

Approved by  
VTB Bank  
Supervisory Council  
Minutes No. \_\_\_\_  
as of \_\_\_\_\_.\_\_\_\_.2008

**VTB Bank (open joint stock company)  
Code of Corporate Conduct**

Moscow 2008

## Introduction

This Code of Corporate Conduct (hereinafter referred to as the “Code”) is aimed at protecting the interests of all shareholders of VTB Bank (open joint stock company) (hereinafter referred to as the “Bank” or “VTB”), no matter how many shares they hold; at improving and ensuring better transparency of the Bank’s management and at confirming the Bank’s persistence in meeting the standards of due corporate governance.

In particular:

- The Bank should be managed with a due level of responsibility and reporting in order to maximize the Bank’s market capitalization and other benefits for its shareholders;
- The Supervisory Council and executive bodies of the Bank should work efficiently, in the interests of the Bank and its shareholders, and create favorable conditions for further sustainable growth of the Bank’s capitalization;
- Due procedures should be followed in disclosing information and ensuring transparency; the systems of risk management and internal control should operate with due efficiency.

By accepting the Code, improving it from time to time and abiding by the Code, its Charter and other by-laws, the Bank acknowledges its intention to facilitate further development and perfection of the practice of due corporate conduct. Striving to enhance the trust by its shareholder, staff, investors and community while developing the Code, the Bank did not only comply with the applicable Russian law, but also included some additional provisions based on internationally recognized standards of corporate conduct.

VTB is well aware of the importance to further improve the system of corporate governance in its subsidiary companies and acting within its powers shall strive for implementing modern principles of corporate governance into their activities, calling on these companies to demonstrate openness and transparency in their performance.

## VTB Profile

VTB is a recognized leader of the national banking sector having gained solid leadership positions in all segments of the banking market. The largest shareholder of VTB is the Russian Federation in the face of the Federal Agency for Federal Property Management.

VTB activities are aimed at creating a leading banking and financial Group<sup>1</sup> (hereinafter referred to as “VTB Group”) having sustained leadership positions both in Russia and other CIS states, representing Russia in international markets and offering professional services to its customers all over the world in order:

- to meet the demands of its customers and to offer them high-quality financial services;

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<sup>1</sup> VTB Group means the Bank and other legal entities where the Bank’s participation in their authorized/share capital exceeds 50 per cent of the total number of voting shares.

- to ensure added value to the Bank's shareholders;
- to help create a well-developed financial system in Russia on the basis of leading edge technologies and international expertise;
- to build long-term and mutually reinforcing relations with its partners based on the principles of mutual trust, integrity and openness;
- to make a solid contribution to the development of society where VTB Group has its business through, among other things, introducing the innovative principles of corporate social responsibility into its corporate strategy;
- to let the world see Russia open to cooperation and fruitful development; and
- to ensure harmonious potential growth of each member of its staff.

## **Chapter 1. Adherence to the Imperatives of Corporate Conduct**

### **1.1. Definitions and Imperatives**

1.1.1. Corporate Conduct means a system ensuring the Bank's governance and control over its activities, and including relationships between the bodies of management and control of the Bank, its shareholders and other interested parties. Corporate conduct is deemed by the Bank as a major means of enhancing its efficiency, forging its image, increasing its capitalization and reducing borrowing costs.

Designed to regulate corporate governance in the Bank, this Code is based on the Russian law, the Code of Corporate Conduct recommended by FFMS Directive No. 421/r as of 04.04.2002 and internationally recognized principles of corporate governance introduced by the Organization of Economic Cooperation and Development (OECD).

1.1.2. Corporate conduct in the Bank is guided by the following imperatives:

- The shareholders can easily exercise their rights related to their participation in the Bank's authorized capital;
- The shareholders will get efficient protection should their rights be violated;
- The Supervisory Council is in charge of the Bank's strategic governance and efficient control over activities of its executive bodies; the Supervisory Council reports to the Bank's shareholders;
- Executive bodies of the Bank are allowed to efficiently manage the Bank's current activities acting in common sense, in good faith and solely in the interest of the Bank; they report to the Bank's Supervisory Council;
- The Bank shall on a timely basis disclose full and true information related to, among other things, its financial position, economic performance indicators, ownership and governance structure in order to enable the Bank's shareholders and investors to make well-weighted decisions;
- Statutory rights of all interested parties, including the Bank's personnel, are safely provided for; pro-active cooperation of the Bank with the interested parties in creating new jobs, increasing the Bank's assets and enhancing its capitalization is encouraged; and
- Financial and business activities of the Bank are duly controlled in order to protect statutory rights and interests of its shareholders.

## 1.2. The Bank's By-Laws

This Code shall describe major principles of VTB corporate conduct. Specific rules and procedures for corporate conduct shall be envisaged by the Charter, by-laws regulating activities of the Bank's bodies and commissions of the Supervisory Council and other documents to be developed by the Bank while developing and improving its system of corporate governance.

The above documents are available at: [www.vtb.com](http://www.vtb.com) ([www.vtb.ru](http://www.vtb.ru)).

## 1.3. General Structure of the Bank's Governance

The system of governance and control bodies of the Bank shall include the following:

- **Shareholders' General Meeting** is the highest governance body of the Bank enabling the attending shareholders to exercise their right to participate in the Bank's governance and influence major decision making process;
- **Supervisory Council** is a collegial governance body in charge of an overall management of the Bank's activities, defining its development strategy and control over activities of executive bodies. The Supervisory Council shall set an Audit Committee, as well as other committees;
- **Management Board, and Chairman and CEO** are a collegial and a sole executive management bodies being in charge of current activities of the Bank and implementing the strategy defined by the Supervisory Council;
- **Audit Commission** is a control body being in charge of financial and business activities of the Bank and reporting to Shareholders' General Meeting.

To enable the shareholders to efficiently exercise their rights and interests, the function to ensure the compliance by the Bank's bodies and officers with the procedures set by the Russian law, the Bank's Charter and other by-laws shall be performed by a Corporate Secretary. The Corporate Secretary shall provide for due preparation and holding of the Shareholders' General Meetings, regular Supervisory Council meetings, adequate filing and disclosure of information about the Bank and shall perform other functions as defined by the Regulation on the Bank's Corporate Secretary.

## Chapter 2. Due Performance of the Supervisory Council and Executive Bodies

A Supervisory Council of reputable and highly professional membership is a key element of corporate governance affecting the Bank's overall performance and exercising general strategic governance and control over executive bodies in the interests of the Bank and its shareholders. Executive bodies responsible for the management of the Bank's current activities are also playing an important role in the governance process. Efficient interaction between these bodies and strict delineation of their powers is a major driving factor in ensuring due corporate governance procedures.

### 2.1. Supervisory Council

a. **Powers.** Powers of the Supervisory Council are defined by the Russian law and the Bank's Charter.

b. **Membership.** Membership of the Supervisory Council shall be defined by the Shareholders' General Meeting.

c. **Election, validity and termination of powers of the Supervisory Council members.** Members of the Bank's Supervisory Council are elected by the Shareholders' General Meeting following the procedure set by the Charter until the next annual Shareholders' General meeting. If such annual Shareholders' General Meeting is not held within the time brackets set by the Bank's Charter, the powers of the Supervisory Council are terminated except for the power to prepare, convene and hold an annual Shareholders' General Meeting. Neither this Code nor any other by-laws of the Bank shall impose any limit on the number the members of the Supervisory Council can be re-elected and on their age.

A Shareholders' General Meeting can resolve to early terminate the powers of the Bank's Supervisory Council members.

d. **Independence.** Membership of the Supervisory Council is defined in such a way as to ensure representation of various groups of shareholders.

Membership of the Supervisory Council shall ensure due performance of its functions to exercise control, as well as to define development strategy and major business lines of the Bank. Each member of the Supervisory Council should have the expertise, knowledge, qualifications and impeccable record needed for them to perform their duties and to efficiently organize the activities of the Supervisory Council in the interests of the Bank and its shareholders. Among the Supervisory Council members there should be at least two independent directors who are recognized experts in finance.

For the purpose of this Code, independence of a member of the Supervisory Council shall be qualified on the basis of the Russian law, the Code of Corporate Conduct recommended by the FFMS (Instruction No.421/r as of 04.04.2002) and other internationally recognized criteria. But any member of the Supervisory Council who has served as its member for more than seven years cannot be recognized as independent.

Under the Russian law it is forbidden to combine positions of Chairman of the Management Board and CEO with Chairman of the Supervisory Council. Nor can Chairman of the Supervisory Council be a member of VTB Management Board or have employment relations with the Bank.

e. **Committees of the Supervisory Council.** An Audit Committee of the Supervisory Council has been established in the Bank. Audit Committee Chairman is elected by members of this Committee out of themselves who should be an independent member of the Supervisory Council. At the discretion of the Supervisory Council there might be established other committees of the Supervisory Council.

Activities of such committees shall be regulated by relative by-laws specifying their membership, powers, applicable procedures, as well as rights and duties of their members. The Supervisory Council shall form its committees out of its members for prior consideration of major issues, which fall within its powers.

f. **Applicable Procedures.** The Supervisory Council shall hold regular meetings.

The procedure for convening and holding the Supervisory Council meetings shall be regulated by the Russian law, the Bank's Charter, and Regulation on the Supervisory Council.

The Supervisory Council shall keep minutes of its meetings to duly record the discussion of all issues. The Bank shall safe-keep verbatim records of all Supervisory Council members to support their approval of all major decisions.

**g. Training and Consultancy Services for the Supervisory Council Members.**

The Bank shall offer newly elected members of the Supervisory Council an adaptation program to get familiarized with the Bank's activities. Such program shall help such members better perform their new functions. Also, the Bank offers all members of the Supervisory Council to participate in corporate programs of professional development.

**h. Remuneration.** The Shareholders' General Meeting takes decisions on remuneration and/or compensation of the expenses to be paid to independent members for performing their functions in the Supervisory Council. The amount of such remuneration and compensation shall be defined by the Shareholders' General Meeting.

**i. Functions of the Supervisory Council Members.** Members of the Supervisory Council shall perform their functions with due diligence and accuracy in the interests of the Bank relying on the necessary information.

The Bank's Supervisory Council members are entitled to have functions in governance bodies of other companies provided that these functions do not hamper their membership of the Bank's Supervisory Council.

The Supervisory Council members shall not disclose any confidential information about the Bank; neither shall they use it to their own ends.

The Supervisory Council members shall abstain from any action, which might cause a conflict of interests with the Bank. Should such a conflict arise, the Supervisory Council member involved should inform of it the Supervisory Council Chairman. Responsibility of the Supervisory Council members for the losses incurred by the Bank as a result of their actions (or failure to act) shall be defined by the Russian law.

## **2.2. Chairman and CEO and the Management Board**

Since the management of the Bank's activities needs a collegial approach to consider some current issues, there was established a Management Board in the Bank headed by Chairman and CEO. Other current issues are considered by Chairman and CEO at his sole discretion.

**a. Powers.** Chairman and CEO, as well as the Management Board are in charge of the management of the Bank's current activities with a view to meet the targets and implement the strategy of the Bank acting within the powers defined by the Russian law, the Bank's Charter and other by-laws.

**b. Membership.** Membership of the Management Board shall be defined by the Supervisory Council.

**c. Election, validity and termination of powers of Chairman and CEO, and the Management Board.** The procedure for establishing executive bodies of the Bank, the precise membership of the Management Board shall be defined by the Supervisory Council.

The Supervisory Council may at any time terminate the powers of Chairman and CEO, as well as of any other member of the Management Board.

**d. Composition of the Management Board.** Composition of the Management Board shall ensure efficient management of the Bank's current activities.

Any member of the Management Board should:

- have professional expertise and qualification needed for efficient management of the Bank;
- have in-depth experience in the industry, be well aware of the specifics and

development trends of the Russian and global economies, and know the market, products and competitors; and

- take into consideration the shareholders' interests and make well-weighted decisions.

e. **Applicable Procedures.** The Management Board shall hold regular meetings, its members getting in advance all information related to the issues on the agenda. The applicable procedures for the Management Board shall be defined by the Regulation on the Management Board.

f. **Remuneration.** The amount of remuneration to be paid to Chairman and CEO and to the Management Board members shall be defined by the Supervisory Council. Remuneration shall include two parts: one of which is fixed and the other is variable, with the last part being dependent on the Bank's key performance indicators.

g. **Functions of the executive bodies.** Chairman and CEO, as well as members of the Management Board shall perform their functions with due diligence and accuracy in the interests of the Bank and its shareholders relying on the necessary information.

Chairman and CEO, as well as members of the Management Board shall abstain from any action, which might cause a conflict of interests with the Bank. Should such a conflict arise, Chairman and CEO, as well as members of the Management Board involved should inform of it the Supervisory Council and avoid discussing or voting on the relative issues. Responsibility of Chairman and CEO, as well as that of Management Board members for the losses incurred by the Bank as a result of their actions (or failure to act) shall be defined by the Russian law.

### **2.3. Interaction between the Supervisory Council and the executive bodies**

Under the corporate governance procedures there should be established an efficient interaction between VTB Supervisory Council and executive bodies. Chairman and CEO shall provide all members of the Supervisory Council with any information needed upon their request.

## **Chapter 3. Shareholders' Rights**

All shareholders have the right to participate in the Bank's governance, to share the Bank's profit and exercise other rights envisaged by the Russian law and the Bank's Charter.

### **3.1. Shareholders' General Meeting**

The Bank has accepted a relative Regulation to define the procedures for preparing and holding Shareholders' General Meetings.

a. **Preparing a Meeting.** Each shareholder is entitled to participate in the Shareholders' General Meeting, to vote for or against any issue on its agenda, to be notified in advance of such meeting and its agenda, as well as to receive any information envisaged by the Russian law.

The Bank's Charter and the Regulation on Preparing and Holding Shareholders General Meetings describe the procedures for proposing issues for the agenda of the General Meeting, including propositions of candidates to be elected members of the Supervisory Council, which comply with the Russian law.

b. **Holding a Meeting.** The Bank shall do its best to ensure its shareholders' participation in the General meeting and in the voting for or against the issues put on the agenda.

The General Meeting should be held at a place easily accessible by most of the shareholders. Registration procedure should suit all the participants and allow their quick and free access to the meeting location.

The Bank shall see to it that the General Meeting is attended by those people who can answer any possible question of the shareholders. Each shareholder can comment on any issue of the agenda and ask questions within the time limits set. A chairperson of the General Meeting shall ensure its efficiency.

The procedure for counting the votes on the General Meeting should be transparent for the shareholders and rule out any possibility of vote handling.

c. **Results of the Meeting.** Voting results and other necessary materials are handed out to the shareholders either at the end of the General Meeting or within the time brackets permitted by the Russian law; they are also to be duly published on the Bank's web site and in the mass media.

### **3.2. Protection of Shareholders' Rights**

One of the Bank's commitments is to duly prevent or settle any corporate conflict. In so doing the Bank adheres to the principle of identifying a conflict at the earliest possible stage and giving it most careful consideration. The Bank's position as to any corporate conflict is guided by the Russian law.

With a view to settle corporate conflicts, the Bank shall introduce a system of recording any application of the shareholders and efficient handling of corporate conflicts.

a. **Representation in the Supervisory Council.** In compliance with the Russian law the Bank's shareholder(s) having not less than 2 per cent of the Bank's voting shares has (have) the right to propose candidates to be elected members of the Supervisory Council, with the number of candidates not exceeding the membership of the Bank's Supervisory Council.

b. **Independent Registrar.** The Bank's Shareholders Register shall be kept by an independent Registrar.

### **3.3. Dividend Policy**

In order to protect shareholders' rights to get dividends, the Bank shall adhere to the following principles:

- to introduce transparent and clear mechanism of dividend allocation;
- to ensure a most convenient for shareholders way of dividend payment;
- to undertake measures against incomplete or late payment of the dividends announced; and
- to introduce such a procedure for dividend allocation under preferred shares that will not infringe the rights of such preferred shares' holders.

## Chapter 4. Information Disclosure and Transparency

Disclosure of complete and true information about the Bank on a timely basis is one of the Bank's corporate conduct imperatives.

### 4.1. Information Disclosure Policy and Practice

The Bank shall ensure free access to any information about all material facts of its activities, in particular, about its financial position, performance, ownership and governance. Regulation on VTB Information Policy defining disclosure procedures and approved by the Supervisory Council shall be published at VTB web site.

VTB shall also publish its annual report including information on corporate governance and other important documents, such as prospectus, quarterly reports and notices of material facts. The Bank shall disclose information about its corporate governance practice and shall publish on a timely basis a schedule of corporate actions as well as any other material information on its web site.

The Bank shall duly protect its confidential information. Any confidential information about the Bank, gained by the Bank's officer or any member of its governance bodies, cannot be used to their own ends.

### 4.2. Financial Reporting

The Bank shall keep accounting and prepare financial reporting in compliance with the Russian Accounting Standards. Besides, the Bank shall also prepare its financial statements under the International Financial Reporting Standards (IFRS) and publish such statements on its web site.

Financial statements are followed by detailed notes, which allow interpreting the Bank's performance. Financial statements also include Management comments and assessments, as well as an opinion of the Bank's auditor and resolution of the Audit Commission.

The Bank ensures due preparation of consolidated reporting to reflect major financial performance of VTB Group subsidiary companies.

### 4.3. External Audit

To exercise due control over financial and business activities of the Bank a professional auditor is appointed each year, who does not have any common proprietary interests with the Bank or its shareholders. The amount of the auditor's fee shall be defined by the Supervisory Council.

The Bank's auditor is to be approved by the Shareholders' General Meeting. A candidate proposed for approval by the General Meeting shall be selected by a tender among audit companies to conduct an annual mandatory audit of the Bank.

### 4.4. Control over Financial and Business Activities

#### a. Audit Commission

The Audit Commission has been established in the Bank in compliance with the Russian law. Its major functions are to audit financial and business activities of the Bank

and to make independent qualified opinion of the Bank's position. Conclusions made by the Audit Commission shall be brought to the notice of the Bank's shareholders at the General Meeting in the form of a resolution of the Audit Commission.

Activities of the Audit Commission are regulated by the Russian law, the Bank's Charter and its Regulation. In its findings, the Audit Commission shall not be bound by any opinion and direction of the Bank's officers and shall operate independently.

#### **b. Audit Committee**

Among exclusive functions of the Audit Committee of the Supervisory Council are: assessment of candidates to be elected as an auditor of the Bank, assessment of the auditor's opinion, assessment of efficiency of the Bank's internal control and drafting of prepositions as to its improvement.

Powers, membership and applicable procedures of the Audit Committee are defined in the Regulation on the Audit Committee.

#### **c. Internal Control**

To enhance the efficiency of control over financial and business activities, a regular internal control has been introduced in the Bank in compliance with regulations of the Bank of Russia and Framework for Internal Control System in Banking Organization by the Basel Committee on Banking Supervision. To implement the task, a special division – Internal Control Division – has been set in the Bank immediately reporting to the Supervisory Council, which approves the Regulation on the Internal Control, appoints and dismisses its Head. At least twice a year the Internal Audit Division shall submit a report to the Supervisory Council, including reports on the scheduled audits, and at least once a year – information on measures to follow the recommendations and to remedy the deficiencies. All audits of the Internal Control Division shall be carried out in compliance with regulations of the Bank of Russia.

### **4.5. Ownership Structure**

Subject to the Russian law the Bank shall disclose information about holders of its ordinary shares.

## **Chapter 5. Concluding Provisions**

This Code shall come into force the moment it is approved by the Supervisory Council. The Bank shall review and improve the Code reflecting the interests of the Bank's shareholders and other interested parties, as well as innovative international and Russian trends in corporate governance.

In order to provide for the compliance with this Code and to create mechanisms for its improvement, the Bank shall see to it that:

- the Code is published as a separate document on the Bank's web site at: [www.vtb.com](http://www.vtb.com) ([www.vtb.ru](http://www.vtb.ru));
- the Bank's compliance with the Code is regularly monitored, with the results of such monitoring to be published on the its web site; and
- the Bank's shareholders, its Supervisory Council members and any other interested party shall be able to disclose any violation of the Code they happen to

know.

Information on the Bank's compliance with the provisions of this Code shall be disclosed in its annual report and through other information channels.