

OPEN JOINT-STOCK COMPANY ALFA-BANK

**APPROVED
BY THE GENERAL MEETING
OF SHAREHOLDERS**

(Minutes No. _____ of _____ 2006)

**CODE
OF CORPORATE GOVERNANCE
OF OPEN JOINT-STOCK COMPANY
ALFA-BANK**

Moscow 2006

I. INTRODUCTION

OPEN JOINT-STOCK COMPANY ALFA-BANK (hereinafter “the Bank”), recognizing corporate governance efficiency as a key condition of the Bank’s stability and successful work on the financial market, as well as the importance of high standards of corporate governance and business ethics for the successful conduct of its business, and being aware of its liability to shareholders and investors , with a view to safeguarding and protecting their interests, adopts this Code of Corporate Governance (hereinafter “the Code”).

This Code was developed on the basis of the OECD (Organization for Economic Cooperation and Development) Principles of Corporate Governance, of April 22, 2004, the Basle Committee on Banking Supervision recommendations on “Enhancing Corporate Governance in Banking Organizations” (1999), the Federal Laws On Joint-Stock Companies and On Banks and Banking, the Code of Conduct recommended for use by Federal Securities Market Commission instruction No. 421, of April 4, 2002, and the Charter of the Bank.

Corporate governance refers to the general management of the Bank by the General Meeting of Shareholders and the Board of Directors, which includes the totality of their relations with the executive bodies of the Bank and other stakeholders (employees, creditors, depositors, other customers, partners, counterparties, banking regulation and supervision agencies, governmental authorities, and public authorities) with regard to:

- defining strategic goals for the Bank and an effective governance system;
- creating work incentives in order that the governing bodies and employees of the Bank carry out all the necessary actions towards achieving the strategic goals of the Bank;
- achieving a balance of interests between shareholders, members of the Board of Directors and executive bodies of the Bank, and other stakeholders; and
- compliance with Russian Federation laws, the Charter of the Bank, the Code of Corporate Ethics, and other in-house documents, as well as the professional ethics principles adopted by banking unions, associations, and other self-regulating organizations.

Recognizing the important role of this Code, all the Bank governing bodies and employees should be governed by its provisions in discharging their obligations to the Bank and shareholders. Corporate conduct in the course of actions toward corporate governance should be founded in respect for the rights and lawful interests of its participants and should foster the Bank’s efficient operation, financial stability, and profitability.

II. PRINCIPLES OF CORPORATE GOVERNANCE

With a view to upgrading its corporate governance policy, the Bank declares its commitment to the following basic principles of corporate governance.

2.1. Principle of Guarantee of Shareholders’ Rights and Interests

The Bank shall guarantee all its shareholders an opportunity to exercise their vested rights as fixed by law, the Charter of the Bank, and the Statute on the General Meeting of Shareholders, and the protection of their interests. Each shareholder shall have an equal right to be a member of the governing bodies of the Bank and to make decisions on the most important issues of the Bank’s operation at the General Meeting of Shareholders, the procedure of which shall be regulated by the Statute on the General Meeting of Shareholders as well as the Charter of the Bank. The Bank shall guarantee its adherence to the “one share/one vote” principle. The Bank registry of shareholders shall be maintained by an independent registrar who is a professional member of the securities market.

Shareholders shall be entitled to receive from the Board of Directors and executive bodies regular and timely information about Bank activities and reliable and full Bank policy statements.

Shareholders' property rights shall also be covered by a Liability Insurance Policy of the governing bodies and management of the Bank (members of the Board of Directors, the President, the CEO and his deputy, members of the Executive Board, and directors) insuring them against damage to the Bank and third parties caused by their unintended erroneous actions.

2.2. Principle of Efficient Governance

The governance policy of the Bank shall aim at achieving its long-term strategic goals, improving its financial performance indicators, and the appreciation of Bank assets.

An important element of corporate governance is the regular development, review, and approval of its development strategy, as well as the prioritization of both the individual business lines and the general operations of the Bank.

The target values of Bank performance indicators, as recommended by the Basel Committee on Banking Supervision, shall be set by the Board of Directors of the Bank on an annual basis.

Budget management and planning, as well as the monitoring of plan achievement and performance measurement of its business lines, shall be used as an effective Bank governance system.

In-house documents of the Bank shall establish qualitative and quantitative indicators for the performance of its business lines, to make it possible to appraise the performance of its different business divisions and determine employee compensation.

2.3. Principle of Distribution of Authority between Governing Bodies and Effective Control

The distribution of authority between governing bodies as established by law and the Charter of the Bank and the determination of their competence and accountability ensure the delimitation of general management, which is performed by the shareholders and the Board of Directors, and the management of day-to-day operation of the Bank, which is carried out by its executive bodies. The procedure of formation of the governing bodies of the Bank and the accountability of the Board of Directors to the General Meeting of Shareholders shall ensure the effective performance of the governing bodies of the Bank.

The tasks, authority, formation procedure, and by-laws of the governing bodies of the Bank shall be established by the Charter of the Bank, as well as the Statute on the General Meeting of Shareholders, the Board of Directors, the Executive Board of the Bank.

2.4. Principle of Effective Control of Financial and Economic Activities

The Revision Commission, elected by the General Meeting of Shareholders on an annual basis, shall control the financial and economic activities of the Bank. A Revision Commission member may not be a member of the Board of Director or hold any other office in Bank governing bodies.

To audit and validate its annual financial reports the Bank shall annually hire a licensed professional auditing institution that has no privity of estate with the Bank or its shareholders. The auditor shall be approved by the General Meeting of Shareholders.

To help the Board of Directors of the Bank to control and validate its accounting and financial reports, and to assess the performance of the independent auditor and the effectiveness of the Bank internal controls, a Board of Directors Audit Committee shall be established, to act under a Statute approved by the Board of Directors.

Besides, the Bank shall have an Internal Audit Division, its primary mission being to ensure the efficiency and adequacy of the internal control system in the Bank and its subsidiary and affiliated structures. The Division shall check the reliability and validity of financial and operating data, the activities of Bank departments and internal controls, and assess the cost-efficiency and economy of use of Bank resources. The Internal Audit Division shall be accountable to the Board of Directors and shall be a working body of the Board of Directors Audit Committee.

To exercise internal control and foster the effective performance of the governing bodies of the Bank, an Internal Control Division shall be created, to act under a Statute approved by the Board of

Directors, and accountable to it. The appointment of the Head of the Internal Control Division shall be confirmed by the Board of Directors. The Internal Control Division shall operate under an action plan to be annually approved by the Executive Board and ratified by the Board of Directors of the Bank.

Given the importance of risk management coordination for the Bank's corporate governance, the organizational structure of the Bank includes a Risk Management division, which analyzes the effectiveness of existing methods of identifying, measuring (evaluating), and optimizing banking exposure levels and develops the new ones on an ongoing basis.

The Central Bank of the Russian Federation is authorized by Russian Federation law to supervise and monitor the activities of the Bank.

2.5. Principle of Ownership Structure Transparency and Information Openness

Pursuant to statutory requirements the Bank shall submit information about its shareholders, as well as shareholders' shareholders, to the Central Bank of the Russian Federation and the Federal Financial Markets Service.

The information disclosure permits to assess the extent of control exercised by principal shareholders, including the stockholdings of beneficial owners in the bank stock structure. Information pertaining to securities issued by the Bank shall also be disclosed on the Bank Web-site in amounts, at times, and according to a procedure established by law. Besides, the Bank and its shareholders shall provide information about affiliated persons on a quarterly basis as required by regulatory documents.

The Bank shall disclose its consolidated financial statements in full and in due time. The annual balance sheet and the Profit and Loss Account of the Bank, after an audit and reconciliation by an auditing institution, shall be approved by the General Meeting of Shareholders and published.

The Bank shall undertake to effect full and timely disclosure of Bank information, including its financial position, economic performance indicators, ownership structure, and management as required by law, regulatory bodies, issuer standards and requirements, and assume a number of additional disclosure obligations.

The Bank shall endeavor to provide its shareholders, investors, and other stakeholders with free and easy access to Bank information, its key operating results, plans, and development prospects.

The Bank shall operate an Information Policy and Public Relations Directorate, which seeks to establish, develop, and maintain a positive image of the Bank in and outside Russia as the Russian financial market services leader, to make information about Bank activities available to the general public and the media, including the use of print and Internet resources.

The Director for Investor Relations of the Bank shall be in charge of organization of its interaction with investors, financial analysts, and rating agencies.

In disclosing Bank information, a reasonable balance shall be maintained between information transparency, commercial interests of the Bank, and compliance with bank secrecy law. The Bank has adopted a Commercial Secret Statement, which regulates the relations that arise when information received or generated by the Bank in the course of its operation is classified as a commercial secret, the disposal of such information, and the protection of information confidentiality in the interests of the economic security of the Bank; and a List of information constituting a commercial secret.

It shall be a duty of all Bank employees stipulated in their employment contracts and job descriptions, and a duty of the Board of Directors and Executive Board members, to ensure that commercial and banking transactions are kept secret.

The Bank shall seek to limit the possibility of occurrence of conflicts of interests and prevent the abuse of insider information. Insider information requirements are set forth in the Bank's Code of Corporate Ethics; the Bank has developed lists of actions and in-house regulations specifying the procedure of use and disclosure of proprietary information, which aim to reduce the risk of combining different types of activities and prevent conflicts of interests in the market of securities; the rules of maintenance of the insider register have been approved.

2.6. Principle of Observance of Laws and Moral Standards

The Bank shall operate in strict conformity with generally recognized principles and propositions of international law, Russian Federation law, in-house documents, customs of business intercourse, and be governed by the principles of corporate and business ethics, which correspond to the high standards of Russian and international business practices.

The Code of Corporate Ethics (hereinafter “the Code”), approved by the Board of Directors, shall determine the work standards of the Bank and the standards of behavior of its employees, aimed at increasing the profitability, financial stability and efficiency of the Bank and its subsidiary and affiliated structures. The Code comprises generally binding rules of conduct, which apply to all Bank employees irrespective of their level of job, including members of the Executive Board and the Board of Directors, and constitutes an integral part of their employment contracts.

Code provisions shall be taken into account by all the departments of the Bank in issuing internal Bank documents, formalizing their relations with customers, counterparties, business partners, government bodies, public authorities, and municipalities.

The principles of professional ethics of the securities market members are recorded, in addition to the Code, in a number of specialized documents approved by the Bank.

2.7. Principle of Effective Interaction with Employees and Fair Remuneration

The Bank, recognizing that investment in qualified personnel is the basis of its long-term success, shall form a team of professionals and take constant care of personnel development, motivation, social safety, and commitment to corporate values.

The Board of Directors shall annually approve the Compensation Policy, which establishes the system of compensation for the bank employees depending on employee qualification and the complexity, amount, and conditions of work.

To incentivize Bank employees to achieve higher standards of performance in order to maximize profits, minimize losses, and optimize costs, the Bank has adopted the Rules of awarding Bonus Payments, which envisage payment of various types of bonuses.

The Bank shall hold regular personnel performance ratings and development actions, such as annual performance measurements, professional competence tests, and a personnel development procedure based on the 360 Degree Feedback methodology. The bank managers shall participate in the mandatory performance measurement annually. Based on the annual performance measurement results, decisions shall be taken regarding payment of bonuses, need for training and development, promotions, accretion of power or placing employees in special management training programs (i.e. Alfa management reserve).

The Bank shall pay continuing attention to perfecting and enhancing its corporate culture and to the health care and occupational safety of its personnel.

2.8. Principle of Social Responsibility and Development of Partnership relations with Shareholders

The Bank shall uphold the main principles of shared civil responsibility of business and promote the economic growth of Russia and its citizenry. The Bank acknowledges its responsibility to shareholders for its performance, to customers for the quality of its banking services, to business partners for the proper performance of its obligations, and to society and the state for respect of individuals and their rights and freedoms, and its contribution to the development of the Russian economy.

The Bank acknowledges the need for compiling a social report according to internationally established practice.

The Bank shall take an active part in discussing legislative initiatives aiming to improve banking practices, corporate governance, and other spheres of social life. The Bank and its

representatives shall be parties to various social organizations, associations, and other non-profit institutions.

The Bank, recognizing the importance of maintaining and developing stable relations with stakeholders in shaping its corporate governance strategy, shall build its relations with customers, creditors, business partners, and government employees on the principles of mutual trust and respect, straight dealing, professionalism, inviolability of obligations, full disclosure of relevant information, and the precedence of negotiation and compromise over court proceedings.

III. STRUCTURE OF CORPORATE GOVERNANCE OF THE BANK

The structure of corporate governance of the Bank secures an adequate balance between its governing bodies, divides powers, and delimits the general management, implemented by the shareholders and the Board of Directors, and operational management of the Bank implemented by the executive bodies of the Bank.

The Bank shall be governed in accordance with the procedure set forth in Russian Federation laws and the Charter of the Bank. The governing bodies of the Bank, according to its Charter, shall be the General Meeting of Shareholders, the Board of Directors, the Executive Board, and the Chairman of the Executive Board.

3.1. General Meeting of Shareholders

The General Meeting of Shareholders shall be the supreme governing body of the Bank. By participating in it shareholders shall exercise their right to take part in the governance of the Bank.

The competence, order of calling, conduct, and decision making of the General Meeting of Shareholders shall be governed by Russian Federation laws, the Charter of the Bank, and the Statute on the General Meeting of Shareholders, approved by the General Meeting of Shareholders.

The annual General Meeting of Shareholders shall be held annually, and an extraordinary General Meeting shall be held as decided by the Board of Directors, as requested by the Audit Commission, the Bank Auditor, or a shareholder who owns at least 10% of the voting shares.

With a view to the due observance of shareholders' right to participate in the General Meeting of Shareholders with the voting authority on all matters within its competence, the Bank shall conduct the General Meeting of Shareholders in such a way as to ensure an equal attitude to all shareholders. In particular, it shall:

- duly notify shareholders of the holding of a General Meeting;
- supply shareholders with information on agenda items;
- give shareholders an opportunity to familiarize themselves with the list of individuals entitled to take part in the General Meeting and the materials pertaining to agenda items; and
- choose the venue, date, and time of the General Meeting in such a way as to give shareholders a realistic and easy opportunity to take part in it.

The Board of Directors and the Executive Board of the Bank shall undertake to ensure in full measure the observance and protection of shareholders' rights under the law and the Charter of the Bank. Matters referred to the competence of the General Meeting of Shareholders shall not be remitted to the Board of Directors except for matters provided for by Russian Federation laws and the Charter of the Bank.

The Bank shall expect of all its shareholders responsible actions aimed at maintaining the stability and profitability of the Bank, responsibility to one another and to other stakeholders, renunciation of using insider information, acknowledgment of possession and disclosure of information about affiliated persons, and renunciation of attempts to pressure the Board of Directors and the Executive Board of the Bank in order to achieve one's own purposes at the expense of other shareholders.

3.2. Board of Directors of the Bank

The Board of Directors of the Bank shall be a collegial governing body responsible for the general management of the Bank, except for matters referred to the competence of the General Meeting of Shareholders.

The competence of the Board of Directors of the Bank, its election procedure, and its work routines shall be governed by Russian Federation laws, the Charter of the Bank, and the Statute on the Board of Directors of the Bank, to be approved by the General Meeting of Shareholders.

The main functions of the Board of Directors of the Bank shall be:

- to define the strategy and priority lines of activity of the Bank;
- to ensure the exercise and protection of shareholders' rights and the resolution of corporate conflicts;
- to review and approve business plans and report on their implementation;
- to approve the personnel policy, the system of remuneration and other payments;
- to ensure the effective supervision of financial and economic activities of the Bank;
- to monitor and control the effective performance of executive bodies;
- to organize the management of banking risks and the internal audit, also with regard to anti-money laundering and counteraction to terrorism financing; and
- to ratify in-house documents of the Bank on matters within its competence.

The Board of Directors shall be accountable to the General Meeting of Shareholders and be responsible for the successful development of the Bank.

Members of the Board of Directors shall be elected by the General Meeting of Shareholders as stipulated by Russian Federation laws and the Charter of the Bank. The quantitative composition of the Board of Directors shall be determined by the General Meeting of Shareholders and shall ensure its effective work so as to enable it to take prompt and measured decisions and to take into account different interests and standpoints in its decision making. Members of the Board of Directors shall be elected by cumulative vote.

In order to ensure a balance between the monitoring of activities of the executive bodies and the participation in governance, the Board of Directors may include Executive Board members; their number may not exceed a quarter of the composition of the Board of Directors, and the Executive Board Chairman shall not be at the same time the Chairman of the Board of Directors.

Candidate members of the Board of Directors should enjoy shareholders' confidence, have a high professional and business reputation, expertise, and experience necessary for decision making, be capable of contributing to the work of the Board of Directors and working for a common goal, and meet the qualifying requirements established by banking laws.

Members of the Board of Directors should conscientiously and reasonably perform their duties in behalf of shareholders and the Bank as a whole, take an active part in Board of Directors meetings, refrain from actions that would or potentially may lead to a conflict of interests, and disclose in good faith and in full scope the information about their interest in Bank transactions.

Compensation to members of the Board of Directors of the Bank shall be paid only by the decision of the General Meeting of Shareholders.

Members of the Board of Directors shall not disclose and trade any confidential information about Bank activities, insider information, and information subsumed under banking secrecy which became known to them.

The Board of Directors shall elect from among its members the Chairman of the Board of Directors, who shall manage its activities, ensure its interaction with other bodies of the Bank, and be responsible for organization of its operation.

With a view to assisting the Board of Directors in controlling the financial and economic activities of the Bank, an Audit Committee may be set up, whose activities shall be regulated by the Statute, to be approved by the Board of Directors.

3.3. Executive Bodies of the Bank

The executive bodies of the Bank shall include the Executive Board, a collegiate body, and the Executive Board Chairman, a sole executive body. Members of the Executive Board and its Chairman shall be elected by the Board of Directors of the Bank.

The Executive Board of the Bank shall be accountable to the Board of Directors and the General Meeting of Shareholders and act under the Statute, approved by the General Meeting of Shareholders, which lays down the times and procedure of convening and conducting its meetings, as well as its decision-making procedure.

The competence of the executive bodies of the Bank shall cover all matters pertaining to the management of the day-to-day activities of the Bank save matters referred to the competence of the General Meeting of Shareholders or the Board of Directors.

The executive bodies of the Bank shall adhere to the principle of collegial decision making. The distribution of authority between the collegiate bodies and the sole executive body shall be established by the Charter of the Bank.

The quantitative and personal composition of the Board of Directors of the Bank is designed to ensure effective work, constructive discussion of issues, and timely and balanced decision making.

The law sets forth certain qualifying requirements to the professional experience, expertise, record of service in executive positions, as well as the rights, duties, and responsibilities of the Executive Board members. An employment contract shall be concluded on behalf of the bank with each member of the Executive board by the Chairman of the Executive Board. An employment contract shall be concluded on behalf of the bank with the Chairman of the Executive board by the Chairman of the Board of Directors.

The Chairman and members of the Executive Board shall not hold offices in other institutions which are credit institutions, insurance companies, professional participants of the securities market, or in organizations that are engaged in leasing or are affiliated to the Bank.

In fulfilling their rights and duties, the Chairman and members of the Executive Board shall act in good faith and reasonably in behalf of the Bank. They shall, among other things:

- refrain from actions leading to a conflict of interests between them, shareholders, creditors, depositors, other customers and stakeholders, and in the event of such a conflict bring it to the notice of the Board of Directors;
- ensure that that banking and other transactions are carried out according to Russian Federation laws, the Charter of the Bank, and its in-house documents;
- allocate duties to heads of departments, control their execution, and promptly adjust them in step with changes in the operating environment of the Bank;
- organize a system for collecting, processing, and furnishing financial and operational data concerning Bank performance, which are needed by the Board of Directors and executive bodies for taking informed management decisions, including information about all significant bank exposures
- furnish information about Bank activities to members of the Board of Directors of the Bank.

The Chairman of the Executive Board shall manage the day-to-day operation of the Bank, be liable to shareholders and the Board of Directors for implementation of the goals, strategy, and policies of the Bank, and its financial results; he shall make decisions on all matters pertaining to Bank activities except for those referred by law and the Charter of the Bank to the competence of the General Meeting of Shareholders, the Board of Directors, and the Executive Board.

The Chairman of the Executive Board shall administer Executive Board work and chair its meetings, issue orders and instructions, give directions binding on all Bank employees, and be responsible for accounting and compliance with the law in performance of banking transactions and other deals.

The Chairman of the Executive Board shall act in the name and on behalf of the Bank without power of attorney, represent the interests of the Bank and speak on its behalf in government offices, public authorities, judicial, law enforcement, financial, administrative, and other institutions, and in its relations with juridical and natural persons of all forms of ownership.

3.4. Responsibility of Governing Bodies of the Bank

Members of the Board of Directors of the Bank, Chairman of the Executive Board, and members of the Executive Board, subject to applicable Russian Federation law and the Charter of the Bank, shall be liable to the Bank for improper discharge of their duties, and for losses caused to the Bank by their culpable commission/omission, and shall be liable to the Bank or shareholders for losses caused with their culpable commission/omission violating the established order of share acquisition.

IV. FINAL PROVISIONS

This Code shall come into effect on the date of its approval by the General Meeting of Shareholders. Alterations and amendments to the Code shall be made based on a General Meeting resolution.

Guided by the interests of its shareholders, creditors, customers, business partners, and counterparties, the Bank shall continuously monitor the compliance of its activities with provisions of this Code.

The Bank shall be refining this Code and shall revise its provisions should changes be introduced into the Russian Federation laws, the Charter of the Bank, and corporate conduct standards shaped by Russian and international corporate practices.