

Bank Executive Board Chairman's Introduction

We hereby introduce the second social report by Alfa-Bank — a report on our social policy and activities oriented to help people in need of support. We intend to issue a social report annually, because we attach great importance to the issues of relations between the Bank and society.

Business cannot exist outside of society and its problems. To participate in the resolution of such problems and to assist the government in their resolution is a serious commitment for responsible business structures. Our level of culture, stability, and well being directly depend on business structures' appreciation of their public and social responsibilities. The Alfa-Bank Board approved our social policy for 2005. From now on, all of our social and charity programmes will be conducted in conformity with the Bank's long-term corporate strategy, built with the proper sense of the Bank's traditional corporate role and the immediate problems of Russian society.

In 2005, special attention will be devoted to supporting the "Life Line" charity programme of aid for seriously ill children, as well as to cooperating with the World Wildlife Fund.

Understanding how important the health of younger generations is for the future of our country, we decided to fund specifically targeted medical aid for seriously ill children. No man is an island, and peace and harmony in the country can be provided only when each of us does what he or she can to help those in need. The more people are convinced by our own example of the need to help our fellow folks, the higher appraisal we shall give to our social mission.

Modern, civilized business must have a concern beyond the simple search for

profits. Preservation and improvement of one's outer environment is a mandatory condition for the successful growth of business and the harmonious development of the country and world at large. Here, we do not refer just to the business environment in the narrow sense of the word — that is, one's market and competitors — but rather to the social, cultural and natural environment. Protection of the natural environment, careful treatment of natural wealth and good care of the animal kingdom are not a fashion or caprice, but rather a necessity and requirement of our time.

Sponsorship of national arts continues to be a most important element of Alfa-Bank's social policy. In the course of its entire history, the Bank has been contributing to the rise and proliferation of Russian culture, as well as to the preservation of artistic and historical values and monuments. We take part in the organization of national art exhibitions in major museums of Europe and the United States. With the Bank's support, many world famous performers visited and will be visiting Russia, while multiple exhibitions, theater festivals, as well as concerts by artists from top international theaters and national jazz groups annually take place in the regions of Russia.

Alfa-Bank has managed to become the biggest private bank in Russia, a universal high-tech and efficiently operating financial institution and an example for

many business structures. Our success is characterized by professionalism, creativity, continuous renovation, and the development of innovations that enhance the level of business and client relations. We have set ourselves the objective to facilitate the elevation of business and society relations to a new — for Russia, entirely new — level, and we believe that we shall find followers who will join us on this road.



Ruslan Khvesyuk,
Chairman of the Executive Board

Social Investment

Life is our most valuable asset, and even more valuable is the life of our children. Imagine how immeasurable would be the sorrow of parents who lose their child, just because they don't have the money to pay for expensive surgery. Each of us must contribute as much as he or she can to aid those in need.

Charity programme “Life Line”

Each of us must contribute as much as we can to aid those in need. We should not tolerate a situation where people feel desperate because their child does not receive timely medical assistance.

With the advent of the new charity programme, “Life Line”, all of us obtained a real opportunity to manifest our social responsibility in deeds rather than in words.

The “Life Line” programme will provide sick children with a chance to survive.

Alfa-Bank is a partner of the “Life Line” charity programme.

The programme was initiated by leading Russian companies and individuals, who decided it was necessary to fund targeted medical aid for seriously ill children.

The programme is oriented to help children suffering from one of the following diseases:

- congenital liver pathology;
- cardiovascular diseases;
- congenital malformation of cerebral development; and
- various types of cancer.

While drafting the “Life Line” programme, the authors used the experience of international organizations working in the spheres of healthcare and charity. The programme is administered by the Russian representation of British Charities Aid

Foundation (CAF Russia). The Foundation was set up in 1924, with support from the British Royal Family. In Russia, where CAF has been operating successfully for over 10 years, it realizes every year over a dozen programmes with a total budget in excess of USD 3 million. The list of its partners in Russia includes V. Potanin Charity Foundation, Rosbank, Alcoa, and many international organizations and funds, including UNICEF, the UK Department for International Development (DFID), the US Agency for International Development (USAID), the Ford Foundation, and the Mott Foundation. Partners of the “Life Line” programme include the Russian Children’s Clinical Hospital, the Research Institute for Pediatrics and Pediatric Surgery under the RF Ministry of Healthcare, the Gelmgotz Research Institute of Ophthalmology, the Burdenko Research Institute of Neurosurgery, the Institute of Pediatric Oncology and Hematology under the Blokhin Oncology Research Center n.a., and Bakoulev Research Center of Cardiovascular Surgery.

The Board of Trustees, being the strategic manager of the “Life Line” programme, sees its main functions as general supervision of programme realization and use of funds. Highly-reputed figures from financial and academic circles, mass media and non-commercial organizations were invited to join the Board of Trustees, such as: Alexeeva Lyudmila Mikhailovna —

historian, public figure, founder and member of the Moscow Helsinki Group; Brand Jakov Benjaminovitch — Dr. Sc/ (Medicine), surgeon, TV-presenter; Bashlyeva Zoya Alexeevna — Merited Physician of the RF, Cand. Sc. (Medicine) Venediktov Alexey Alexeevitch — Chief Editor, “Echo Moskv” radio station; Gavrilova Vera Sergeevna — coordinator of UNICEF programmes for Russia; Kasatkina Elvira Petrovna — Professor, Dr. Sc. (Medicine) Oster Gregory Bentsionovitch — writer for children Sorokina Svetlana Innoketievna — TV-presenter Sysuev Oleg Nikolaevitch — First Deputy-Chairman, Board of Directors, Alfa-Bank; Chairman of the Board of Trustees; Topoleva, Elena Andreevna — Director, Social Information Agency; Chistyakov Gerogy (holy father Georgy) — philologist, historian and theologian. The Fund’s moneys shall be allocated exclusively for acquisition of the necessary equipment and medicines. Various private donation-collecting technologies are applied in order to realize the “Life Line” programme. Among the major fund-raising instruments, a note should be made of the “Give As You Earn” programme, designed by CAF specially for company employees. This programme is unique,

as it pools charity donations from the staff of entire companies. Each PC user can remit the desired amount to the Fund's account just by clicking the mouse key. You would not simply contribute to a general fund — rather, you would earmark the targeted contribution to a specific child. To know about the efficacy of your donation, just visit the special link on the website of the programme.

The programme was launched officially on the Children Protection Day, under the motto of "Business Against Infant Mortality". With its targeted format, the programme does not claim to resolve all problems of healthcare, as this is a task that can be solved by the state only. Even within its first year, the programme is expected to help over two thousand children.

For the time being, corporate membership in the "Life Line" programme includes such companies as: Alfa-Bank OJSC, TNK-BP, Western Union, VimpelCom OJSC, SUEK, and Renaissance Capital investment group.

Alfa-Bank rendered financial assistance to those injured in the terrorist attack in the Moscow subway

"This is a senseless and blood-thirsty crime, which cannot be justified before God and people. We cannot stay aloof from this

tragic event, and we share the grief for the victims of this catastrophe", said Mikhail Fridman, Alfa-Bank Chairman of the Board of Directors. The Bank gave over RUR 1 million to the injured.

Alfa-Bank as a partner in the charity musical marathon of "SOS-COMPASSION"

On September 7-8 the broadcasting companies of NTV and "Nashe radio" (Our Radio) in cooperation with the Russian Red Cross Society organized the broadcast charity musical marathon "SOSTRADANIE" (SOS-COMPASSION) to raise money for those families who were victims of the terrorist act in Beslan. Alfa-Bank supported this initiative and offered its service to all those who were willing to remit money through the Bank's affiliates and offices. In this connection, on September 7 and 8 Alfa-Bank extended the working hours of its offices and affiliates in Moscow as well as in the regions.

Participants in this initiative were Yury Shevchuk, Boris Grebenshikov, Alexander Rosenbaum, Garik Soukachev, Sergey Shnourov, Vyacheslav Boutusov, plus the pop groups Spleen, Mashina Vremeni ("Time Machine"), Voskreseniye ("Resurrection"), Chaif, B-2, Bravo, Visokosnyi God ("Leap Year") and others. Leading soloists and artistic groups

of Moscow took part in the concert that took place in the Kremlin concert hall as part of the charity initiative "Music for Beslan". All profits from this concert were given to the rescue fund for victims of the terrorist act in Northern Ossetia.

"Time To Live" Charity TV-Marathon

Alfa-Bank joined the partnership of the "Vremya Zhit!" ("Time To Live") Charity TV-Marathon, devoted to the World Day of the Struggle against AIDS. The TV-marathon was broadcast live by the First Channel on December 1-2, and its objective was to draw attention to the problem of AIDS proliferation in Russia and to slow down the growth of this epidemic. The "Time To Live" TV-marathon combined a talk show by Vladimir Pozner and a concert by Russian musicians. The talk show was attended by political figures, rock and pop stars, as well as leaders of public organizations. The box-office revenues were channeled to purchase medicines that reduce the risk of AIDS transmission from mothers to children. Alfa-Bank supported this charity initiative providing a commission-free service for those who donated money to the "East-West AIDS Charity Fund".



Charity — that is, genuine mercy — has nothing to do with a handout. Charity means unselfish assistance provided to those who have genuine need of help, plus the natural manifestation of care for people. Charity, to a considerable extent, helps in the restoration of social justice. Stirring the best feelings in humankind — such as responsibility, compassion and complicity — charity plays an enormous pedagogical role.

Alfa-Bank is reviving the best Russian traditions of charity. For us, charity means targeted assistance to those in need.

Together with the “Maria” charity foundation, the Bank regularly provides assistance to destitute families of Moscow militiamen. A regional charity organization, “Maria” has been working for over a decade to support bereaved families of militiamen who were killed in action, and it provides targeted aid for veterans as well as 1st- and 2nd-category invalids of the Moscow Department of the Interior. The Board of Trustees under the Main Department of the Interior was set up on the basis of “Maria” Charity Association on February 28, 2002.

Alfa-Bank earmarked USD 2 million to the All-Russian National Military Fund in order to help the Russian military. The Bank has been helping servicemen’s families for a long time already — in August 2000, the bank allocated about RUR 3 million to help children of the “Kursk” submarine crew, as well as to provide targeted assistance to the destitute families of militiamen. Alexey II, Patriarch of Moscow and of all Russia and Chairman of the Board of Trustees at the All-Russia National

Military Fund, addressed Mikhail Fridman, President of Alfa-Bank’s Board of Directors, with a personal request to

provide charity assistance for families of the military. As Patriarch Alexey said, the task facing Russian society, of solving





the North Caucasian crisis and thereby solving multiple human troubles, requires the engagement of Russia's business community.

Charity assistance is provided on a permanent basis to:

- "RDD" Charity Foundation;
- Moscow orphanage No. 6;
- "Detstvo" (Childhood) public organization in Lyubertsy; and
- Samara orphanage No. 3, boarding school No. 117, as well as the regional clinical hospital for war veterans,

the Research Institute of "International Center of Gerontology".

For its active participation in charity programmes and provision of specific assistance for co-citizens in need of social support, the Bank received a letter of appreciation on behalf of the Governor, government, legislative assembly and trade-union federation of Sverdlovskaya Oblast.

In 2004 Alfa-Bank rendered financial support to the Kemerovo Oblast Administration in their organization of New Year



events for socially-unprotected children; to the "Zhuravoushka" orphanage in Novotroitsk, Orenburg Oblast, for their Christmas festivities; and to the "Future for All" art festival for physically impaired children in Tyumen.

In Kazakhstan, the Bank donated New Year gifts to disabled children, to patients of the National Center for Corrective Pedagogy, and, in commemoration of Victory Day, provided charity assistance to the Almaty regional council of veterans. The Bank also provided financial help to Xenia Marinina, a legend of Soviet and Russian TV, for renovation of her burned apartment.

A charity action was held among the Bank's personnel to collect toys and children's clothes. All collected items were sent to orphanages of Tver Oblast.

Dialogue and Response

Our world is far from being perfect. Efforts taken in order to prevent ethnic and religious conflicts, to overcome dissension, and to reach understanding among nations, are necessary, but not always successful. Therefore, the development of multi-sided contacts among representatives of various viewpoints, a willingness to resolve all disputed issues peacefully, and the proliferation of religious tolerance play an ever-greater role in the contemporary world.

With financial support of Alfa-Bank and its subsidiary, the Amsterdam Trade Bank NV, the first Russian Orthodox Church in honor of the Saint, great prince Alexander Nevskiy, was consecrated in Rotterdam, the Netherlands. The solemn liturgy was performed by Cyril, metropolitan of Smolensk and Kaliningrad.

The Bank's grant helped icon-painting school students from the Moscow Theological Academy in Sergiev Posad to design and manufacture the icons for the temple. The one-dome temple of Alexander Nevskiy in Rotterdam is created in northern Orthodox architectural traditions and resembles the temple of Protection-on-Nerl. Developed by the Dutch bureau of "Vaardenburg", the architectural design of the temple was blessed by the Holy Patriarch of Moscow and the All Russia Alexiy II. About 100,000 Orthodox Christians from the former Soviet Union reside in the Netherlands. Until recently, none of the five Orthodox-church parishes had its own temple building. The newly built temple is the first genuine Russian Orthodox temple in the Netherlands.





Protecting the Environment

The first aim for business is profit. That is what business is made for. However, for a civilized business — provided that it is really civilized — profit must not be the only concern. Preservation of one's social, cultural and natural environment is a mandatory condition for the successful long-term growth of business, because otherwise there will be no place for business to grow.

Alfa-Bank is a member of the Corporate Club under the World Wildlife Fund (WWF), Russia. The Bank's cooperation with the WWF started quite a time ago, and the Bank was involved in the organization of the "Panda" corporate club of the WWF. Alfa-Bank was among the first business structures in Russia that started to render financial assistance to the Fund in realization of its programmes. For example, in 2004 funds were allocated for the "Living Planet" programme. The Bank regularly participates in the environment-protection events, organized by the Fund. The World Wildlife Fund, the largest independent international organization for environment protection in the world, has been actively operating in over 100 countries since 1961, uniting about 5 million permanent supporters.

For the time being, the WWF has 28 national units and over 5 million individual members, while over 3,500 professionals form its expert network. The International Secretariat of WWF, stationed in Switzerland, coordinates activities of the whole WWF network. The fund tries to resolve the most important environmental problems in any region of the world where such problems become most acute. Over half of the Fund's endowment comes in the form of charity donations from organizations and private individuals. From the moment of its foundation, the International Secre-



tariat of the WWF sponsored about 11,000 projects in 130 countries of the world. The WWF initiated its first projects in Russia in 1988, and the Russian office of the WWF was opened in 1994. Since then, the WWF successfully accomplished over 150 projects in 40 regions of Russia and invested over USD 20 million in the work for preservation and buildup of natural wealth of the country. In 2004, WWF-Russia obtained the status of a national organization.

Major programmes of WWF-Russia:
Forestry programme: Preservation of biological diversity of forests in Russia on the basis of transition to the sustainable management and protection of forests.
Marine programme: Sustainable use of marine resources, plus protection of marine flora and fauna.
Climate programme: Prevention of climate change and adaptation to its consequences.

Respecting and supporting human rights

At all times and under all regimes, there are people who deserve to be called the conscience of the nation. They abide neither by the principle of like-mindedness, which means indifference or cowardice, nor by unanimity, which is nothing but the freedom of reiterating well-learned instructions; rather, they stand for the right to hold and express their own opinion, as well as the right to respect themselves. Many of them paid for their beliefs with their freedom and lives, but they did not step back.

Alfa-Bank, Andrey Sakharov's Foundation and the political party "Union of Right Forces" organized and sponsored the installation of the "Transfixed Pegasus" sculptural composition — a memorial to Russian intelligentsia who suffered in the period of totalitarianism. This sculptural composition has been installed in the square near the Museum and Public Center named after A. D. Sakharov in Moscow. The group of authors of the composition includes Moscow sculptors Daniel Mitlyanskiy and Galina Shilina, architect Gregory Saevitch and metalworker Sergey Ivanov. Participants in the ceremony for opening the memorial were: Alexander Gafin, member of Alfa-Bank's Board of Directors; Yury Samodourov, Executive Director of Andrey Sakharov's Foundation; Boris Nemtsov, ex-leader of the Union of Right Forces; Vladimir Platonov, speaker of the Moscow City Duma; Evgeny Bounimovitch, deputy of the Moscow City Duma; Sergey Filatov, Chairman of the Board at the Congress of Russian Intellectuals; Lyudmila Alexeeva, Chairperson of the Moscow Helsinki Group; Nadezhda Arbatova, Head of Department at the Center of European Integration, RAS Institute of World Economy and International Relations, as well as representatives



of Moscow intellectuals and dissident movement of the Soviet period. Sergey Filatov, Chairman of the Board at the Congress of Russian Intellectuals,

said, "There are quite a few monuments in Moscow, but only some of them have such genuine sincerity as we see exactly in the 'Transfixed Pegasus'; and, although it depicts the pain and broken lives of several generations of Russian intellectuals, this monument is filled with optimism and belief."

Upon completion of the ceremony, the authors of the composition presented special memorial medals to those who supported and sponsored the creation of "Transfixed Pegasus". On the part of Alfa-Bank, Alexander Gafin and Elena Makeeva, curator of the project, won such medals.

We took part in the creation of a memorial to Russian intelligentsia, because we share the values of democratic society. We consider it our public duty to immortalize the memory of Russian intellectuals, who walked a thorny road in the period of totalitarianism. Alexander Gafin, Member of the Board of Directors

Support for the Arts

If someone said twenty years ago that performances by rock stars of world magnitude would become a usual thing in Russia, this would be considered at best as a joke. Stars remained inaccessible, and their Russian fans had to be content with vinyl discs and recordings of lesser quality. Only very few lucky ones happened to attend live concerts in London, Amsterdam, Hamburg or Budapest.

However, beginning in the 1990s, world-famous musicians started coming to Russia. Alfa-Bank paved the way for Ray Charles, Elton John, Paul McCartney and many other performers to come to Russia. Owing to the Bank, this “starry road” has two-way traffic. Alfa-Bank sponsored performances of Russian musicians abroad and exhibitions of Russian art in major museums of the world.

Support of our culture and national heritage is one of the priorities in Alfa-Bank’s cultural and educational activities. The Bank participates in the organization of national art exhibitions at museums in Europe and the United States. Alfa-Bank is a member of the Board of Trustees of the State Academic Bolshoi Theater of Russia, and ranks among the best-known sponsors of cultural projects undertaken by the leading museums, theaters and music groups in Moscow and regions of Russia. Many world-famous foreign musicians visited Russia with Alfa-Bank’s sponsorship — such as Elton John, Sting, Tina Turner, Eric Clapton, Paul McCartney, and others.

Whitney Houston’s First Time In Russia

With financial support from Alfa-Bank, Whitney Houston, for the first time in her career, made a visit to Russia. The singer gave three concerts, including two of them in the National Kremlin Palace in Moscow. The concerts in Russia opened the grand tour of Whitney Houston in Europe and Asia.

Whitney Houston is one of the most popular world stars in Russia. Prior to her performances, Alfa-Bank provided its actual and would-be clients a unique opportunity to attend her concert. The Bank held a contest for the best knowledge of

Houston’s creative career and biography in 19 Russian cities hosting our affiliates. Ten winners of the contest could meet the singer personally, talk with her and take photos together.

Igor Zelenskiy in Royal Albert Hall

The famous Royal Albert Hall in London hosted the Gala concert by Igor Zelenskiy, ballet premier from the Mariinsky Theater. Igor Zelenskiy presented the viewers with his own project, to which he invited the stars of the world ballet — such as Maria Kowroski (New York City Theatre), Uliyana Lopatkina



(Mariinsky Theatre) and Svetlana Zakharova (Bolshoi Theatre), and 50 dancers of the Mariinsky Theater. Repertoire of the concert included classical dances from such ballets as “Apollo Musaget” by Stravinsky, “Bayaderka” by Minkus, and “Shehrezada” by Rimsky-Korsakov. Igor Zelenskiy’s concert was organized by the producer company of Ensemble Productions Ltd., with financial support provided by Alfa-Bank.

The 3000th Concert by Paul McCartney

During his 2004 Summer Tour of Europe, Paul McCartney organized a tremendously successful concert in Russia, for a 70-thousand-strong audience at the Dvortsovaya (Palace) Square in Saint Petersburg. The concert was organized by TNK-BP, Alfa-Bank and SAV Entertainment. In terms of its dimensions, Paul McCartney’s concert in Saint-Petersburg exceeded even his famous performance of May 2003 at Red Square in Moscow. During the three hours of performance in St. Petersburg,





the audience heard over 30 songs of The Beatles, Wings, as well as solo material by the singer. McCartney wrote one song especially for this concert in Russia and dedicated it to Saint Petersburg. The musician's show at the Palace Square was really a unique one, as its scenario was written especially and only for that single performance in Saint Petersburg. For one month Paul McCartney and his team had been rehearsing for the Palace Square concert in the Millennium Dome, London. The stage, manufactured especially for the concert in Russia, was 62 meters long and 22 meters high. To see Paul McCartney's performance, six thousand viewers arrived to Saint Petersburg from Moscow and about four thousand from other regions of Russia and CIS countries. Prominent Russian businesspeople and representatives of show business also attended the concert, and its TV version was broadcast on the ORT channel.

Yuri Bashmet in Kiev

With support from Alfa-Bank OJSC (Ukraine) and TNK Trade House



(Ukraine), the concert by Yuri Bashmet (People's Artist of the USSR, People's Artist of Russia, and laureate of Government Prizes of the USSR and Russia) as well as "Soloists of Moscow" chamber ensemble took place in the National Opera House of Ukraine in Kiev. Xenia Bashmet, laureate of international music contests, also took part in the concert, where the audience enjoyed musical works by Shostakovich, Tchaikovsky and Paganini. Yuri Bashmet is one of the brightest

stars of the contemporary world of music, and his impeccable talent and artistry delight his numerous admirers. He is considered one of the greatest virtuosos among the world's conductors and soloists. As part of an international tour, Bashmet has performed solo concerts in such halls as Carnegie Hall (New York), "Barbican" (London), Berlin Philharmonic, La Scala (Milan), and the Grand Hall of the Conservatory (Moscow). As soloist and conductor, he has performed with the best symphony orchestras of the world, and has played together with such outstanding performers as Svyatoslav Richter, Mstislav Rostropovitch, Isaac Stern, Gedeon Kremer, and many others. Contemporary composers created over 50 cello concertos and other musical pieces especially for Yuri Bashmet. The chamber ensemble of "Soloists of Moscow" was founded by Bashmet, and consists of Russia's most talented young musicians, graduates and graduate-students of Moscow Conservatory. It would be difficult to imagine a full-fledged artistic life without this ensemble, not only in Russia, but in many countries and continents as well.



Location Reporting

Alfa-Bank is a bank of national scale. In all regions of its presence, the Bank is always actively involved in public life, organizing conferences aiming to attract investments in the given regions, and rendering assistance to educational institutions. Owing to support from Alfa-Bank, every year the regional public enjoys exhibitions and performances by the best theaters as well as concerts by the best music groups of the country.

Thanks to support from Alfa-Bank, every year the Russian regions play host to top artistic events, such as theater festivals involving winners of Zolotaya Maska (Golden Mask) national awards, and concerts by artists from the Bolshoi Theater and Mariinskiy Ballet as well as by the best jazz bands of the country.

Art museums of Russian cities are used to host touring exhibitions of paintings, graphics and sculptures, as well as decorative and applied arts from collections of the State Russian Museum. One example is “Three Centuries of Russian Art”, a joint project of the Russian Museum, RF Ministry of Culture, Alfa-Bank, and the company British American Tobacco Russia.

“Three Centuries of Russian Art” is a part of the Russian Museum’s comprehensive long-term programme for cooperation with local museums of Russian cities. Its objective is to bring to the regions the opportunities and experience offered by the major treasury of national fine arts — the Russian Museum — with its academic, methodological, organizational, creative and productive potential for building a single space of culture and information in the territory of the country.



The “Russia” programme is designed to last ten years.

In April 2003 the exhibition “I Love Petersburg”, dedicated to the 300th jubilee of the Northern capital, opened in the Pushkin National Museum of Fine Arts. After that, the large touring exhibition of paintings visited Nizhny Novgorod, Samara, Saratov and Murmansk. About

100 of the brightest masterpieces of Russian art of the 18th — 20th centuries were shown in the halls at art museums of major Russian cities. The works, shown at the exhibition, included “Barge Haulers” by Repin, “Hunters at Rest” by Perov, portraits by Bryullov, Sourikov, and Serov, landscapes by Shishkin, Levitan and Savrasov, as well as composition by Malevich and Filonov.



Saint Petersburg

Cooperating with the municipal Committee for Architecture and City Planning on the “Programme for the Creation of Monumental Art Works in Saint Petersburg”, Alfa-Bank initiated installation of the memorial plaque in honor of the first US official envoy to Russia and sixth US President John Quincy Adams (1767–1848).

The memorial plaque opening ceremony was attended by the US Ambassador to Russia Alexander Vershbow, US Consul-General in St. Petersburg Morris Hews, Alfa-Bank’s Board Chairman Rushan Khvesyuk, and others.

The Bank offered on-line ticket booking services to the management of theaters, concert venues, and sports events in St. Petersburg. On-line payment for tickets is increasingly popular throughout the world. Today, plastic card holders can book and pay for tickets to theaters, concerts and sporting events on-line and in real-time. The booked tickets, paid for through plastic cards, can be received either in any of 50 ticket boxes under the programme, or through a courier delivery service.



Rostov

Alfa-Bank provided financial support for the Rostov Oblast Ministry of Culture in conducting a gala concert for physically impaired children.

Saratov

“Three Centuries of Russian Art”— an exhibition sponsored by Alfa-Bank, opened in May at the Radischev Art Museum in Saratov.

Samara

“Three Centuries of Russian Art”— the joint exhibition project of Alfa-Bank and British American Tobacco Russia had great success in the summer of 2004, when it was shown in the Samara Art Museum.

The traditional Groushin Festival of Author’s Songs takes part in Samara with the active participation of the Bank. The audience gathering at this festival amounts to almost 250,000 people. Alfa-Bank, in cooperation with the Federal Agency for Culture and Cinematography, has become an organizer of the 8th festival “Cinemanía: New Cinema of Russia”. The principal programme of the festival included “My Stepbrother Frankenstein” by Valery Todorovskiy, “Long Farewell” by Sergey Ursoulyak, “Our Guys” by Dmitriy Meskhiev, and other pictures.

Nizhniy Novgorod

Exhibition of masterpieces from the Russian Museum collection “Three Centuries of Russian Art” was held in the Nizhniy Novgorod Museum of Art until mid-February 2004.

Alfa-Bank was the general sponsor for the 8th International Festival of Arts n.a. Andrey Sakharov. The festival programme included special days for arts from the Netherlands, Germany, Britain and France, which were conducted in cooperation with embassies of the respective countries. Festival concerts included performances by Mstislav Rostropovtch, Yuri Bashmet and the “Soloists of Moscow”



chamber orchestra, the Borodin Quartet, Victor Tretyakov, Natalia Goutman, Daniel Kramer, Maxim Shostakovitch and other prominent artists, many of whom have been linked with Nizhny Novgorod Philharmonic Society by long professional friendships.

Alfa-Bank became a partner for the “Day of Russia in the Capital of the Volga Area”. Over thirty thousand people gathered as participants and spectators of the festive show by famous musicians and performers.

Thanks to Alfa-Bank, performances by the Moscow Theater Studio of Oleg Tabakov have become a tradition for Nizhny Novgorod. In 2004 this theater visited the city for the fourth time, and local theater fans could see its well-known repertoire as well as two premieres, shown on the stage of the Nizhny Novgorod “Comedy” theater.

Ekaterinburg and Sverdlovskaya Oblast

Alfa-Bank provided financial assistance to the Sverdlovsk National Academic Philharmonic Society in the organization

of two concerts by famous pianist Andrey Gavrilov. Gavrilov had two concerts in Ekaterinburg — one solo and the other together with the Ural Philharmonic Orchestra conducted by D. Liss.

For the fourth time, the Bank sponsored the international exhibition of arms, military equipment and ammunition — the “Russian Arms Exhibition — Nizhny Tagil, 2004”.

Ekaterinburg hosted a conference on “Medium-size Business in Figures, Deeds and Thinking”, attended and sponsored by Alfa-Bank.

Chelyabinsk

In January in Chelyabinsk the ceremony to award the annual musical prize “Golden Clef” was held. Awards were given in four nominations. Alfa-Bank received the three highest awards.

The Bank provided prizes to reward the winners of the city photography contest, the “Temptations of the Big City”. The award ceremony was held in November. It was the second time that Alfa-Bank acted as official partner of this photo contest.

Tomsk

In 2004 this city celebrated its 400th anniversary. Within the framework of jubilee

events, Alfa-Bank rendered financial support to the Oblast Local-Lore Museum in the organization of a festive exhibition. In May 2004 the Bank provided financial assistance to the amateur choreography group run by “Union of Adults and Children” public organization.

Novosibirsk

In May 2004 Alfa-Bank took part in the ceremonial closing of the 84th theatrical season for the “Krasnyi Fakel” (Red Torch) Novosibirsk theater, where prizes were presented to the actors qualified as the best performers in the 2003-2004 season. The Novosibirsk affiliate of Alfa-Bank won the 1st-grade diploma in the nomination of “Socially Significant Project of the Year”. The interregional public fund, the “Siberian Center for Support of Public Initiatives”, recognized the philanthropic activities of Alfa-Bank’s regional affiliate with the award “For Contribution to the Development of Charity and Support of the Cultural and Creative Potential of Novosibirsk Oblast”, which Alfa-Bank won in both 2002 and 2003.

Barnaul

In March 2004 Alfa-Bank presented the only concert by Alexander Rosenbaum in Barnaul. The vocalist performed his new programme, the “Strange Life”. He was accompanied by musicians from Saint Petersburg, including the famous “Zhemchuzhnye Brothers”, with Nikolai Rezanov, Alexey Doukevitch and others.

Kemerovo

In August 2004 the Bank actively participated in the celebration of Coalminers’ Day that took place in the town of Osinniki. The municipal authorities received a present, delivered on the behalf of the Bank — a certificate for professional lighting equipment for the Coalminers’ Palace.

Ukraine

Supported by Alfa-Bank, the International Bulgakov Festival of Arts took place in Kiev. The festival was organized by the Mikhail Bulgakov Creative Fund, Kiev Drama Theater on Podol, and the Museum of Mikhail Bulgakov.



Investing in Education

As long as Alfa-Bank has existed, it has contributed to programmes designed to help talented youth. By supporting educational programmes and establishing memorial stipends, the Bank helps meet the national challenge of raising entrepreneurs. In order to develop and consolidate ties between Russia and the US, the Bank realizes the programme of training American specialists in Russia.

“Alfa Chance”

Ten years ago, in 1995, the Bank authorities decided to select the most talented graduates of regional schools in Russia and to offer them an opportunity to get education at the best Moscow institutes of higher education in the spheres of economics, business and finance. This decision led to the creation of the programme “Alfa Chance”. In 2002, 19 finalists were selected, who received Alfa-Bank stipends and entered Moscow State University, Plekhanov Russian Economic Academy, the Higher School of Economics, the State Institute of Management, Baumann Moscow State University of Engineering, St. Petersburg State University of Economics and Finance, and Leningrad State University of Electric Engineering. “Alfa Chance” is not a programme to train future Alfa-Bank personnel; the stipend winners do not have any formal obligations to the Bank. The Bank considers the given programme as its contribution to the national challenge of raising new entrepreneurs.

Support of Young Talent in the Regions

Murmansk

For almost six months, Murmansk students competed for the titles of “Best Male



Student” and “Best Female Student” in the “I am a Student” competition held by the Committee for Youth Affairs and the Student Council. Supported by Alfa-Bank, the award ceremony took place in the Mayor’s Office, where the winners received the city mayor’s stipend for 2004-2005 school year and special cash prizes established by the Bank.

Volgograd

Nine personal stipends from Alfa-Bank were paid to excellent students of Volgograd institutes of higher education. The long-term stipend programme had been approved in November 2003, and participation included the leading institutes of the city, such as Volgograd State University, Academy of Government Service,



and Engineering University. Selected through a contest, the nine best students, majoring in economic specialties in the participant institutes, were conferred with the title of “Holder of Alfa-Bank’s Personal Stipend”.

Saratov

Personal stipends by Alfa-Bank were paid to the best students of the Saratov State Academy of Law and Saratov State Socio-Economic University.

Ukraine (Kiev)

From September 2003, Alfa-Bank, the Ministry for Family and Youth Affairs, Shevchenko Kiev National University and BSCA Ukraine have been realizing the “Student Diary” project, which is part of the “Student Planet” international programme, operating in 15 countries of the world. Under this project, students

from Kiev will have an opportunity to get training in Alfa-Bank and to attend master classes offered by the Bank’s top managers.

“Junior Achievement”

Alfa-Bank provides support for educational programmes of “Junior Achievement”, oriented to facilitate business education in Russia.

The interregional public organization of Junior Achievement — Junior Achievement Russia — is a member of the global organization Junior Achievement (JA), which was founded in 1919, and currently operates in 106 countries of the world, as well as of the global organization Young Enterprise (YE), which Junior Achievement Russia joined in 1995.

The major objective of these international associations is to develop programmes that would help schoolchildren and students in learning the fundamentals of economics and entrepreneurship. The associations hope to raise economically educated, initiative-taking, and enterprising young Russians, who would be confident in themselves and in their future, as well as be prepared for successful activities in different spheres and sectors of the economy.

Partnership between business and education facilitates the building and development of continuous learning for students, helping them master economic thinking and models of successful professional work in conditions of a market economy. Every year over four million school students of many different nationalities participate in these international education programmes.

From the very start, the Russian Federation Ministry of General and Professional Education, as well as republic-level ministries, regional committees and departments of education have been taking part in the activities of Junior Achievement.

Support for Sport Talents

In September 2002 Alfa-Bank took patronage over Jan Nepomnyaschiy, a young chess player from Bryansk. Jan is champion of the world and Europe among juniors. In the course of the “Match of the New Century”, conducted with Alfa-Bank’s support, Mikhail Fridman, Chairman of the Bank’s Board of Directors, awarded the young chess player with a notebook computer.

The Bank provided charity assistance to the Junior Sport School — the “Mikhail Botvinnik Center” (Moscow) — so that assemblies and contests of young chess players could be held in the Czech Republic from June 26 through July 7, 2004.

All workers of Alfa-Bank are colleagues. For most people, this notion means a formal definition of affiliation with some organization. For us, it means allies, co-thinkers, and members of the same team.

Alfa-Bank strictly abides by its social commitments to its personnel. This is reflected in the Bank's compensation and social policies, which are oriented to regulate the issues of labor rewards, personnel training and development, as well as the offering of benefits to workers and their family members.

Alfa-Bank seeks to become the most attractive employer in the banking sector of Russia. The Bank's compensation policy is designed to keep salaries competitive, and link rewards to results. Every year the Bank reviews and revises the salaries for its personnel in Moscow and in the regions, while the growth of salary and the size of bonus for each worker depend on the results of his or her work. Evaluation of work results is an automated process. To this end, we use the "Alfa Personnel" e-portal helping the manager to evaluate the work of his or her subordinates and to set their tasks for the next year.

In 2004 salaries grew by about 7% in Moscow and by 26% in the regions. In the next year, we plan to increase salaries by over 10% on average.

The Bank pays serious attention both to the cash component of the personnel compensation package and to benefits. Personnel receive such benefits as voluntary medical insurance, life and disability insurance, short-term lending on beneficial terms, the possibility to get credit cards with a beneficial credit rate, payment for mobile communication services, compensation of recreational costs for personnel's children, and other benefits.



Professional and highly competent colleagues give us a competitive advantage enabling the Bank to retain its leading position in the market. Therefore, the Bank pays special attention to personnel training and development.

The Bank offers personnel training along several directions, such as:

- professional education and training;
- foreign language courses;
- corporate learning programmes;
- long-term learning programmes (courses for professional upgrading and retraining, secondary higher education); and

- learning under business-education programmes (MBA, GMP, etc) at the leading institutes of higher education in Russia and abroad.

For newly enrolled employees, the Bank offers the "Welcome to Alfa-Bank" adaptation seminar. Also, we have special programmes helping supervisors to master management skills.

In 2004, the Bank introduced the "Alfa Personnel" portal, an in-house information resource containing over 50 distant learning courses, curricula timetable, corporate competencies, etc.

Creating an International Dialogue

Alfa Bank believes that securing Russia's place in the world is a worthy investment of time and resources. Part of our mission is to help professionals in other nations better understand what we call "New Russia." For this reason, we have inaugurated the Alfa Fellows Program, under which a number of young professionals from the US come to live and work in Russia for a six-month program. The Alfa Fellows develop a meaningful professional understanding of life and business in Russia and then return home to use this knowledge to foster greater ties between America and Russia.

Alfa Fellowship Program

The second group of young professionals from the United States arrived in Moscow on April 5th to participate in the Alfa Fellowship Program and begin six months of intensive professional work experience in Russia.

The Alfa Fellowship Program is a new initiative of Alfa-Bank designed to provide direct, hands-on work experience in Russia for young professionals from the United States. From 2004 to 2006, three groups of Fellows will spend six months each in Russia — the first arrived in late September 2004, the second class just arrived in April 2005 and the third class will arrive in July 2005.

The Alfa Fellowship Program is governed by an impressive Advisory Board of prominent Russian business leaders, officials, intellectuals and media experts, and chaired by Alfa-Bank President Peter Aven. In announcing the program, Aven noted, "Our experience in the US indi-

cates that too few American professionals have direct exposure to post-Soviet Russia and that too many American private and public sector officials are still locked in a Cold War mentality. The Alfa Fellows Program will help to educate a new generation of American thinkers on the realities of the new Russia. We think it can only be a good thing for Russian — US relations to have more exposure and more understanding of the realities of new Russia." Thanks to the excellent cooperation of Institute of Economic Analysis, TNK-BP, Boston Consulting Group (Moscow) Limited, Renaissance Capital, Higher School of Economics, Radio Ekho Moskvi and the Administrations of Samara, Rostov-on-Don and Novgorod who have all agreed to accept Fellows for work assignments, the first two groups of Alfa Fellows will gain great professional experience. This will help them to develop a more accurate and realistic view of life and business in Russia. Over time, these Fellows, and those that follow them in subsequent years, will move on to senior decision-making positions in the public and private sector,

and put their new knowledge of Russia to use for the good of Russian — American relations.

The Fellows spend two weeks in orientation seminars and meetings with government and private sector leaders before moving on to their professional assignments and visiting regions. The first and second groups of Fellows were already fluent in Russian, but future groups will include intensive language training so that Fellows need not be fluent in order to apply.

The Alfa Fellowship Program is run in the US by CDS International, Inc., which handles recruiting, selection and training. The Russian part of the program is managed by the Moscow Center for International Fellowships, an independent institute that sees to all local aspects of the program.

Founded in 1968, CDS International is an American non-profit organization committed to the advancement of international career training opportunities customized to provide individuals with in-depth practical knowledge of other nations' business practices, cultures, and political



traditions. Each year CDS serves approximately 1,600 young professionals and students from over 50 countries through a wide variety of work/study, internship, and study tour programs.

Alfa-Bank and the Lauder Institute of the Wharton School of Business Award for Excellence in Foreign Investment in Russia

Speaking to the 10th Anniversary Dinner of the United States Russia Business Council in March 2003, Alfa-Bank Chairman Mikhail Fridman announced the creation of a major new international investment award sponsored by Alfa-Bank

and the Lauder Institute of the Wharton School of Business in the U. S.

The annual award is offered to the foreign company operating in Russia which best combines successful business operation with a strong sense of social interest and attention to training and preparing Russian workers and managers.

Alfa-Bank and the Lauder Institute have selected Nestlé as the 2004 Winner of the Annual Award for Excellence in Foreign Investment in Russia. In announcing the Award, Alfa-Bank Chairman Mikhail Fridman noted, "Few companies have come so far in such a short period of time in this market as Nestlé. Nine years ago, Nestlé opened a small import business in Moscow. Since then, they have come to dominate key consumer markets in the areas of chocolate, instant coffee, ice cream and infant nutrition. Whereas their initial market position was as an importer, Nestlé is now a leading food producer with twelve production facilities in Russia and employing over 5,500 people."

The Award was presented at a special ceremony presided by the Hon. Sergei Lavrov, Foreign Minister of Russia, and held in conjunction with the Wharton Global Alumni Forum in Moscow on May 21, 2004. Mr. Lars Olofsson, Nestlé Executive Vice President for the European Zone, accepted the Award.

The Award is presented by a distinguished jury appointed by Alfa-Bank and the Lauder Institute. Jury members for the 2004 Award are: Peter Aven (President of Alfa-Bank), Richard Burt (Former US Ambassador to Germany), Yegor Gaidar (Director, Institute for the Economy in Transition), Richard Herring (Director of the Lauder Institute), Shiv Khemka (Board of Governors, Lauder Institute), Paul Fribourg (Board of Governors, Lauder Institute), Leonard Lauder (Chairman, Estee Lauder Companies), Raf Shakirov (Editor in Chief, Izvestia Newspaper), Bernie Sucher (Chairman, Alfa Capital). The 2003 Award for Excellence in Foreign Investment in Russia was presented to Procter & Gamble.

Recognition

In 2004, Alfa-Bank won the nomination “For Professional Activities of a Socially Responsible Nature” and became a laureate of the “Public Recognition” Award, which noted the Bank’s active participation in the “Life Line” charity programme, which aims to provide targeted medical aid to seriously ill children.

The “Public Recognition” Award is conferred annually on companies which in the past year have most helped in the dissemination of the principles of socially responsible business, and which have most contributed to the creation of a positive image of Russian business. The Award was founded by the Committee for the Enhancement of Social Responsibility of Business under the Russian public organization “Delovaya Rossiya” (Business Russia).