantitative techniques of operating risk assessment and the preparation of management reports.

Legal risk

Legal risk is connected with mistakes made in day-to-day activities (incorrect preparation of documents and legal consultations, non-compliance of the Bank or its agents with the requirements of regulatory legal acts or concluded agreements), and with general legal system imperfection.

The key methods of legal risk management are unification of the normative and agreement base of the Bank, the development of legal recommendations on issues of the Bank's current activities, mandatory legal analysis of any non-standard for the Bank agreements or other documents, verification of the legal capacity of the Bank's counteragents and powers of their authorised representatives, the involvement of third-party legal firms and/or individual to resolve particular legal matters, increasing an expert qualification of employees of the Legal Service and the general legal knowledge of other Bank employees.

Goodwill risk

The Bank may become subject to goodwill risk as a result of the formation of a negative public opinion about the Bank's financial stability, quality of its services or its activities in general. The goodwill risk is mitigated through the Bank's adherence to regulatory legal acts, constitutional and internal documents, business practices and ethical norms accepted in the business community, the implementation of customer and counteragent loyalty improvement programmes, and adequate responses to customer complaints about the Bank's operations organisation and other risk factors.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLITION

Strategic risks

Strategic risk implies the Bank's ability to select geographical and product segments and technological solutions that are likely to be profitable for the Bank in future with comprehensive analysis of the future operating environment. Strategic risk management principles are defined by the Bank's shareholders. The Bank's Management Board and other collective bodies manage strategic risks within their competencies.

Application of responsible investment principles

The main reference for assessment of the environmental component of investment projects is the Guidelines for Assessment of Environment Impact (GAEI). It is used in assessment of the site chosen by the customer, feasibility studies and construction projects (reconstruction, expansion and technical re-equipment) of business entities and complexes. The Risk Management Service is responsible for environmental risk assessment activities for large investment projects.

Risk management system of URALSIB | Private Bank

URALSIB | Private Bank uses a risk management system developed specifically for URALSIB Bank. Goodwill is managed through the development and implementation of control procedures,

especially those related to relationships between customers and private bankers. Regular client surveys ensure the continuous improvement of the quality of services provided.

Risk management system of CJSC URALSIB Asset Management

Risk management and the maintenance of corresponding culture is performed by the Company's administration via a collective body, in this case, the Risk Management Committee, as well as by a structural division responsible for risk management, in this case, the Risk Management Directorate. The ultimate principle of risk management system is the monitoring of continuity of operations.

The investment risk management strategy is determined by the Board of Directors and the General Director of the Management Company.

The risk management system of CJSC URALSIB AM controls the following:

- Operating risks;
- Investment risks;
- Investment performance assessment.

The investment risk management strategy is determined by the Board of Directors and the General Director of the Management Company

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Investment risks

The investment risk management system has a three-level organisational structure:

- Strategic level implemented via resolutions of the Company's management and Risk Management Committee;
- Tactical level the key tactical element of the investment risk management system is the Risk Management Directorate;
- Operating level implemented by the subdivisions participating in investment operations and investment operations support.

Operating risks

Operating risks are managed by monitoring and analysing databases on past risk events and key risk indicators (KRI), scenario modelling and risk mapping. Risk assessment and the establishment of measures for reducing the risk probability and minimisation of possible damage are implemented within the framework of the Company Risk Map developed in 2012. The Board

of Directors and General Director determine the Company's investment risk management strategy in the form of adoption of the Investment Risk Management Policy and other regulations governing investment risk management.

Investment performance assessment

The Company applies various risk and investment performance indicators. These indicators are monitored within the daily risk management process.

The risk profile of each financial product implies that the product will be managed in accordance with certain risk limits, which ensure that the product risks do not exceed an agreed level. In case of failure to eliminate violations of risk limits in due time, the manager responsible for the portfolio may be subject to disciplinary measures in accordance with the labour legislation of the Russian Federation.

Risk management system of Non-State Pension Fund URALSIB

Risk management of NPF URALSIB is carried out within the framework of the Corporation's risk management service. The risk management system development strategy has been designed to create the Company's own risk management service since 2014.

Measures to mitigate risks include the daily monitoring of asset management companies activities on the basis of information received from an electronic document flow system.

The Fund conducts regular meetings with management companies, and registers the list of issuers available for investment in trust management agreements.

NPF URALSIB risk management system controls:

- Market risks:
- Credit risks:
- Operating risks;
- · Liquidity risks.

Both qualitative and quantitative methods of analysis are applied for risk analysis. Application of the widest possible range of analysis techniques allows for comprehensive risk assessment for the Fund, as well as reducing the probability of incorrect assessment.

Measures to mitigate risks are based on the daily monitoring of asset management companies activities.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLICE

Risk management system of URALSIB | Capital

The Investment Bank risk management system is designed to ensure the maximum safety of the Bank's own funds, minimise any negative impact from internal and external factors on the securities market, and increase responsibility to customers, agents and investors.

The risk management system controls:

- Limits;
- Market risks;
- Credit risks.

Limits

The limits are controlled in a real time mode. Reports on quantitative assessment of risks and limits usage are prepared daily.

Market risks

The key principle for managing market risks is the establishment of risk limits for the Company's own position, with an account of the liquidity and volatility of instruments. Apart from position

limits, a stop-loss limit is set and controlled daily. Marginal crediting transactions are subjects to limits for the quality of collateral.

Credit risks

Credit risks are also managed by limits. There are credit risks affixed on the agent and the issuer. The limit setting is followed by an analysis of the agent's and issuer's financial state. Limits are set for agents, groups of connected agents and countries.

Risk management system of LLC URALSIB Leasing company LC

During the IX annual professional conference "Risk Management in Russia-2013", the Expert RA rating agency awarded the financial market companies with the best risk management practices. URALSIB | Leasing company LC won in the category "For High Level of Risk Management System Development".

The risk mitigation system controls:

- Liquidity risk;
- Foreign currency risks:
- Interest rate risks.

Liquidity risk

The Company's leasing and loan portfolios are balanced by term, which allows for the use of the Company's own liquidity as a primary source for debt service (lease incomes under the current portfolio).

Foreign currency risks

The foreign currency risks of the Company are minimised thanks to a balanced portfolio structure. The net foreign exchange position in USD is hedged by signed forward contracts for all foreign currency payments on credit liabilities until the end of 2013.

Interest rate risks

These risks are mitigated through the following measures:

- Inclusion in leasing agreements funded from loans with a floating rate of rights and liabilities of the parties to reconsider the total sum and the leasing payments under the agreement in the case of a Libor/ Euribor rate increase compared to the interest rate on the day of signing;
- Use of swap and cross-currency swap hedging instruments to fix the floating rate and the exchange rate for foreign currency credit liabilities.



URALSIB | Leasing company LC was awarded in the category "For High Level of Risk Management System Development" (Expert RA).



FINANCIAL CORPORATION URALSIB

Personnel Management

FC URALSIB personnel management is based on a traditional scheme for large corporations: the structural subdivisions of the HR Department support the primary areas of the Corporation's activity and account for the priorities of the Corporation's shareholders and member companies.

Due to the transition to the new management system — Management by Values (MBV) — FC URALSIB emphasises corporate culture development as the most efficient instrument for personnel attraction, development and retention.

The human resources development strategy is intended to implement socially responsible business principles directly into practices of governance and customer service.

Personnel Structure



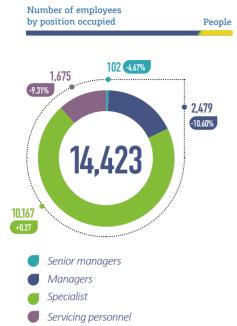
14,423



14,867

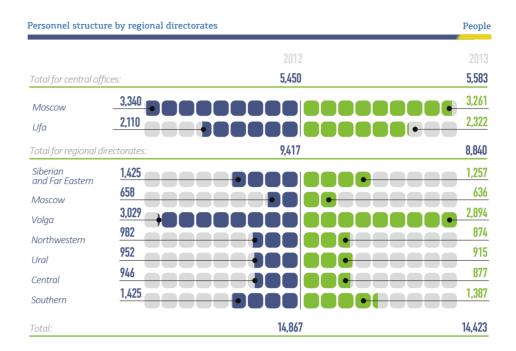
Total number of	Total number of employees by category and types of business							People
	Commercial bank	Private bank	Investment and banking	Asset management	NPF	Leasing	Total 2013	Total 2012
Total	13,479	61	184	122	13	670	14,529	15,549
Part-time	46	0	0	1	0	59	106	682
Full-time	13,433	61	184	121	13	611	14,423	14,867
including on pregnancy and maternity leave	1,845	7	16	7	0	65	1,940	1,790
Distribution of full-	time employees l	by employr	nent contract					
Long-term	11,919	57	184	121	13	557	12,851	13,388
Short-term	1,514	4	0	0	0	54	1,572	1,488
Total	13,433	61	184	121	13	611	14,423	14,867
Distribution of empl	loyees by employ	ment type						
Full working day	13,319	61	182	120	10	611	14,303	14,733
Short working day	114	0	2	1	3	0	120	134
Total	13,433	61	184	121	13	611	14,423	14,867
Number of hired em	ployees							
	3,872	5	25	23	1	264	4,190	4,114
•		······			• • • • • • • • • • • • • • • • • • • •	•	•	•

AROUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLI



Ratio of the minimum wage of a specialist

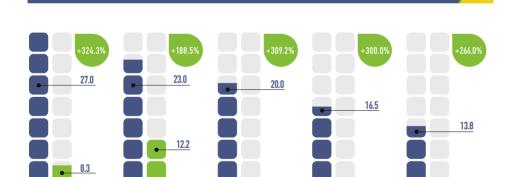
(accountant-operator) to the minimum wage rate in regions



RUB

thousand

5.2



6.5

5.5



St. Petersburg
Minimum wage rate

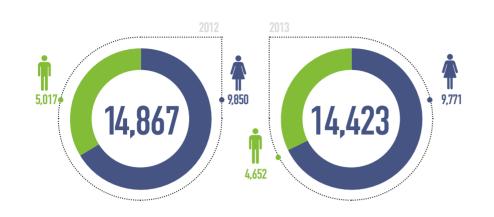
Rate



FINANCIAL CORPORATION URALSIB

Gender balance (total for FC URALSIB)





Gender balance	(People
	2012	2013
Gender balance in the mana	gement bodies	
Men	16	18
Women	6	6
Gender balance of new empl Central offices (Ufa + Moscov		
		477
Central offices (Ufa + Mosco	w)	477 875
Central offices (Ufa + Moscov Men	w) 519	
Central offices (Ufa + Moscoo Men Women	w) 519	

Personnel struct	ure by age		People
Younger than 25	26-34	35-54	55 and older
2,409 2,409	5,973 5,315	5,503 5,261	982 834
2 012	2013		

Distribution of new employees by age		People
	2012	2013
Total new employees	4,114	4,190
Younger than 25	1,695	2,132
26-34	1,670	1,377
35-54	669	623
55 and older	80	58
Total for central offices (Ufa, Moscow, others)	1,380	1,349
Younger than 25	610	692
26-34	515	413
35-54	241	231
55 and older	14	13
Total for regional directorates	2,734	2,840
Younger than 25	1,059	1,440
26-34	1,183	964
35-54	426	391
55 and older	66	45



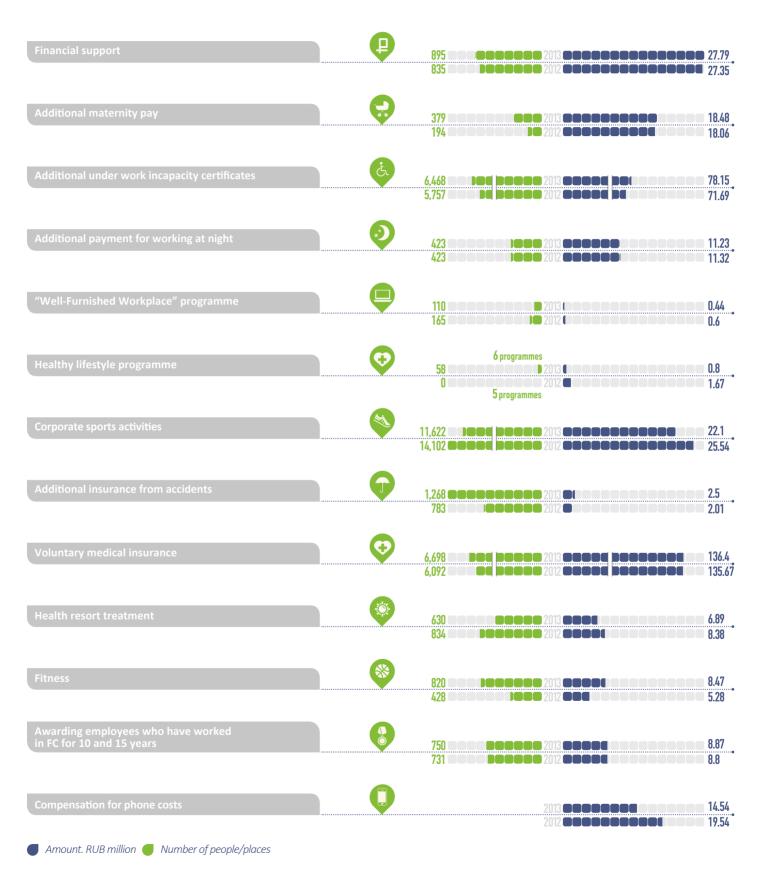
Staff turnover		%
	2012	2013
Average annual staff turnover ratio, %	22.2	24.54
I quarter	5.1	5.25
II quarter	5.8	6.08
III quarter	6.2	7.2
IV quarter	5.1	6.0
Number of resigned employees (indicator assumed in turnover calculation)	3,043	3,354
Staff turnover by age, %		
Younger than 25	31.5	40.4
26-34	27.3	29.99
35-54	14.2	14.3
55 and older	12.7	10.
Staff turnover by gender, %		
Men	19.8	21.9
Women	16.3	25.7
Staff turnover by federal districts,%		
Northwestern	23.5	31.3
Southern	26.3	23.79
Volga	26.3	22.2
Siberian	20.3	27.6
Far Eastern	31.5	(
Ural	25.2	27.5
Central	39.1	24.4

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FINANCIAL CORPORATION

Structure of internal social programmes



ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLICE

Workplace Health and Safety Programme

Workplace health and safety matters are outlined in the collective agreement, internal regulations and employment contracts. FC URALSIB has no official agreements with trade unions on labour safety. All requirements set by trade unions were considered during the conclusion of the Collective Agreement.

Responsibility for compliance with labour protection legislation rests with the managers of functional departments, as well as with labour protection specialists. 1% of URALSIB's total personnel sit on joint committees on health and safety; with 0.3% serving as safety engineers. In 2013, no occupational diseases were registered at FC URALSIB.

There have been six accidents in the Corporation over the past year, at sites in Moscow, St Petersburg, Ufa and Beloretsk. None of these accidents had serious health consequences. The accidents registered in 2013 were not directly related to the performance of professional duties, and did not occur as a result of labour safety requirements violations. The accident frequency rate at URALSIB Bank is 0.022.

FC URALSIB pension programme

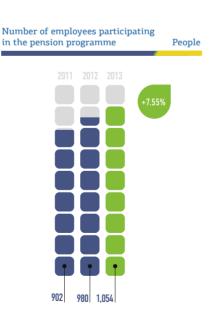
The Corporation's pension programme has been implemented by Non-State Pension Fund URALSIB in two parts: firstly, the government programme of co-financing pensions under Russian Federal Law No 56-FZ on Additional Insurance Contributions to the Funded Part and on State Support of Pension Assets and non-state pension benefit fund (NPB). If an employee chooses to transfer his/her funded

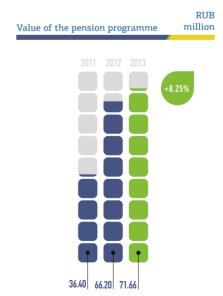
pension portion from the Pension Fund of the Russian Federation to the Non-State Pension Fund URALSIB, the employer will transfer to his/her saving account the contributions in proportion to his/her length of service in the Corporation and the amount of his/her salary. All employees with more than three years of service can participate in the programme.



Value of FC URALSIB pension programme

Absenteeism ratio by regional directorates		%
	2012	2013
Central offices (Moscow and Ufa)	2.6	2.9
Siberian and Far Eastern	2.5	3
Moscow	2.4	2.7
Volga	0.6	3.1
Northwestern	8.6	2.3
Ural	3.7	2.5
Central	3.4	2.5
Southern	1.6	2.5







FINANCIAL CORPORATION URALSIB

Personnel involvement management

The management of FC takes great interest in involvement research, which is conducted on an annual basis, because it is one of the instruments that help analyse the current state and mood of employees, based on firsthand information. It is very important for us to know what our colleagues think about different aspects of Company life in order to see our strong and weak sides, and to consequently dedicate our efforts to improve the situation.

For the Corporation, involvement is not a primary purpose, but rather a means of achieving top results. Long-term international experience of involvement research shows that companies with a high level of employee involvement (56% and higher) are characterised by higher performance indicators, personnel retention and business efficiency.

In 2013, 10,349 employees took part in the Corporation's annual involvement research.

The research has identified the factors that have the greatest impact on the level of employee involvement:

- "Career opportunities", "Employer reputation", "Salary" and "Focus on people" (employee value) — improvement in these areas would result in increased involvement;
- "Employer image consistency", "Training and Development", "Work content" and "Line managers" — maintaining the current level of satisfaction in these areas contributes to maintaining involvement levels.

In 2013, in order to comply with the best market practices, we continued to implement organisational and structural changes in the Bank's management system. These are the changes that traditionally affect our global involvement level. Therefore, the involvement level in the Bank (the Corporation's main asset) decreased from 46% to 43%.

40% of employees voiced uncertainty about the Bank. The Bank will now focus on these employees, working with them to increase their involvement level.

URALSIB employees feel that they have much better training and development opportunities than their colleagues at other Russian banks. However the perception is that their salary and social benefits are somewhat lower.

In order to increase involvement level, the Bank has planned measures aimed at:

- Further development of the career planning system;
- Alignment of salary with individual results and those of the Bank;
- Increased focus on employee value;
- Creation and maintenance of a sustainable and attractive image of the Bank as an employer, corresponding with the Bank's image in the consumer market.

As part of this project, a new comprehensive remuneration programme with fixed, variable and bonus components was introduced. This system is inter-linked with both individual performance assessment and the Company's annual financial results.

In order to increase involvement levels, a comprehensive remuneration programme with fixed, variable and bonus components has been introduced, which takes into account individual employee performance and the Company's annual financial results.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLITION

Corporate University



The basis of the corporate training system is the Corporate University. As well as conducting training, the University faculty devises training and development programmes for the Corporation's employees.

Face-to-face education takes place in the classrooms of the Corporate University and regional training centres. The remote/online learning system is implemented through training portals.

The corporate training, development and assessment of personnel are planned in accordance with the strategic tasks of Group companies and the corporate system of Management by Values common for all subdivisions.

The goal of the Corporate University is to increase business efficiency by applying a systemic approach and modern technologies to personnel training.

The FC URALSIB corporate training system is based on three key principles:

- Life-long learning continuous training as a part of working process, including initial, professional training, requalification and qualification upgrades.
- Business partnership focusing on business objectives, effective cooperation

of the Corporate University with Company subdivisions in personnel training and development, effective support of the achievement of business results through training programmes, and participation in the Company's strategic projects.

 Optimal process rationalisation according to Lean technologies — continuous improvement of processes and resources, standardising training and development processes and results-oriented work.

Number of employees completed training





Number of employees	People
Corporate university	
Moscow	1
Ufa	1
Tver	
Total	3
Regional training centres	
Regional training centres	
Regional training centres Ekaterinburg Krasnodar	-
Ekaterinburg Krasnodar	
Ekaterinburg Krasnodar Moscow (two offices)	1
Ekaterinburg Krasnodar Moscow (two offices) Novosibirsk	1
Ekaterinburg	1

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Major objectives for the training and development of Corporation employees

Internal corporate product and professional training

Cash and settlement services

Customer conveyor

Operational support

Service and sales organisation

Work in automated banking systems

Corporate-wide training programmes

Orientation programme

Prevention of trust abuse and fraud attempts

Combating money

laundering and terrorism financing

Anti-corruption

Management competence development

Manager competences

Tutorship

Feedback as a manager's development instrument

Group discussion instruments

Management styles

Problem and decisionmaking analysis

Leadership

Motivation management

Responsible leadership

Business presentation

Effective negotiations

Managers personal development programme

Time management and efficiency

Health and well-being in work

Effective stress management strategies

Emotional intellect in a manager's work

Effective behaviour in conflict

"Customer Processes" programme

Service management

Effective customer service

Effectives sales skills

Effective negotiations

Cold calls

Handling grievances and complaints

Effective telephone communication

Diagnostics and updating customers' needs

Servicing disabled customers

External professional training

Mandatory training in accordance with the legal requirements of the RF

Qualification upgrades:

Security

 Corporate and financial management

 Taxes, accounting and reporting

Audit and controlInformation

technologies

Personnel management

Number of training courses completed by emplo	oyees			
Type of learning		2011	2012	2013
Professional training conducted by external providers		3,333	3,471	2,600
	online	7,146	9,980	17,642
Internal corporate professional and product-related training	face-to-face	10,988	10,457	7,265
	remote	56,788	50,738	43,715
Training to develop management competences and personal efficiency skill development		1,289	1,466	2,173
Total		79,544	76,112	73,395

			7	
Training h	iours	(Hours
2011	2012	2013		Δ,%
1,172,023	1,082,522	789,765		-27.04
Average tra	aining hours ree			
	2011	2012	2013	∆,%
Managers	79.6	60.4	54.2	-10.26
Specialists	78.8	45.7	68.5	49.89
Average	79.2	53.1	61.4	15.6

AROUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLITIONS

Initial training and qualification upgrade system

The Corporate University and regional training centres oversee an initial training system for new employees and those who have changed their position within the Corporation. All newly hired employees take part in an orientation course, which not only gives them a clear first impression of the Company, but also familiarises them with the principles of corporate culture and social responsibility.

format. In order to develop learning content, modern approaches and technologies are used: function-oriented training programmes, training modules and stages, emphasis on the employee's self-learning, multi-media formats, and dialogue simulators. Thanks to the modernisation of training programmes, the average training duration decreased by 36%. In 2013, 158 new remote courses and eight new training programmes were developed, while the use of training films and new courses and tests for employee self-training continued.

In 2013



new remote courses



new training programmes were developed

Remote training

Remote training is becoming more popular every year, with annual growth of about 50%. In 2013, more than 65% of trainees used this form of training, and over 20% of face-to-face events were transferred to an online

Library of knowledge

The Corporate University forms a library of knowledge that is used to prepare training programmes in all areas of professional activity for Corporation employees, as well as increasing the level of management competences.

Types of materials	Quantity, units	Share, %
Professional remote mandatory training courses	303	18.9
Multimedia courses	72	4.5
for management competences development	24	
for professional training	19	
for customer technologies	19	
for information technologies	10	
Professional dedicated tests on banking topics	478	29.9
Management training	27	1.7
Customer training	33	2.0
Learning films on customer service	10	0.7
E-books	675	42.3

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Training within corporate social responsibility projects

Equal Opportunities Service Project

To improve Bank customer service and make it attractive to potential clients, the Corporate University has launched a new employee training programme on effective work with disabled customers.

Each internal corporate customer training contains a module devoted to the provision of services for disabled customers. All new employees hired in 2013 became familiar with the regulations governing Code of Conduct of Front Office Employees and completed Equal Opportunities Service training.



- To foster a positive attitude towards the Bank's disabled customers;
- To increase the level of personnel understanding of the need to create comfortable and ecological conditions for disabled customers;
- To educate Bank personnel on the principles and special requirements for serving disabled customers;
- To teach Bank personnel the skills of effective communication with disabled customers and to increase service quality for all customers.



- Managers and front office specialists who provide face to face and telephone customer service;
- · Heads of regional directorates;
- HR specialists;
- Trainers at OJSC URALSIB regional training centres.



- Specialised training: "Serving Disabled Customers. Understanding of Disability, Terminology and Ethics";
- Remote course: "Service Disabled Customers";
- Webinar: "Serving Disabled Customers";
- Brochure: "How to Serve Disabled Customers".

Training on the policies and procedures of social and environmental responsibility

The key topics of training on policies and procedures of social and environmental responsibility in 2013 were the following:

• Fire safety, minimum technological skills;

- Traffic safety;
- Operating safety;
- Environmental safety;
- Environmental management;
- Corporate stability;
- Implementation of provisions of federal legislation on insider information disclosure and manipulation prevention;
- Business.

Were trained



Total hours of training on these topics



Training on policies and procedures connected with various aspects of human rights

In 2013, the main training courses on this topic were the following: Labour Safety, Major Issues in Labour Legislation, Orientation Programme for New Employees, 2013 Salaries: Insurance Payments, Taxes, Benefits, Assessment of HR Risks, Personnel Assessment Technologies, Combating the Misuse of Insider Information and Manipulation, Personal Data Protection, Complex Issues of Personal Data Legislation Application in Credit and Financial Institutions, and A Person as Capital. HR management. Reloading. Were trained



Total hours of training on these topics



Training of security service specialists on human rights policies and procedures

Security Service employees are trained on human rights policies and procedures, both in the Corporation and at external training centres.

Traditionally, the major learning topics are:

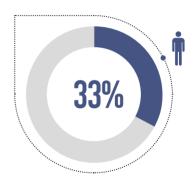
- Security Assurance;
- Banking Risks Assessment in Terms of Security of a Credit Organisation;
- Special Features of Credit Institutions' Surveillance Related to Combating Money Laundering and Terrorism Financing;
- Methodology for the Inspection of Legal Entities in the Lending Process;

- Company Economic Security: Determining Economic Risks and Threats. Establishing Corporate Security;
- Special Features of Reserves Creation for Possible Losses on Accounts Receivable and Other Assets in the Course of the Bank's economic and administrative activities.

The total duration of internal corporate professional training of the security service employees was 3,510 hours. A total of 540 training courses was completed.

193 employees completed professional training with external providers, which is 33% of the total number of service employees. The total duration of training in external corporate centres was 2,575 hours.

Number of security service employees trained by external providers



The total duration of training in external corporate centres



Training time of security service employees	(%
Training area	Hours	Share, %
Combating money laundering	3,144	89.6
Technology of inspecting individual borrowers	148	4.2
Methodology of inspecting legal entities in the lending process	116	3.3
Anti-corruption	60	1.7
Overdue debt collection regulation	42	1.2
Total	3,510	100

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Prevention of Trust Abuse and Fraud programme

All newly hired employees dealing with computers and confidential information on a daily basis complete this mandatory training programme.

Thanks to this training, the number of violations decreased 2.5 times compared to the previous year.

Were trained





Anti-Money Laundering and Combating Terrorism Financing (AML-TF) programme

In 2013, employee training on AML-TF issues was organised in accordance with the Instruction of the Bank of Russia dated 9 August 2004 No.1485-U, Provision of Rosfinmonitoring dated August 3.2010 No.203 and the annual Training Programme Implementation Plan approved for OJSC URALSIB.

The main objectives of training for employees responsible for internal control over AML-TF are the following:

 Initial training for new or transferred employees when their working duties include internal control over AML-TF: initial training included remote training of 2,372 employees (100% of the target audience) and 12 webinars, with 1,626 participants;

- Planned annual training and knowledge level assessment: 7,664 employees were trained (100% of the target audience);
- Qualification upgrades in a face-toface form for authorised employees: 31 in-person seminars were conducted, with an overall duration of 51 classroom hours. A total of 650 employees were trained.

In 2013, 49 Bank employees working in the securities market (in the investment divisions of the Bank) were trained on AML-TF issues, in accordance with the Decree of Rosfinmonitoring No.203 dated 3 August 2010.

A two-day seminar was held with representatives of Rosfinmonitoring for 45 authorised AML-TF employees of the Bank. The Bank employee responsible for AML-TF issues and his deputy participated in several AML-TF seminars organised with the support

of specialists from the Bank of Russia, the Federal Financial Monitoring Service, and the Association of Russian Banks.

Key Compliance Service employees took part in the XI International Scientific-Practical Conference "Acute Issues of Legal Regulation and Modern Trends of Development of AML-TF System in the Financial Sector of Russia", organised in Moscow by the Association of Russian Banks, the Bank of Russia, Rosfinmonitoring and the State Duma of the Federal Assembly of the Russian Federation.

Share of trained security service employees		%
Training area	Number of trained employees	Ratio, %
Combating money laundering	393	67
Technology of inspecting individual borrowers	37	6
Methodology of inspecting legal entities in the lending process	29	5
Anti-corruption	60	10
Overdue debt collection regulation	21	4
Total	540	

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLIC

Compliance with Legal Anti-Corruption Requirements training programme

URALSIB Bank devotes considerable attention to preventing any forms and manifestations of corruption. The Bank conducts fair business without using corrupt methods and bribery to gain unfair benefits. The Bank promotes an increase of the anticorruption culture by educating employees and conducting systematic training in order

to maintain awareness of issues of the anticorruption legislation of the RF.

Employees are trained in accordance with the Federal Law No 273-FZ on Countering Corruption and the Bank's internal anticorruption policy.

This objective of the training programme is to reflect the commitment of the Bank and its management to high ethical standards, with the aim of improving corporate culture, following best corporate governance practice and maintaining the Bank's business reputation at a proper level.

As part of this training, in 2013 methodical materials were prepared and orientation training on anti-corruption issues was conducted for the Bank's newly hired employees. 13 training sessions in the form of webinars were held, in which 469 employees participated.

Personnel Assessment

Employees are assessed in compliance with the Corporation's strategic objectives and the priorities of its corporate culture. Assessment criteria are based on the Business Concept, the Corporate Competencies Model and the Code of Conduct. In 2013, the Corporation conducted several large-scale projects on the distance assessment of managers and key specialists.

Key areas of personnel assessment in 2013

Qualification assessment

Qualification assessment is carried out at the selection stage for all categories of employee Assessment of knowledge, skills and abilities

Assessment of knowledge, skills and abilities is carried out after the completion of professional training for all categories of employee Competence assessment

In accordance with the Corporate Competencies Model the following assessments are conducted:

- Assessment of general corporate competencies for all categories of employee
- Assessment of management competences for managers

Assessment of value priorities and behaviour

In accordance with the Management by Values Corporate Culture Model, an annual assessment is conducted for the target audience: senior managers, middle managers and key employees Assessment of personal qualities and potential

Assessment of personal qualities and potential is carried out at recruiting, development and promotion of employees

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Main Tools of Personnel Assessment in 2013

A tool that evaluates the employee's leadership potential, prepares career development recommendations, and forecasts employee efficiency at certain positions. In 2013, 15 managers of M2-M3 levels were surveyed using this tool

A comprehensive tool for managers' professional and managerial potential assessment.

In 2013, the competences of 186 managers of points of sale were assessed. Diagnostics were carried out for seven members of the operating HR reserve of the Southern regional directorate

SHL TOOLS in an online system that tests personnel for their professional skills and professional personal using SHL questionnaires. This assessment is performed as part of a complex assessment of target employee groups. In 2013, 57 employees passed the test

This test methodology defines an individual's the overall sales potential his/ her specific traits in various sales situations. The tool is used to assess employee sales potential in credit and small business crossproducts sales. In 2012. 232 employees took the test



were assessed

2012

2013



Average result of **URALSIB-MBV** test

2012



Average result of "360 Degrees" test

2012 2013

An expert assessment of a manager, colleagues and subordinates, as well as self-assessment of corporate and managerial competencies. In 2013, this assessment was used for the following target groups: senior management, middle management and HR Reserve members (745 employees in total). Based on the assessment results, the participants received detailed

This method identifies the social connections between employees, using a work relationship "map", and measuring employees' trust to each other and availability level. In 2013, 20 employees at subdivisions of the regional network took part in the analysis

This instrument was developed and tested in 2011. The test methodology surveys the employee value model, including: leading incentives, personal traits, and correlation to Corporation-wide competencies. In 2012, this test was added to the personnel recruitment methodology. Moreover, in 2013, it was used to assess the level of honourable motives among the Corporation's key managers. Throughout the year, 796 employees took the URALSIB-MBV

AROUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLITIONS

Awards





Golden Website Contest

The website of Financial Corporation received the highest award in the "Company Trademark" contest





Rating of Best Marketing Ideas

Ranked 1st in the Rating of Best Marketing Ideas of URALSIB Bank for the provision of state and municipal services through the Federal Treasury

Association of Russian Banks

Corporate Charity Leaders

Ranked 2nd in Russia's Corporate Charity Leaders ranking

Vedomosti newspaper NP Donors Forum PwC

Compliance 2012 Award

For the most significant contribution in compliance development, active and effective public activities, experience exchange and innovation

International Compliance Association

National Banking Award

For the development and support of social entrepreneurship

Association of Russian Banks

Golden Diploma-2013

PR Service is awarded for information openness

Financial Press Club

Rating "500 Most Expensive Banking Brands in the World"

5th place among Russian banks

Brand Finance





SPEAR`S Russia Wealth Management AWARDS 2013

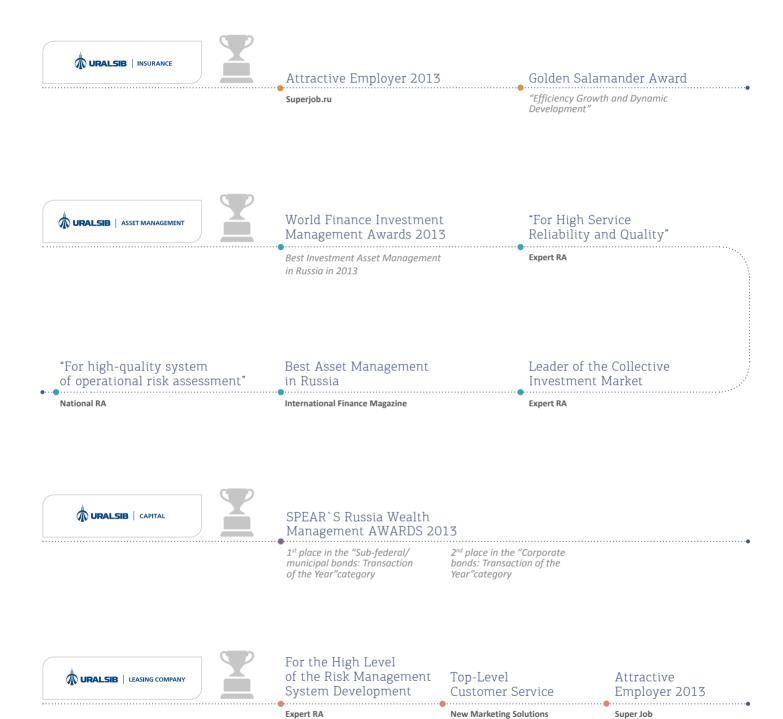
Best Russian bank providing private banking and wealth management services

PBWM Media

EVENTS AND AWARDS



FINANCIAL CORPORATION URALSIB



AROUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLICY

Events





Financial Corporation URALSIB among the largest issuers of corporate bonds in the Russian debt market

According to the rating of Informational Agency Cbonds.ru, based on the results of 2012 Financial Corporation URALSIB was ranked 7th among the largest organisers of issues of corporate bonds in the Russian debt market. The total amount of placed bond loans organised by FC URALSIB was RUB 49.9 billion.

Konstantin Kolpakov appointed a member of the Management Board of URAL SIB Bank

The appointment was reviewed in the Moscow Main Territorial Department of the Bank of Russia and approved by resolution of the Supervisory Board of OJSC URALSIB. Mr Kolpakov will supervise direct investments and investments in real estate, legal support of the Bank's activities, debt collection business and the unit of PR and GR communications.

URALSIB Bank Brand Value Increased

According to the results of a study carried out by The Banker magazine and consulting company Brand Finance, the value of the URALSIB Bank Brand rose by 24% for the year and reached USD 0.21 billion.

URALSIB Bank began issuing and servicing universal electronic cards

URALSIB Bank began issuing and servicing universal electronic cards (UEC) in 15 Russian regions, including Moscow and Moscow region, Bashkortostan, Komi Republic, Udmurtia, Arkhangelsk region, Astrakhan region, Kaliningrad region, Kemerovo region, Murmansk region, Nizhny Novgorod region, Omsk region, Tambov region, Tyumen region, and Chelyabinsk region.

Financial Corporation URALSIB appointed a number of new personnel

Yury Petukhov, previously Chief Accountant and Finance Director of URALSIB Bank, was appointed Financial Director of OJSC Financial Corporation URALSIB.

Renat Koneyev, previously Deputy Chief Accountant, was appointed Chief Accountant. The appointment was approved by the Moscow Main Territorial Department of the Bank of Russia.

Aleksey Sazonov, Deputy Chairman of the Board of Directors of URALSIB Bank and head of the risk management and compliance units, will concurrently take over the financial unit, which includes the Financial Service and Bank Treasury.

Nadezhda Simakova, previously the head of Accounting and Tax Department, was appointed Deputy Chief Account of the Bank.



Deputy Chairman of the URALSIB Bank Board of Directors Ilya Filatov Re-elected Chairman of the Council of Associations of Russian Members of EuroPay

Deputy Chairman of the Board of Directors of URALSIB Bank Ilya Filatov was selected for a third term as Deputy Chairman of the Association of Russian Members of EuroPay (ARME) in a decision at the association's annual conference

Recognition for Olga Degtyareva, Chief Executive Officer of URALSIB | Private Bank»

Olga Degtyareva, Chief Executive Officer of URALSIB | Private Bank, was included in the Top 50 Most Influential Russian Businesswomen, in 36th place.

EVENTS AND AWARDS



FINANCIAL CORPORATION







URALSIB Bank 121 rebranded

Private Bank announced its rebranding — URALSIB | Bank 121 changed its name to URALSIB | Private Bank. The changes not only involved the name, but the corporate style, as well. The official website for the Private Bank also changed, and can now be found at www.private-bank.ru. These changes symbolised a new stage not only in the operations of URALSIB | Private Bank, but also a development in the domestic private banking industry.

Donor Week at Financial Corporation URALSIB

From 12-16 April 2013, FC URALSIB held its traditional Donor Week: mobile stations for blood collection were organised at the largest offices of URALSIB. The campaign is held as part of the Social Cooperation Agreement made with the Federal Medical and Biological Agency of Russia.

Based on the positive experience of holding the internal corporate campaign, this year the Corporation made a decision to engage its partners, customers and other stakeholders in blood donation. Along with Corporation employees, eight higher education institutions in Kaliningrad, Krasnodar, Nizhny Novgorod, Saratov, Tambov, Tomsk and Ufa took part in the April campaign.

Financial Corporation URALSIB launched a new website

The 25th anniversary of FC URALSIB was marked by the launch of the new website of Financial Corporation — www.uralsib.ru and www.uralsib. com. The latest innovations in web technologies were used when creating the website. For all user categories, the website provides an opportunity to form their own page with necessary information and their uploading in the key working formats (PDF and Microsoft Word). The new website of Financial Corporation URALSIB was developed using international requirements for information disclosure in accordance with the GRI standard. Following social responsibility principles, the website allows those with poor vision. to increase font sizes according to their needs

The Start of the Annual "Non-Smoking Office!" Campaign at Financial Corporation URALSIB

From 31 May to 30 June 2013, Financial Corporation URALSIB held its annual "Non-Smoking Office!" campaign. The goal of the campaign is to promote a healthy lifestyle and offer collective support for those who are willing to give up smoking. To participate in the campaign, employees must quit smoking on 31 May and not smoke for at least one month. Smoking employees participating in the campaign are subject to biochemical testing. Thanks to the regular antismoking campaigns that have been held by URALSIB for the past five years, about 700 employees have given up cigarettes forever. In Moscow and the Moscow region, 400 people registered to become non-smokers.

Thomson Reuters rated URALSIB | Capital One of The Top Three Russian Brokerage Houses, Providing the Best Stock Market Strategy

URALSIB | Capital's achieving such a high rating alongside the biggest players in the market from a highly respected international rating agency confirmed the potential for private investment banking to successfully develop in Russia.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLICE





URALSIB Bank signed an Agreement for the Support of Social Entrepreneurship

URALSIB Bank, the "Our Future" Fund for Regional Social Programmes and the NGO for Small and Medium Business OPORA RUSSIA signed an agreement for the support of social entrepreneurship. The agreement envisages joint activities designed to popularise and promote social entrepreneurship in Russia. There are plans to create the necessary conditions for a qualitative and quantitative growth in the number of social entrepreneurs, and to implement a joint support programme allowing social entrepreneurs to obtain access to grants and privileged credits for business development.

Financial Corporation URALSIB became a participant in a pilot programme of the International Integrated Reporting Council (IIRC)

Financial Corporation URALSIB became one of the developers of a new international corporate reporting standard — integrated reporting. At the end of 2013, participants ofin the pilot programme will present a draft international standard to the business community, as a proposed replacement for the current forms of annual and social reports.

URALSIB Bank started issuing AMEX cards and launched the EXPERIENCE programme

URALSIB Bank began issuing American Express cards. A unique programme for travellers, EXPERIENCE includes a set of AmEx and MasterCard cards pegged to one bank account and registered in the Aeroflot Bonus system.

Anna Tregubenkova appointed a member of the management board of URALSIB Bank

Ms Tregubenkova will supervise the functioning and development of the internal control system and manage the Bank's Internal Control. The appointment was reviewed in the Moscow Main Territorial Department of the Bank of Russia and approved by resolution of the Supervisory Board of OJSC URALSIB.

URALSIB Bank launched its "Mortgage for Parents" campaign

URALSIB Bank launched a "Mortgage for Parents" campaign. For those seeking loans for the acquisition of residential property in newly constructed buildings, interest rates will be reduced by 0.5% for each child. The interest rate will be reduced not just at the moment of signing the loan agreement, but also if the family has a child later, at any time during the loan period. In order to take part in the campaign, the family must submit a birth or adoption certificate to the Bank.

URALSIB | Asset Management launched a new service, "Investment Constructor"

URALSIB | Asset Management developed four complex investment portfolios, which differ from each other by the expected return and acceptable risk ratio. These portfolios are modelled as a set of asset classes — from six to ten funds of URALSIB | Asset Management in various combinations. Customers are also given the opportunity to gather their own portfolio. All strategies are for long investment periods: from 3 to 5 years.

EVENTS AND AWARDS



FINANCIAL CORPORATION







URALSIB Bank introduced an IBM marketing platform for managing target sales

URALSIB Bank, IBM (NYSE: IBM) and GlowByte Consulting announced the introduction of a set of IBM solutions to improve the Bank's multi-stage, cross-channel marketing campaigns. According to URALSIB Bank estimates, a return on investment in this project was secured within the first three months of its operation.

Managers of Financial Corporation URALSIB were included in the Top 1,000 of Russian best managers

12 Financial Corporation URALSIB managers were included in the Top 1,000 of Russian best managers. This is a joint rating prepared by the Association of Managers and the Kommersant Publishing House.

The Chairman of the Management Board of Financial Corporation URALSIB Ildar Muslimov was included in TOP-5 of best top managers of companies operating in the Russian market in the category "Financial Sector". The TOP-10 of the rating included the Chairman of URALSIB Bank Illka Salonen (in the nomination "Commercial Banks") and President of NPF URALSIB Elena Kremenetskaya (in the "Financial Sector" category).

URALSIB Bank issued new co-branded cards

The Bank now offers debit cards, instant issue debit cards and credit cards that are valid for three years. When paying for goods and services using these cards at petrol stations, in cafes, shops, and supermarkets, cardholders collect points that can be used to pay for fuel and goods at LUKOIL gasoline stations. New cards can be issued at the Bank offices, through the Bank's agents at LUKOIL gasoline stations and at the offices of Insurance Group URALSIB.

URALSIB Bank launched a service for the provision of state and municipal services

URALSIB Bank now offers a service for the provision of state and municipal services through the Federal Treasury. The Bank's payment terminals, URALSIB Online Bank and the Bank's cash offices provide the option to obtain information on penalties of the State Traffic Safety Inspectorate and tax debt and pay these in real-time mode.

URALSIB Bank conducted a social advertising campaign

As part of its support for ocial entrepreneurship, the Bank launched a joint advertising campaign, "Let Us Make This World Better!" with the "Our Future" Fund for Regional Social Programmes and OPORA ROSSII, with the participation of the "People's Initiative" Fund. The programme is designed to popularise social entrepreneurship and to inform entrepreneurs about existing methods of state and private support for their activities.

URALSIB | Asset Management decreased the cost of an "admission ticket" to its funds by 100 times

URALSIB | Asset Management announced a 100 times decrease — from RUB 10,000 to RUB 100 — of the minimum amount of investment in units of its investment funds, not only for secondary, but also for primary purchases. The Company established fees for managing its new global funds at the lower limit of the market —1.5% of the average cost of new assets of the Fund for the year — and cancelled commission for unit repayment for long-term investors (over three years).

PFR renewed the agreement for trust management of pension savings with URALSIB | Asset Management

A decision was made in accordance with the rules for the renewal of agreements for the trust management of pension savings concluded with the Pension Fund of Russia approved by the resolution of the RF Government dated 10 September 2010 No.708 and on the basis of Notification of the FFMS of Russia dated 26 June 2013 No.13-YAP-02/23608.



A new Deputy Chairman of the Management Board of URALSIB Bank

Alexey Gonus has become a member of the Management Board of URALSIB Bank and appointed a Deputy Chairman of the Management Board. The appointment was reviewed in the Moscow Main Territorial Department of the Bank of Russia and approved by resolution of the Supervisory Board of OJSC URALSIB. Alexey Gonus will supervise the Bank's corporate business.

URALSIB Bank developed a special purpose loan product for social entrepreneurs

The "Noble Deal" loan is offered to participants in a social entrepreneurship support programme implemented by the Bank together with OPORA RUSSIA and the "Our Future" Fund. More than 35 socially oriented business projects have already taken part in the programme. The loan was developed by the Bank especially for such products.

URALSIB | Leasing company LC launched a trade-in programme

URALSIB | Leasing company LC launched its "Leasing Trade-In" programme, meaning that new machinery, vehicle or equipment can be purchased on finance lease terms without a down payment, using second-hand equipment as collateral. Minimum appreciation rates also apply to customers using the trade-in scheme.



URALSIB Bank celebrated its 25th anniversary

On 6 December 2013 URALSIB Bank celebrated its 25th anniversary. The beginning of the financial activity of the Bank laid the basis for the creation of the same name, the URALSIB Financial Corporation, in 1988 at the time of receipt of the OJSC JSCB "Avtobank" General licence No.30 of Bank of Russia.

URALSIB Bank is included in a list of Banks on the accounts of which funds for participation in electronic trading for the fulfilment of state orders will be placed.

In accordance with the document approved by the Resolution of the RF Government effective 1 January 2014, a list of banks in which participants of electronic trading will open accounts for securing state orders was published. 51 credit and financial institutions were included in the list. Participants included in the list were selected in accordance with the Law on State Purchasing.

URALSIB Bank is now connected to the "Golden Crown — Loan Repayment" service

Now URALSIB Bank customers can repay loans and make cash deposits to their bank accounts in the unified network of the "Golden Crown — Loan Repayment" service. This service is available for Bank customers in the federal networks of MTS and Euroset, ION in Moscow and the Moscow regions, at the information desks of MEGA shopping malls in Moscow and St. Petersburg, in the sales and service centres of Rostelecom in the Ural Federal District and in the cash offices of banks which are URALSIB's regional service partners.





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Appendix 1 General Information about the Report

This is the ninth report in FC URALSIB's history, prepared in accordance with GRI international standard requirements.

The Corporation's previous integrated report was published in September 2013. While preparing this 2013 Report, the Corporation adhered to the GRI standard indicators (Version 4, 2013) and those of the financial sector supplement (FSSD, 2013). It also took into account the previous reports preparation practice and the Corporation's development priorities for 2013-2014. The economic performance indicators are presented on the basis of FC URALSIB's consolidated financial statements, prepared in accordance with the international IFRS standard and certified by KPMG auditing company.

The data in the "Corporate Governance" section are based on the 2013 Annual Report of Open Joint Stock Company Financial Corporation URALSIB prepared in compliance with requirements of the Bank of Russia and approved by OJSC FC URALSIB's Annual General Shareholders Meeting held on 30 June 2014. The Corporation's business model and information on strategic priorities are disclosed on the basis of the data from the Report on Realisation of the Business Concept of FC URALSIB with the recommendations of the International Integrated Reporting Council (IIRC).

The following abbreviations are assumed in the Report:

 Open Joint-Stock Company Financial Corporation URALSIB is also referred to as OJSC FC URALSIB:

- Group of Companies Financial Corporation URALSIB is also referred to as FC URALSIB, Financial Corporation, Corporation, Group, URALSIB:
- Open Joint-Stock Company URALSIB Bank is also referred to as OAO URALSIB, Bank, URALSIB Bank;
- URALSIB | Asset Management is also referred to as URALSIB AM;
- URALSIB | Private Bank is also referred to as Private Bank URALSIB, Bank 121;
- URALSIB | Leasing company LC is also referred to as URALSIB LC.

GRI Application Level

The 2013 Report was independently certified by GRI as compliant with the GRI G4 standard requirements. The information was disclosed in accordance with the Core option, which was certified accordingly. Data was audited by the Internal Audit Service.

Forward-Looking Statements

The forward-looking statements include statements on the plans, goals, tasks, strategy, future activity and indicators of FC URALSIB, as well as assumptions that substantiate such statements. Statements

on the future, especially in sections concerning plans, prospects, forecasts, trends and predictions, contain such verbs as "to expect", "to assess", "to suppose", "to consider", "to intend", "to plan", "can", "will", "shall" and similar expressions. These statements do not guarantee future indicators and are based exclusively on the FC URALSIB management vision at a certain moment. The statements reflect the maximum precise estimations of the FC URALSIB management, but are subject to risks and uncertainty factors which might result in a significant difference between actual results and those forecast by FC URALSIB. Among others, these factors include FC URALSIB's ability to analyse its strategic initiatives, economic, political and market conditions, state regulation, interest rate risks and competition. Considering these constraints, the future statements cannot be relied on. FC URALSIB assumes no responsibility for updating future statements, as well as related assessments and assumptions, that are connected with events or consequences, changes in expectations or assumed events occurrence after the date of initial statements.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POL

Appendix 2 Scope and Boundaries of the Report



The collection, consolidation and analysis of information on sustainable development is based on Russian legal requirements, internal corporate standards for statistical data processing and on the international standards IFRS, ISO 26000, GRI and IR. This Report does not contain any material changed in methods of measurement in comparison to the previous period. No significant changes in the Report's boundaries and scope have occurred compared with the previous period. There were no material changes in the size, structure and type of ownership, asset structure and subsidiaries, which could influence the comparability of the previous and the present Reports. All material indicators in the 2013 Report are presented in comparison with 2012 indicators. The Group membership for the Report data consolidation is defined by the Consolidated Annual Financial Statements of Financial Corporation URALSIB. The development of structure, collection and consolidation of data are performed by the Corporation's own forces. Design and prepress are executed by external providers chosen though tender.

Material aspects 64-19

Financial Corporation URALSIB is a major regional group of companies that considerably influences the quality of the social environment in its regions of operation and in Russia as a whole. To define materiality, the topics and indicators expressed by the stakeholders during dialogues in 2013- 2014 are considered.

In this Report, material aspects of the Corporation's development ("Complex Strategic Plan" section) are disclosed on the basis of resolutions of the V Conference of the Key Management of the Corporation held 19-20 June 2013 in Moscow. At the conference, intermediate results of realisation of the Business Concept in all business areas were reviewed and a decision was made to focus company managers' efforts on the development of the social entrepreneurship model. Decisions were made on a collegial basis within the framework of activities of four groups created by key business areas. Each group received for discussion a longlist and a summary in the form of four shortlists. Conference participants corrected and supplemented the material development areas of each type of business. The conference resulted in a declaration, in which material business aspects of the Corporation companies were formulated. These are:

- Increased business process efficiency;
- Implementation of the social entrepreneurship model;
- Development of the Management by Values model.

Analysis of major issues and problems related to the financial industry development prospects was undertaken for the reported period. Dialogues with employees helped to determine the key topics of this Report concerning the development of corporate culture. A series of expert interviews with the Corporation's key department's managers allowed us to identify critical success factors and major operational risks. Interviews with senior managers (some of which are published in the Report) helped define priority issues for the Report regarding social and environmental aspects. The external factors that significantly influence the FC URALSIB companies' sustainability were identified during expert round table discussions, stakeholder negotiations and marketing research (including the "mystery shopper" method). In particular, within the framework of preparation of the 2013 Report, a study was conducted to analyse the expectations





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of customers and expert communities (including the Russian Union of Industrialists and Entrepreneurs, the Association of Russian Banks, and the Russian Institute of Directors) on quality and completeness of disclosure of information in the Report. The sample volume was 248 respondents. The customers named the following three material topics:

- Fulfillment of business obligations to customers and partners;
- Fulfillment of obligations to employees (salary payment, creation of safe working conditions);
- Provision of high-quality services.

These priority areas were taken into account in the preparation of the following sections of the Report:

- Brands;
- Socially oriented financial products;
- · Complex strategic plan;
- · Compliance control system;
- Anti-corruption;
- Personnel development.

The "mystery shopping" research is conducted in the Bank's offices once a quarter, with 100% coverage of points of sale, which allows for the identification of weaknesses and enables regional managers to work on improving customer service. The key areas of

studied research studied are Office, Servicing Technologies, and Personnel.

The key questions raised by "mystery shoppers" are reflected in the following areas:

- Brands;
- Geography;
- Programmes for the training and development of Corporation employees;
- Initial training and qualification upgrade system;
- Personnel assessment.

When defining the internal factors of major influence on the Corporation's development, the key performance indicators stated in the FC URALSIB Business Concept were taken into account. Potential Report users are identified by the previous reports' distribution and the requests of department managers of Corporation company-members. This Report includes interviews with key managers of the Corporation to substantially reflect such important parameters of the Report as maturity, scope and development priorities.

These interviews reveal the views of the Corporation's senior management on the general context of social and economic development, as well as the key themes and issues associated with financial sector

development, corporate values, critical success factors, and short- and long-term development priorities. The interviews also disclose management approaches (DMA) to key areas of sustainable development (economic, environmental, labour organisation, human rights, society interaction, and product liability). The Report contains recommendations on the development of non-financial reporting given in the Report on Non-financial Reporting of the Council of the Russian Union of Industrialists and Entrepreneurs.

The Report contains no changes in definitions compared to the previous period. All data and indicators used in the Report are provided by responsible employees in the Corporation's subdivisions, the accuracy of which was verified by Internal Audit Service and Social Reporting Directorate of External Communications Department.



Results of studying the key topics of the Report



Extract from the Minutes of the Meeting of the Council of the Russian Union of Industrialists and Entrepreneurs

Appendix 3 Supply Chain of the Organisation

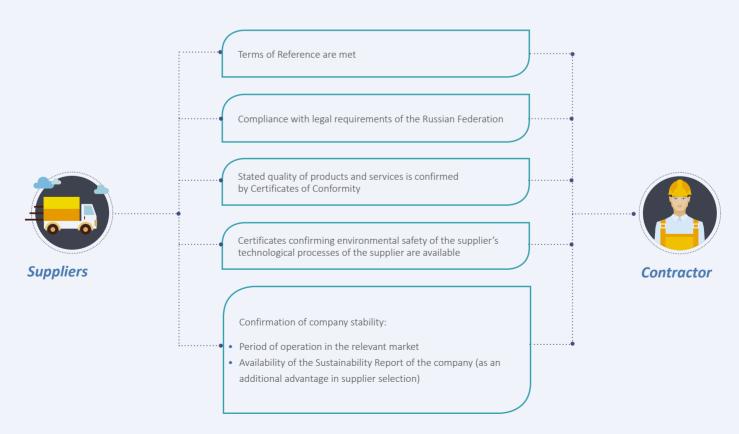
The Corporation selects its suppliers based on the results of internal tenders. All major contracts are reviewed and approved in accordance with the Regulation on Holding Tenders for Selection of Counteragents for the Supply of Goods, Performance of Works and Provision of Services.

Contracts are also subject to review by the Corporation's Legal Service for compliance with the relevant laws and regulations.

Work with suppliers is based on mutually

beneficial long-term relations. It enables the Corporation to ensure stability, quality, minimal cost and timely supply. In URALSIB's regions of operation, 80-95% of purchases are from local suppliers, with the remaining share being procured in a centralised manner. In Moscow, the purchasing is 100% local.

Standard Supplier Evaluation Criteria of FC URALSIB





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Appendix 4 Stakeholders

Map of FC URALSIB Stakeholders

G4-24



ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLIC

Stakeholder Groups Engaged by Organisation



FC URALSIB understands stakeholders as persons, groups of persons or organisations that affect, or are affected by, the Corporation's business, its products or services. The Corporation builds its interaction with key groups of stakeholders based on the legal requirements of the Russian Federation, the Universal Declaration of Human Rights,

and its vision, mission, value, functional and business strategies. The stakeholder structure is based on the analysis of operational and charitable activities of Corporation companies in the course of the preparation of the communications strategy for 2014. The map of stakeholders is based on the results of expert survey of members of the FC URALSIB

Board of Directors and managers of key business units. The main communications goals and objectives were adjusted for each stakeholder group, taking into account the social and economic situation and the business concept of the Corporation. In 2013, there were no significant changes to the stakeholder structure.

Key topics that have been raised through FC URALSIB stakeholder engagement



Stakeholder	Topic raised	Actions taken by the Company
Webinar held on 25 Oct	ober 2013 as part of the "Days of Open Ideas" pro	gramme for small business
Andrey, employee of an IT company	Does URALSIB have any programmes for software development and IT equipment companies? Our technologies are competitive in relation to technologies of foreign manufacturers, but without the support of small groups of developers, it will be difficult for us to break through.	The Bank provides a wide range of services, including lending. Its broad product line includes loans for working capital financing purposes, investment and express loans. The Bank has not yet developed dedicated products for IT companies. The Bank's products are universal. A loan may be secured by existing or acquired property or unsecured. Within the framework of consultation support, it is possible to adjust the existing business model based on the effective use of loan resources for company development.
Anastasia, director of private child daycare	URALSIB is switching to a social entrepreneurship model. Hence, the question: can a private child daycare count on Bank support and will there be any other support besides lending?	The Bank has a dedicated programme for social entrepreneurs implemented jointly by URALSIB Bank, OPORA RUSSIA and the "Our Future" Fund. Under the programme, entrepreneurs can take a "Noble Deal" loan under beneficial conditions. Amount: from RUB 100 thousand to RUB 10 million Term: 3 months to 5 years Interest rate: - up to RUB 5 million: 8% (no collateral, the loan is provided under surety); - from RUB 5 million: 7%. Programme participants obtain the right to principal deferral for up to three months and a discount for life and health insurance. In addition to the beneficial terms of the "Noble Deal" loan product, participants will be paid a monthly scholarship by the "Our Future" Fund in the amount of RUB 25,000.
Karen Aksenov, individual entrepreneur	Do the URALSIB Corporation companies provide support programmes for small production (1,000 litres per day) of low alcohol beverages?	The Bank gives preference to projects and borrowers that have a direct or indirect positive impact on the environment and managing the economic, ecological and social aspects of their activities in accordance with the effective laws and regulators' requirements. Therefore, URALSIB does not provide loans to companies producing alcohol and tobacco products.
Daniil, non-professional beekeeper	I would like to open a beekeeping business. Can I get a business development loan from URALSIB?	The Bank provides lending opportunities to companies that conduct business for six months and more. The Bank's risk management policy does not allow the Bank to work with start-up projects.
Alexey, owner of a retail location	Can URALSIB organise dedicated conferences for entrepreneurs for experience sharing purposes? We work in Kransodar and received support, but our relatives in Stavropol could receive support only with our help. It is hard for beginners to start without experience sharing.	URALSIB conducts dedicated training seminars where topics of increasing manager competences are considered. At these seminars, you can meet representatives of existing companies and share experience. You can check the schedule of events in your city.
Alexander, project manager	I am not an entrepreneur at the moment, but the provision of sureties by entrepreneurs is possible. A project for clinic (medical) construction has been developed. What opportunities does the Bank provide to open a new business?	The Bank provides lending opportunities to companies that conduct business for six months and more. The Bank cooperates with regional centres of entrepreneurship development. Our consultants can recommend a support programme implemented by the Bank's partners.





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Stakeholder	Topic raised	Actions taken by the Company	
Handling grievances	s (complaints) of the Bank's customers		
Retail customers	Customer service-related complaints, in particular, big queues in offices.	Information on the complaint was escalated to branch managers and the Bank's head of regional services. An electronic queueing system has been installed. Apologies are made to the customers who submitted the complaint and an actions report is provided. As of 31 December 2013, the electronic queueing system had been installed in 64 offices. By 1 August 2014, the electronic queueing system had been installed in 131 offices.	
	Complaints in respect of neglectful attitude of Bank employees.	Information on the complaint was escalated to branch managers and the Bank's head of regional services. On the basis of an explanatory note from the relevant employee and the customer's complaint, measures are being taken to avoid such situations. Apologies are made to the customer who submitted the complaint and an actions report has been provided in verbal form.	
	Customer complains about mistaken calls and/or text message from the Bank	The customer's phone number is checked in all of the Bank's databases. If the number is incorrect, adjustments are made and the wrong number is deleted from the Bank's database. The actions report is provided in verbal form.	
	Complaints in respect to product servicing, in particular, with the accumulation of overdue debt.	Circumstances in which the overdue debt occurred are clarified. If the debt is formed due to neglectful attitude on the part of the customer to his/her installments (for example, not in due time or a lesser amount), or due to reasons beyond the customer's control (the transfer is delayed in another bank, ATM was out of service, he/she clarified the amount incorrectly, etc.) the customer will be provided with complete information regarding the reasons for overdue debt and methods to avoid any such situations in the future will be recommended.	

Number of customer complaints and requests from supervisory authorities

Complaint submission channel	2012	2013
Bank branches	4,305	7,458*
Contact centre of the Bank	3,407	3,774
Bank website	1,759	2,110
Bank's postal address	1,014	1,112
Other channels	285	160
Total	10,770	14,614

^{*}The increase in the number of complaints received through Bank branches is related to the toughening of control over the complaints registration procedure for customers who came to the branch.

Stakeholder engagement system

The Corporation aims to build long-term cooperation, taking into account the mutual interests of stakeholders. To this end, it regularly holds meetings with the representatives of stakeholder groups. The purpose of this dialogue is to identify mutual expectations and jointly explore new forms of engagement promoting the development of the social and economic sphere and a new range of financial services and products.

For effective stakeholder engagement, the Corporation uses a wide range of available forms of communication:

- Meetings, presentations and conferences;
- Dialogue in customer receptions on the occasion of the Bank's 25th anniversary;
- Study of the level of satisfaction and loyalty of customers and employees;
- Feedback forms on the internal corporate portal and official website;
- Mass media;

- Non-financial reporting;
- Joint events with public and non-government organisations.

In order to identify the expectations of its stakeholders, in 2013 the Corporation held meetings with the following stakeholder groups:

Senior management

In order to adjust its stakeholder map, the Social Reporting Directorate conducts an expert survey of members of the FC URALSIB Board of Directors and the managers of key business units of the Corporation.



In 2013, the FC URALSIB HR Service organised a series of meetings with employees and open voting to update the Corporate Code of Conduct. These meetings helped to identify new principles of activities, values within the approved social entrepreneurship model.

Retail customers

In 2013, customer expectations research was conducted using the "mystery shopper" system. This research is the basis of the "Big Deal" project, focused on improving customer service quality and building long-term relationships with customers on the basis of the updated values of the Corporation's development. Employees of all regional branches of the Bank participated in the project. They were offered to submit ideas on customer service options to a contest.



FC URALSIB regularly participates in socially significant events. The managers of key subdivisions frequently speak at conferences, forums, and round tables devoted to Russian economic development. Within the framework of building long-term partnership relations with government authorities, social partnership agreements were undertaken along with consultation on issues of social and economic development in the Corporation's regions of operation.

Small business

In order to support the competitiveness of its product range and high level of customer service, URALSIB Bank regularly conducts an in-depth study of the needs of small and medium businesses and their level of satisfaction with the Bank's product offer and service. The key objective here was to adjust the product to the needs of small business or entrepreneur. Therefore, the identified expectations became the basis for a new expanded line of loan products for small business. Meetings with this target audience are held within the framework of the federal project "Days of Open Ideas". At seminars held in the format of expert dialogues, managers of branches and sales offices, as well as representatives of federal ministries entrepreneurship development funds, discuss with entrepreneurs the barriers to securing resources for business development, existing opportunities for cost optimisation at small companies and the necessary financial products for small business development.

In conversation with government authorities in 2013, the Corporation took part in more than 100 expert events.

An example of the responsible work of FC URALSIB with its stakeholders, based on the principles of equal interaction and information openness, is its long-term cooperation with the Republic of Bashkortostan. This is a strategic territory of development for URALSIB Bank. It is where key commercial projects are realised and advanced programmes aimed at the social and economic development of regions are developed and implemented. Bank branches in the territory of the Republic are actively involved in the implementation of top priority national projects. In particular, URALSIB Bank participates in social mortgage lending programmes.





FINANCIAL CORPORATION

Appendix 5 Participation in Associations and External Initiatives



United National Global Compact

URALSIB Bank has joined the UN initiative to encourage sustainable development and responsible civil position of business — the United Nations Global Compact. URALSIB has become the first bank in the Global Compact network in Russia.

The social entrepreneurship principles are laid in the URALSIB mission, therefore joining the Global Compact is a confirmation that the business model, corporate culture and values of URALSIB develop in accordance with the principles of international strategy

of corporate social responsibility. The Corporation has published its reports in accordance with the international sustainability standards since 2004.

International Finance and Leasing Association (IFLA)

Since 2009, URALSIB | Leasing company LC has been a representative of Russia in the International Finance and Leasing Association (IFLA). The IFLA membership enables the Company to exchange ideas, knowledge, experience and information with foreign colleagues.

In 2013, URALSIB LC became an organiser and host for an annual convention of IFLA members held in Moscow.

An important area of the Bank's activities is cooperation with government institutes and public organisations that support small business development and promote business concepts.

ABOUT THE COMPANY STRATEGY ECONOMIC EFFICIENCY SOCIAL INVESTMENTS ENVIRONMENTAL POLICE

Public Organisation of Small and Medium Business OPORA RUSSIA

An important area of the Bank's activities is cooperation with government institutes and public organisations that support small business development and promote business concepts.

One of such partners of URALSIB Bank is the non-governmental public organisation OPORA Russia, with which the Bank has a strategic partnership agreement. As part of its cooperation with this organisation in 2013, conferences were held in Kazan, Chelyabinsk, Krasnodar, Samara and Ufa. During these conferences, leaders and managers of the Bank acted as experts, conducted seminars on small business lending programmes and consulted on banking products.

Association of Russian Banks (ARB)

The Bank has been a member of the ARB since 1991 ("Avtobank"). As part of its ARB membership, Bank representatives took part in the following socially significant events:

- Convention of the Association of Russian Banks:
- All-Russian Banking Forum;
- Meeting of the management of the Bank of Russia with heads of Russian banks;
- Meetings of the Interregional Banking Council at the Federation Council of the Federal Assembly of the RF;
- The "Legal Support of Combating Money Laundering and Financing of Terrorism" conference;

• National Banking Award Ceremony.

The Bank's representatives also participated in the activities of ARB committees and commissions and working meetings. In 2012, a number of proposals and initiatives for the improvement of the banking legislation and environment development were prepared:

- Participation in collateral legislation development, including forfeiture of pledged property;
- Meeting the requirements of the Federal Law on Personal Data;
- Development of an electronic money system;

- Preparation of proposals for amendments to the Tax Code of the Russian Federation;
- Participation in work on a unified social tax on insurance premiums;
- Preparation of proposals for amendments to the Federal Law on Insolvency (Bankruptcy) and Federal Law on Enforcement Proceedings for improvement of rehabilitation proceedings.

Association of Regional Banks of Russia (Association "Russia")

URALSIB Bank has been a member of Association "Russia" since August 2008. The Chairman of the Management Board of URALSIB Bank, Ilkka Salonen, became a member of Association "Russia" in May 2013. As part of its membership in this Association in 2013, Bank representatives took part in the International Banking Forum "Banks of Russia — XXI century" in Sochi.



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Appendix 6 Table of Standard GRI* Elements

GRI G4 Indicator	DESCRIPTION	REPORT CHAPTER/ COMMENTS	External assurance	PAGE
GENERAL S	STANDARD DISCLOSURES			
	Strategy and Analysis			
G4-1	Statement from the CEO		no	9
	Organisational Profile		•	•
G4-3	Name of the organisation		no	cover 2
G4-4	Primary brands, products and services	Brands	no	12–19
G4-5	Location of the organisation's headquarters	Geography	no	28-29
G4-6	Countries where the organisation operates	Russia	no	cover 2
G4-7	Nature of ownership and legal form		no	31-45
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Strategy	no	26–27
G4-9	Scale of the organisation, including:	Infrastructure	no	115–118
	Total number of employees	Personnel Management	no	28
	Total number of operations	Geography	no	70–73
	Net sales (for private sector organisations) or net revenues (for public sector organisations)	Key Financial Indicators	no	70
	Total capitalisation broken down in terms of debt and equity (for private sector organisations)	Key Financial Indicators	no	12–19
	Quantity of products or services provided	Brands	no	115–118
G4-10	Number of employees	Personnel Management	no	97
G4-11	Percentage of total employees covered by collective bargaining agreements	100%	no	
G4-12	Supply chain	The Corporation selects its suppliers based on the results of internal tenders. All major contracts are reviewed and approved in accordance with the Regulation on Holding Tenders for the Selection of Counteragents for the Supply of Goods, Performance of Works and Provision of Services. Contracts are also subject to review by the Legal Service of the Corporation for compliance with the effective laws and regulations. Work with suppliers is based on mutually beneficial long-term relations. This enables the Corporation to ensure stability, quality, minimum cost and timely supply. In URALSIB's regions of operation, 80-95% of purchases are from local suppliers, with the remaining share being procured in a centralised manner. In Moscow, the purchasing is 100% local.	no	
G4-13	Significant changes regarding the organisation's size, structure or ownership	No changes	no	

^{*}G4 standard "in accordance" option — core.

GRI G4 INDICATOR	DESCRIPTION	REPORT CHAPTER/ COMMENTS	External assurance	PAGE	
G4-14	Precautionary principle	Risk Management	no	107-114	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses		no	cover 2	
G4-16	Membership of associations (such as industry associations) and national or international advocacy organisations	Appendix 5	no	145	
	Identified Material Aspects and Boundaries				
G4-17	Legal entities included in the organisation's consolidated financial statements	The full composition of the Group is provided in the Consolidated Financial Statements of OJSC Financial Corporation URALSIB. The information is available upon written request: csr@uralsib.ru	no		
G4-18	Process for defining the report content and the aspect boundaries	Appendix 2	no	138	
G4-19	List of all the material aspects	Appendix 2	no	138	
G4-20	Aspects material for all legal entities included in the report	Increasing the efficiency of business processes, implementation of the social entrepreneurship model, development of the Management by Values (MBA) model	no	47–51	
G4-21	Aspects material outside the organisation	Fulfillment of business obligations to customers and partners; Fulfillment of obligations to employees (salary payment, creation of safe working conditions); Provision of high-quality services	no	43,120	
G4-22	Restatements of information provided in previous reports	No changes	no		
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	No changes	no		
	Stakeholder engagement				
G4-24	List of stakeholder groups	Appendix 4	no	141	
G4-25	Basis for identification and selection of stakeholders with whom to engage	Appendix 4	no	141	
G4-26	Organisation's approach to stakeholder engagement	Appendix 4	no	141	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	Appendix 4	no	141	
	Report Profile				
G4-28	Reporting period	Appendix 1	no	137	
G4-29	Date of most recent previous report	Appendix 1	no	137	
G4-30	Reporting cycle	Appendix 1	no	137	
G4-31	Contact point for questions regarding the report or its contents		no	cover	
G4-32	GRI 'in accordance' option the organisation has chosen	Core, FSSD	no		
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the sustainability report	The Report is subject to assurance by Internal Control Service and GRI-ALC standard compliance verification	no		
	Corporate Governance				
G4-34	Corporate governance structure of the organisation	Corporate Governance	no	98–101	
	Ethics and Integrity	-			
G4-56	Organisation's values, principles, standards and norms of behaviour	Corporate Culture	no	6–7	





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GRI G4 Indicator	DESCRIPTION	REPORT CHAPTER/ COMMENTS	External assurance	PAGE
SPECIFIC S	TANDARD DISCLOSURES			
DMA	Disclosures on Management Approach (DMA)	Anti-corruption	no	105
		Forming common values Ildar Muslimov, General Director, the Chairman of the Management Board of FC URALSIB	no	52
		All efforts in centralisation of business processes Airat Gaskarov, Deputy Chairman of the Management Board of URALSIB Bank	no	54
		Long-term wealth management Olga Degtyareva, Chief Executive Officer of URALSIB Private Bank	no	56
		Business success is in the hands of the team Yuri Belonoschenko, General Director of URALSIB AM	no	58
		Professionalism, responsibility and reliability are the fundamentals of sustainable development Elena Kremenetskaya, President of Non-State Pension Fund URALSIB	no	60
		The strategy of reasonable optimism Mark Temkin, Chief Executive Officer of URALSIB Capital	no	60
		Anticipating Customers' Expectations Oleg Litovkin, General Director of URALSIB Leasing company LC	no	62
		From common interests to effective customer policy Sirma Gotovats, General Director, the Chairman of the Management Board of Insurance Company URALSIB	no	66
		Risk under Control Nataliya Tutova, Head of Risk Management Service	no	108
	Significant Topics of the Report			
	1. Increasing efficiency of business processes			
EC1	Direct economic value generated and distributed	Key Financial Indicators	no	70–73
EC3	Coverage of the organisation's defined benefit plan obligations	URALSIB NPF	no	120
EC4	Financial assistance received from government		no	
	2. Implementation of the social entrepreneurship model			
EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Ratio of the minimum rate of a specialist (accountant- operator) with the minimum wage in the region	no	116
EC7	Development and impact of infrastructure investments and services supported	Annual events for small businesses "Days of Open Ideas" in 80 regions of Russia	no	22
EN1	Materials used by weight or volume	Environmental Policy	no	92
EN3	Energy consumption within the organisation	Environmental Policy	no	92
EN8	Total water withdrawal	Environmental Policy	no	92
EN22	Total water discharge	Environmental Policy	no	92

GRI G4 INDICATOR	DESCRIPTION	REPORT CHAPTER/ COMMENTS	External assurance	PAGE
EN23	Total weight of waste	Environmental Policy	no	92
EN31	Total environmental expenditures and investments	Environmental Policy	no	92
	3. Development of the Management by Values model (MBV)			
.A1	Total number and rates of new employee hires and employee turnover	Personnel Management	no	116, 118
_A3	Return to work and retention rates after parental leave, by gender	Personnel Management	no	118
.A6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism	Personnel Management	no	120
.A9	Average hours of training per year per employee by gender and by employee category	Personnel Involvement Management	no	121
LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Training Pension Programme	no	122–128
LA11	Percentage of employees receiving regular performance and career development reviews by gender and by employee category	Personnel Involvement Management	no	121
LA12	Composition of governance bodies and breakdown of employees	Personnel Management	no	115–118
LA13	Ratio of basic salary of men to women	Ratio of the minimum rate of a specialist (accountant- operator) with the minimum wage in the region	no	16
HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	Personnel Involvement Management	no	121
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programmes Charitable Activity		no	79–87
SO4	Communication and training on anti-corruption policies and procedures	Anti-Corruption	no	105
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	No grievances were registered in the reporting period	no	
FSSD	Additional indicators for identified material aspects (annex for financial sector organisations)		-	
Economy				
DMA	Strategy of impact on society	Complex Strategic Plan	no	38-41
EC1	Investments in community	General Contribution of FC URALSIB to the Community Socially Responsible Products	no	25
Environmer	nt		•	
EN15	Greenhouse gas emissions	Environmental Policy	no	89
EN16	Indirect greenhouse gas emissions	Environmental Policy	no	89
EN17	Other greenhouse gas emissions	Environmental Policy	no	89
EN23	Paper transferred for recycling	Environmental Policy	no	89
Society				
Labour prac	rtices		•	
DMA	Labour protection and safety	Personnel Management	no _	120
Human Rigl	nts			
HR1	Number of agreements with counteragents that include human rights clauses	No significant investment agreements and contracts subject to expert evaluation for compliance with human rights were registered	no	
Local Comm	nunities			
FS13	Access points in low-populated or economically disadvantaged areas	The Corporation actively develops electronic formats of provision of financial services, which enables customers to use all the benefits of the Russian and international financial system regardless of their place of residence	no	





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GRI G4 Indicator	DESCRIPTION	REPORT CHAPTER/ COMMENTS	External assurance	PAGE
FS14	Initiatives to improve access to financial services for disadvantaged people	Training within the framework of socially responsible projects	no	125
Product pro	file			
DMA	Social and environmental requirements for production	The consumer safety assurance system operates at all stages of the product life cycle and based both on regulation of the Bank of Russia and the Law on Consumer Rights Protection and on internal corporate procedures and policies. At the loan product development stage, special attention is paid to determination of the lending purpose and the differentiation of categories of potential borrowers. This means the specific product characteristics are considered to the maximum extent. The technology of provision of a loan product envisages the underwriting stage, enabling the customer to get a loan corresponding to his or her financial capabilities, which considerably reduces the risk of overdue debt and increases the level of the customer's financial solvency	no	
	Social and environmental screening procedures	At the product promotion stage, the Corporation aims at the maximum segmentation of the target audience. Advertising and marketing activities target the exact customer segment for which the product is designated. At the sale stage, customer safety is ensured by strict compliance with the requirements of the legislation and regulating bodies. In particular, the Bank participates in the deposit assurance system, follows the recommendation of the Bank of Russia for limiting the maximum deposit rates, complies with requirements of Rospotrebnadzor for loan agreement pricing and informs customers of the full cost of the loan product	no	
	Monitoring of agreements with counteragents for inclusion of social and environmental requirements	The purchasing system of FC URALSIB allows selecting contractors on the basis of compliance of their production processes with modern standards established by state and international organisations	no	
	Personnel competences development	Personnel Training	no	122
	Interaction with customers on environment protection issues	The risk management system applies the principle of assessment of investment projects for their compliance with Russia standards of environmental management	no	
	General organisational goals in realisation of social and economic policy	Corporate Culture	no	6–7
	Procedures for assessing environmental and social risks	Environmental Policy	no	89
'S 6	Portfolio structure	Brands	no	12-19
S 7	Monetary expression of social changes	Contribution to the community	no	
'S 8	Monetary expression of environmental results	General contribution of FC URALSIB to the community	no	92
Аудит	Number of audits and their frequency in realisation of social and economic policies	Assessment of efficiency of social and environmental programmes is carried out within the framework of special reports to the Board of Directors once a year	no	
Activities o	f owners			
)MA	Voting policy for social and economic issues	Corporate governance	no	98–101
FS10	Number of partner companies with which the organisation was engaged on social and economic issues	The Corporation develops a programme for the creation of strategic partners in social investments. As of the reporting date, it has agreements with: CCF Victoria, FP META, Evolution&Philantropy company, MIRBIS, and Kremlin Horse Riding School	no	
FS11	Percentage of assets audited by social and economic aspects	Unified procedures for evaluating Group companies are not developed. Each company carries out an assessment in accordance with the internal regulations and schedule	no	

Appendix 7 Compliance with the Global Compact*

FC URALSIB shares the ten principles of the UN Global Compact. In 2010, the decision was made for FC URALSIB to join the UN Global Compact (UNGC) and the Russian UNGC Network. This Report reflects the essential achievements of the Corporation with regard to the four key UNGC topics, namely human rights, labour relations, environment and anticorruption efforts. Pursuant to UNGC recommendations, a message on progress achieved is prepared based on the international GRI Guidelines for sustainable development reporting (GRI). The information is disclosed on corresponding pages of the Report.

TOPIC	No.	Principles of the UN Global Compact	Page
	1	Businesses should support and respect the protection of internationally proclaimed human rights	126
Human rights	2	Businesses should make sure they are not complicit in human rights abuses	140, 141
	3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	50, 115
	4	Businesses should uphold the elimination of all forms of forced and compulsory labour	121
Labour	5	Businesses should uphold the effective abolition of child labour	117
	6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	105
	7	Businesses should support a precautionary approach to environmental challenges	110, 112, 140
Environment	8	Businesses should undertake initiatives to promote greater environmental responsibility	7, 125
	9	Businesses should encourage the development and diffusion of environmentally friendly technologies	89
Anti-corruption efforts	10	Businesses should work against corruption in all its forms, including extortion and bribery	104-106, 123

^{*}Communication on Progress (COP) in accordance with the principles of the United National Global Compact.



Integrated report Financial Corporation URALSIB for 2013 passed the Public Assurance by the Council of the RSPP Non-Financial Reporting



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