



ADOPTED

By PSB Board of Directors

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CORPORATE GOVERNANCE CODE

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1. KEY TERMS AND DEFINITIONS

The following terms, definitions and abbreviations shall be used for the purposes of this *Corporate Governance Code* (hereinafter – «the present document», «herewith» or «hereof»):

Bank – Promsvyazbank Open Joint-Stock Company (PSB)

PSB Bank Group – a non-legal entity association of credit institutions, in which the Bank acts as a core credit institution and exerts directly or indirectly (via a third party) significant influence on decisions made by management bodies of other credit institution(s)

Stakeholders – the Bank shareholders, clients and counterparties, including investors, government bodies, Bank employees and other individuals and legal entities with vested interests in the Bank operations

Insider Information – information concerning the Bank operations, the Bank securities or transactions therewith, which is not in public domain (unavailable to third parties) and whose disclosure may have material effect on the market price of the Bank securities and create competitive advantages for those in possession of such information versus other securities market participants

Executive Director – member of the Bank Board of Directors, employed by the Bank

Corporate Governance – Bank's operation management and control system comprising of a set of relations (established in the Bank internal regulations and informal) between the Bank management bodies (see *Para 4.1* hereof) and the Bank internal control bodies (see *Para 4.3* hereof), the Bank divisions, shareholders and other Stakeholders

Independent Director – member of the Bank Board of Directors recognized by the Bank Board of Directors as Independent Director, as he/she or any member of his/her family¹, his/her close relative² or any other individual he/she cohabitates with:

- is not an official at the Bank or any entity affiliated with the Bank as at the date of his/her election for the Bank Board of Directors or during five years preceding his/her election for the Bank Board of Directors;
- has, or has had within the last three years, a material business relationship with the Bank either directly³, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Bank;
- has received or receives additional remuneration from the Bank apart from a director's fee, participates in the Bank's share option or a performance-related pay scheme, or is a member of the Bank's pension scheme;
- has close family ties with any of the Bank's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- does not represent interests of a Bank shareholder holding more than 10% of the Bank ordinary shares⁴, and/or the government;

¹ Spouse, parents/adoptive parents, children, including adopted children.

² Lineal ascendants and descendants (parents, children, grandfather/grandmother, grandchildren), full-blood and half (sharing mother or father) brothers/sisters.

³ Is not beneficiary under any liabilities of the Bank, whose terms may enable him/her to acquire property (receive cash) with the value equal to or exceeding 10% of his/her aggregate annual income, except his/her remuneration for serving on the Bank Board of Directors.

- does not hold the Bank shares or derivatives;
- is qualified to analyze information concerning the Bank operations and market environment, required for professional judgments in respect of banking activities, irrespective of opinions of the Bank shareholders, other members of the Bank Board of Directors, the Bank executive bodies and officials;
- has not been employed in the past three years leading up to election by the Bank audit firm or firm providing audit-related services to the Bank;
- has not served on the Bank Board of Directors for more than 7 years as of the date of his/her first election for the Bank Board of Directors.

Non-executive Director – member of the Bank Board of Directors who is not employed by the Bank but does meet Independent Director criteria.

Executive Sessions – meetings of Independent Directors without participation of Non-executive Directors and Executive Directors.

Internal Control Units – structural units of the Bank, ensuring internal control in line with authorities established in the Bank internal regulations: Internal Audit and Control Department, Financial Markets Compliance Control Service, Financial Monitoring Service.

Information Disclosure – provision of access to all Stakeholders to previously undisclosed material information pertaining to the Bank operations.

Registrar – entity, which is a professional participant in the securities market, providing the following services to the Bank: maintenance of the Bank shareholder register, registration of transfer of title to the Bank shares, distribution of relevant documentation among the Bank shareholders, dividend distribution and other services.

Bank Management – President of the Bank, members of the Bank Management Board, Vice-Presidents of the Bank who are not members of the Bank Management Board, as well as individuals acting for them, and the Bank officials holding similar positions at the Bank subsidiaries whose financials the Bank consolidates in accordance with International Financial Reporting Standards.

Bank Securities – securities issued by the Bank, including ordinary and preferred shares, bonds and derivatives, including depository receipts for the Bank shares.

2. GENERAL PROVISIONS

2.1. The present document shall be the Bank internal regulation governing key principles of Corporate Governance adhered to by the Bank in the course of its operations.

2.2. The present document has been drafted in line with requirements set forth in the following legislation, regulations and other relevant documents:

- Federal Law 208-FZ of December 26, 1995 *On Joint-Stock Companies* (as amended and supplemented) (hereinafter – Federal Law *On Joint-Stock Companies*)
- Federal Securities Market Commission Decree 421/r of April 4, 2002 *On*

⁴ Nomination by shareholder(s) of the Bank, holding more than 10% of the Bank shares, of a candidate for the Bank Board of Directors shall not serve as sufficient grounds for the assumption that such member of the Bank Board of Directors will act in the interests of such shareholder(s) of the Bank and therefore may not be recognized as Independent Director

Recommendations for Application of Corporate Governance Code

- Bank of Russia Letter 119-T of September 13, 2005 *On Contemporary Approaches to Corporate Governance at Banking Institutions*
- Bank of Russia Letter *On Recommendations of Basel Committee On Banking Supervision «Enhancing Corporate Governance for Banking Institutions» (Basel Committee On Banking Supervision, Basel, September 1999)*
- Bank of Russia Letter 11-T of 7 February 2007 *On List of Questions for Appraisal of Corporate Governance Status by Banking Institutions*
- Organization for Economic Cooperation and Development (OECD) Corporate Governance Principles
- Russian and foreign exchanges' listing rules

In case of adoption of new or amendment of existing legislation and regulations and other relevant documents, the present document prior to its amendment or supplementation shall remain in force where it does not contravene with such legislation, regulations and other relevant documents.

2.3. In case of changes in the names of units and/or positions of the Bank employees acting under provisions hereof and provided that such employees maintain their relevant functions, as well as in case of such functions transfer to other units and/or employees of the Bank, actions envisaged herein shall be ensured by relevant units and/or employees of the Bank until this document is modified accordingly.

3. KEY PRINCIPLES OF PSB CORPORATE GOVERNANCE

3.1. The following principles shall underlie PSB Corporate Governance system:

- Enabling the Bank shareholders to effectively realize their rights associated with their participation in the Bank authorized capital, i.e. acting in respect of rights and interests of shareholders of the Bank, in accordance with the existing Russian legislation, as well as relevant national legislations⁵ and international law (governing issuance and trading of global depository receipts for the Bank ordinary shares (hereinafter – GDR));
- Ensuring equal treatment of the Bank shareholders and enabling shareholders to obtain efficient protection in case of violation of their rights;
- Accountability of the Bank Board of Directors to the Bank shareholders, and control by the Bank Board of Directors of the Bank executive bodies' activities;
- Ensuring continuous efficiency of the Bank internal control system;
- Ensuring timely disclosure of complete and accurate information about the Bank, including information about its financial position, economic indicators, ownership and management structures;
- Adherence to principles of professional ethics as adopted by bank alliances and associations of which the Bank is a member, as well as business conduct standards set forth in the Bank internal regulations;

3.2. Principles stated under **3.1** above shall underlie Corporate Governance systems of every participant in PSB Bank Group, in order to ensure consistent approaches to

⁵ National legislation is legislation of a state in which the Bank securities are traded (transactions involving transfer of title to the Bank securities, including over-the-counter trades).

Corporate Governance setup at the Bank and other banking institutions, which are part of PSB Bank Group.

4. PSB CORPORATE GOVERNANCE STRUCTURE

- 4.1. In accordance with the Bank Charter, the Bank management bodies shall be:
- The Bank General Shareholder Meeting (the Bank supreme management body);
 - The Bank Board of Directors elected by the Bank General Shareholder Meeting and ensuring overall Bank management;
 - The Bank President and the Bank Management Board, both elected by the Bank Board of Directors for the purposes of day-to-day management of the Bank operations.

4.2. The Bank Board of Directors may decide to establish committees regulated by the Bank internal regulations setting forth composition, competences and operating procedures for such committees, as well as rights and obligations for their members.

4.3. In accordance with the Bank Charter, the Bank internal control bodies ensuring efficiency of internal control over the Bank financial and economic operations, are:

- The Bank management bodies:
 - The Bank General Shareholder Meeting;
 - The Bank Board of Directors represented by its Audit Committee;
 - The Bank Management Board;
 - The Bank President;
- The Bank Audit Commission;
- Chief Accountant and Chief Accountant Deputies;
- The Bank Branch Managers and Deputies of the Bank Branch Managers;
- The Bank Branch Chief Accountants and The Bank Branch Chief Accountant Deputies;
- Internal control units;
- Other structural units and/or the Bank officials in charge of internal control, in line with authorities established in the Bank internal regulations.

5. GENERAL SHAREHOLDER MEETING

5.1. *Shareholder Participation in Bank Management*

5.1.1. The Bank shall operate in line with all relevant procedures ensuring equality in realization by the Bank shareholders of their right to participate in the Bank management through decisions, which the General Shareholder Meeting is competent to make.

5.1.2. Procedures for convening, holding and registration of results of the Bank General Shareholder Meeting shall be governed by the existing Russian legislation, the Bank Charter, the Bank internal regulation *PSB General Shareholder Meeting Regulations* and this document. The Bank shall organize the Bank General Shareholder Meetings to the intent that all Bank shareholders are treated equally, based, among others, on the following principles:

- Maintain efficient procedure for distribution among the Bank shareholders of the Bank General Shareholder Meeting agenda, including information about nominations for the Bank Board of Directors and the Bank Audit Commission;
- Prepare and distribute relevant materials for the Bank General Shareholder Meeting concurrently among the Bank shareholders and GDR holders;
- Distribute information related to the Bank General Shareholder Meeting through mass media, the Bank website and direct mailing to the Bank shareholders (upon shareholder request drafted in accordance with the relevant Russian legislation);
- Ensure availability of contact details in distributed materials, as well as availability of the Bank employees to answer questions with regard to the Bank shareholder rights;
- Enable the Bank shareholders to familiarize themselves with the list of individuals entitled to participate in the Bank General Shareholder Meeting (ID details and addresses of listed individuals shall be made available strictly subject to their prior agreement);
- Select time and venue for the Bank General Shareholder Meeting to the intent that participation of the Bank shareholders in the Bank General Shareholder Meeting, as well as preparation and holding of the Bank General Shareholder Meeting do not entail unreasonable costs and time investment;
- While registering for participation in the Bank General Shareholder Meeting (to be held as collective meeting with attendance by shareholders), the Bank shareholders shall not be required to submit a shareholder register statement attesting sufficiency of their shareholding (the Bank shall verify such shareholder register data independently); where shareholder title to the Bank shares is maintained in custody accounts with depository institutions, which have not submitted data on clients they act as nominal holders for, the Bank shareholder custody account statement shall be a sufficient proof of shareholding sufficiency;
- Invite members of and nominees for the Bank Board of Directors, the Bank President, members of the Bank Management Board and the Bank Audit Commission, as well as a representative of the Bank auditing firm to participate in the Bank General Shareholder Meeting;
- Announce voting results prior to the Bank General Shareholder Meeting wrap-up or post the Bank General Shareholder Meeting within the period set forth in the existing Russian legislation, and publish such results on the Bank website and in mass media.

5.2. *Right to Dividend*

5.2.1. The Bank shareholders shall be entitled to receive a share of the Bank net profit based on results for Q1, H1, 9M and/or the entire financial year, in the form of a dividend to be approved by the Bank General Shareholder Meeting, based on the Bank Board of Directors recommendation.

5.2.2. In accordance with the existing Russian legislation, the Bank shall undertake to pay out a dividend to the Bank shareholders who at the record date are included in the list of the Bank shareholders entitled to a dividend on the Bank shares based on results for Q1, H1, 9M and/or the entire financial year, within the period established by the Bank General Shareholder Meeting.

5.3. *Responsibilities of Bank Shareholders*

5.3.1. The Bank shareholders shall timely inform the Bank Registrar about changes in their data registered in the Bank shareholder register. Should a shareholder of the Bank fail to inform the Bank Registrar about changes in such data, neither the Bank nor the Registrar shall be liable for any shareholder loss caused by such failure.

5.3.2. All Bank shareholders shall:

- Not use any Insider or Confidential Information *intuitu personae* or for the benefit of any third party;
- Not exert pressure on the Bank Board of Directors and on the Bank Management Board with a view of achieving personal objectives to the detriment of the Bank and other shareholders;
- Timely submit information about their shareholdings in the Bank, as well as information required for preparation of the Bank reporting on its affiliated parties;
- In election of the Bank Board of Directors act in compliance with the Russian legislation and the Bank internal regulations.

6. BOARD OF DIRECTORS

6.1. General Provisions

6.1.1. Members of the Bank Board of Directors shall report to the Bank General Shareholder Meeting.

6.1.2. The Bank Board of Directors shall act in good faith and competently, ensuring fair and equal treatment of all shareholders of the Bank in realization of their rights and interests, as well as long-term growth of the Bank shareholders' welfare through better valuations of the Bank shares held by such shareholders.

6.1.3. The Bank Board of Directors shall act in accordance with the existing Russian legislation, the Bank Charter, the Bank Regulation *PSB Board of Directors Regulations*, this document and other internal Bank regulations.

6.2. Quantitative Composition of the Board of Directors

6.2.1. The Bank General Shareholder Meeting shall determine quantitative composition of the Bank Board of Directors, based on the Board efficiency considerations.

6.2.2. The Bank Board of Directors shall have the right to consider changes in the Board quantitative composition, with a view of enhancing its efficiency going forward, and submit the issue for consideration by the Bank General Shareholder Meeting.

6.3. Composition of the Bank Board of Directors

6.3.1. The Bank Board of Directors shall consider nominations for the Bank Board of Directors submitted by the Bank shareholders in accordance with the existing Russian legislation and the Bank Charter, as well as relevant recommendations by the Bank Board of Directors HR and Remunerations Committee, and shall decide on their eligibility for nomination for the Bank Board of Directors, to be voted by the Bank General Shareholder Meeting.

6.3.2. Executive Directors, Non-executive Directors and Independent Directors may be members of the Bank Board of Directors.

6.3.3. With a view of ensuring objectivity of decision-making and the balance of various interests, at least two Independent Directors shall be members of the Bank Board of Directors. The Bank shareholders owning more than 2% of the total number of the Bank

ordinary shares shall be responsible for nomination of a sufficient number of candidates for the Bank Board of Directors, who meet Independent Director criteria.

6.3.4. A member of the Bank Board of Directors may not be recognized as Independent Director prior to the Bank Board of Directors positive decision with regard to such member's compliance with Independent Director criteria set forth herein. Materials for the Bank Board of Directors meetings, concerning nominees for the Bank Board of Directors, may contain information on potential recognition of a member of the Bank Board of Directors as Independent Director.

6.3.5. The number of Independent Directors and Non-executive directors on the Bank Board of Directors shall be such as to allow establishment of the Board Committees comprising exclusively of Independent Directors and Non-executive Directors.

6.3.6. Participation of Independent Directors in consideration of such issues as development of the Bank development strategy, assessment of the Bank executive bodies' compliance with adopted strategy, resolution of corporate conflicts involving the Bank shareholders, as well as other important issues ensures objectivity of the relevant Board decision-making process.

6.4. Requirements for Members of the Board of Directors

6.4.1. Nominees for the Bank Board of Directors shall meet qualification requirements set forth in the existing Russian legislation and Bank of Russia regulations.

6.4.2. Requirements for members of the Bank Board of Directors shall also include solid professional and personal reputation, as well as knowledge, skills and experience necessary for the Bank Board of Directors decision-making.

6.4.3. The Bank Board of Directors HR and Remunerations Committee shall develop additional requirements for the Bank Board of Directors nominees, in accordance with the existing Russian legislation.

6.5. Board Members' Rights and Obligations

6.5.1. A Member of the Bank Board of Directors shall act in the interest of all Bank shareholders, without singling out interests of a specific shareholder or a group of shareholders of the Bank.

6.5.2. Members of the Bank Board of Directors shall assume relevant responsibilities to all shareholders of the Bank and the Bank as a whole, as provided for in the Bank Charter and internal regulations.

6.5.3. A member of the Bank Board of Directors shall invest considerable time and make efforts to analyze the Bank operations and the relevant information submitted to such member.

6.5.4. Members of the Bank Board of Directors shall participate in meetings of the Bank Board of Directors and its Committees, of which they are members, allocating sufficient time for a due discharge of their responsibilities.

6.5.5. To protect interests of the Bank and its shareholders, the Bank Board of Directors may decide to enter into agreements insuring liability of the Bank Management and Directors for involuntary loss caused by the Bank Management and Directors to third parties in discharge of their duties and/or while acting as the Bank representatives.

6.5.6. Members of the Bank Board of Directors shall notify in writing the Corporate Secretary of the Bank (or an individual acting for him/her) (see *Para 8.5* hereof) of their intentions to enter in transactions with the Bank Securities, as well as disclose information about actual transactions with the Bank securities, in accordance with the Bank internal regulation *PSB Regulations for Insider Information and Securities Transactions*.

6.5.7. Members of the Bank Board of Directors and their affiliated persons shall not accept gifts from persons interested in decisions made by members the Bank Board of Directors, or enjoy any other direct or indirect benefits offered by such persons, except symbolic courtesies or souvenirs.

6.5.8. In case of improper execution of duties by members of the Bank Board of Directors, including violation of relevant requirements set forth in the Bank internal regulations, the Bank shareholders may initiate early termination of mandate of the Bank Board of Directors.

6.5.9. Together with the HR and Remunerations Committee, the Bank Board of Directors shall ensure continuity in the process of renewal of the Bank executive bodies.

6.6. *Executive Sessions*

6.6.1. At least once a year Independent Directors shall have the right to hold Executive Sessions with no participation of Non-executive and Executive Directors. Executive Sessions may also be held as part of meetings of the Bank Board of Directors Committees composed exclusively of Independent Directors.

6.6.2. The purpose of Executive Sessions shall be consideration by Independent Directors of any issues pertaining to authorities of the Bank Board of Directors, without any influence from the Bank Management.

6.6.3. The Chairman of the Bank Board of Directors HR and Remunerations Committee shall chair Executive Sessions.

6.6.4. Any Independent Director may initiate Executive Sessions.

6.6.5. To ensure promptness of Executive Sessions organization, no formal procedures for convening and holding of Executive Sessions, similar to those applied to meetings of the Bank management bodies, shall apply.

6.7. *Participation of Members of the Bank Board of Directors in Other Entities' Management Bodies*

6.7.1. Members of the Bank Board of Directors shall be allowed to take positions in other entities' management bodies, subject to compliance with the existing Russian legislation and Bank of Russia regulations.

6.7.2. While preparing information for the Bank shareholders ahead of election of the Bank Board of Directors, the Bank Board of Directors HR and Remunerations Committee and the Bank Board of Directors shall take into account the nature of participation and the time needed by a nominee for the Bank Board of Directors to discharge his/her duties as a member of other entities' management bodies.

6.7.3. To ensure adequate time investment by a member of the Bank Board of Directors, the recommended number of memberships in boards of directors (supervisory boards) of other entities (or employments by such other entities) shall not exceed seven.

6.7.4. Members of the Bank Board of Directors shall send a prior notification to the Chairman of the Bank Board of Directors and the Secretary of the Bank Board of Directors of an accepted nomination for the board of directors or any other management body of another entity.

6.8. *Conflict of Interest Prevention*

6.8.1. Each member of the Bank Board of Directors shall refrain from any action leading or susceptible to lead to a conflict between his/her interests and interests of the Bank. Should conflict of interest arise, such member of the Bank Board of Directors shall inform the Bank Board of Directors HR and Remunerations Committee and/or the Bank Board of Directors of such conflict of interests.

6.8.2. Should a transaction in which a member of the Bank Board of Directors interested directly or indirectly (hereinafter – Interested Member of the Bank Board of Directors) be submitted for consideration and approval by the Bank Board of Directors, such Interested Member of the Bank Board of Directors shall inform the Bank Board of Directors of any financial benefit and/or personal interest, which may result from such transaction.

6.8.3. Upon disclosure by Interested Member of the Bank Board of Directors of information mentioned under **6.8.2** hereof and submission of answers to questions other members of the Bank Board of Directors may have with regard to abovementioned transaction, Interested Member of the Bank Board of Directors shall not participate in the Bank Board of Directors voting on the issue he/she is personally interested in, which shall be duly registered in minutes of the Bank Board of Directors meeting.

6.8.4. In case of a material conflict between interests of the Bank and personal interests of a member of the Bank Board of Directors, which may not be resolved by the Bank Board of Directors, Interested Member of the Bank Board of Directors shall submit to the Bank Board of Directors a notice of termination of his/her service on the Bank Board of Directors. Such Interested Member of the Bank Board of Directors shall remain a member of the Bank Board of Directors until the Bank General Shareholder Meeting decision to elect the new Board of Directors, while withdrawing from participation in the Bank Board of Directors proceedings.

6.9. *Familiarization of Members of the Bank Board of Directors with the Bank Operations*

6.9.1. Each new member of the Bank Board of Directors is recommended to hold a series of meetings with members of the Bank Management Board, representatives of the Bank Internal Control and Audit Services and other units of the Bank, as well as familiarize him/herself with the Bank internal documentation regulating the Bank Board of Directors proceedings and establishing the Bank goals and core operation areas, strategic development objectives, adopted accounting and reporting principles, risk management and internal control structures, as well as other important aspects of the Bank operations.

6.9.2. Corporate Secretary (failing which – Secretary of the Bank Board of Directors) shall explain to new members of the Bank Board of Directors existing procedures for the Bank Board of Directors and other Bank management bodies, and the Bank organizational structure, as well as inform such members about the Bank officials, the Bank internal regulations, effective decisions of the Bank General Shareholder Meeting and the Bank Board of Directors, provide other information required for due discharge by members of the Bank Board of Directors of their duties.

6.10. *Independent Advisors*

6.10.1. The Bank Board of Directors may hire independent legal, financial or other advisors, as it deems necessary for proper discharge of its duties or duties of any of its Committees.

6.10.2. Independent advisors shall be hired within the Bank Board of Directors budget.

6.11. *Board of Directors Annual Performance Appraisal*

6.11.1. The Bank Board of Directors HR and Remunerations Committee shall annually evaluate performance of the Bank Board of Directors and its Committees. Suggestions by members of the Bank Board of Directors shall be taken into account in the process of appraisal.

6.11.2. Appraisal of performance of the Bank Board of Directors and the Board Committees shall be based on the Bank Board of Directors' and its individual Committees'

contributions to the Bank overall results, with a particular focus on areas where actions by the Bank Board of Directors and its Committees can bring potential improvements.

6.11.3. Based on results of the Bank Board of Directors' and its Committees' performance appraisal, the Bank Board of Directors HR and Remunerations Committee shall draft a report on the Bank Board of Directors' and its Committees' performance, to be considered by the Bank Board of Directors.

6.12. Remuneration of Board Members

6.12.1. Members of the Bank Board of Directors may act both for and without a consideration.

6.12.2. Based on the Bank Board of Directors HR and Remunerations Committee recommendations, the Bank General Shareholder Meeting shall decide on remuneration of members of the Bank Board of Directors and/or compensation of expenses associated with duties of members of the Bank Board of Directors, in accordance with the Bank Charter and the Bank Internal Regulation *PSB Board of Directors Regulations*.

7. PSB EXECUTIVE BODIES

7.1. General Provisions

7.1.1. The Bank executive bodies shall be regulated by the Bank Charter, the Bank internal regulations *PSB Management Board Regulations*, *PSB President Regulations* and other Bank internal regulations adopted by the Bank management bodies in line with their authorities as defined in the Bank Charter.

7.1.2. Individuals meeting qualification requirements set forth in the existing Russian legislation and the Bank of Russia regulations may become members of the Bank Management Board.

The Bank President shall meet qualification requirements set forth in the existing Russian legislation and the Bank of Russia regulations, and shall have a sufficient level of professional expertise and unassailable reputation.

7.1.3. Each member of the Bank Management Board shall refrain from any action leading or susceptible to lead to a conflict between his/her interests and interests of the Bank. Should conflict of interest arise, such member of the Bank Management Board shall inform the Bank Board of Directors HR and Remunerations Committee and/or the Bank Board of Directors of such conflict of interests.

7.1.4. Members of the Bank Management Board shall be liable to the Bank for losses caused to the Bank through their wrongful actions (inaction), unless other grounds and amount of liability are not provided for in the existing Russian legislation. Members of the Bank Management Board who did not participate in voting on or voted against a decision resulting in a loss for the Bank shall not be held liable.

7.1.5. The Bank Board of Directors HR and Remunerations Committee shall evaluate performance of the Bank President and the Bank Management Board, and communicate results of such performance appraisal to the President of the Bank and each individual member of the Bank Management Board; the Bank President and the Bank Management Board performance appraisal results may also be submitted for consideration by the Bank Board of Directors.

7.2. President of the Bank

7.2.1. The Bank President shall ensure day-to-day management of the Bank operations, be responsible to the Bank shareholders and the Bank Board of Directors for achievement of the Bank goals and implementation of its strategy and policies, as well as for

the Bank financial results, and shall make decisions in respect of all areas of the Bank operations, except issues pertaining to the competences of the Bank General Shareholder Meeting, the Bank Board of Directors and the Bank Management Board, in accordance with the existing Russian legislation and the Bank Charter.

7.2.2. Acting as Chairman of the Bank Management Board, the Bank President shall be responsible for efficient organization of the Bank Management Board proceedings. Therefore the Bank President shall manage the Bank operations so as to ensure its long-term profitability and investment attractiveness.

7.3. *The Bank Management Board*

7.3.1. The Bank Management Board shall be formed based on a relevant decision of the Bank Board of Directors. The Bank President shall submit composition of the Bank Management Board for consideration by the Bank Board of Directors.

7.3.2. The Bank Management Board shall have a multidisciplinary composition. In addition to the Bank Management Board members, other individuals invited by the Chairman of the Bank Management Board may attend the Bank Management Board meetings.

7.3.3. The Bank Board of Directors shall be responsible to the Bank shareholders for reasonable selection of the Bank Management Board members.

7.3.4. The Bank Management Board may establish various committees, commissions and working groups for the purposes of specific decisions and preparation of the Bank operational data. Such committees, commissions and working groups shall be governed by relevant regulations adopted by the Bank Management Board.

7.4. *Remuneration of the Bank President and Members of the Bank Management Board*

7.4.1. The Bank President remuneration decided by the Bank Board of Directors shall be stipulated in the labor contract between the Bank and the Bank President.

Remunerations of the Bank Management Board members, as well as procedure and periods for payment, shall be decided by the Board of Directors and stipulated in labor contracts between the Bank and each individual member of the Bank Management Board.

7.4.2. Votes by members of the Bank Board of Directors who are Executive Directors shall not be taken into account in the process of approval of terms and conditions (including remuneration) of labor contracts between the Bank and the Bank President and/or individual members of the Bank Management Board.

7.4.3. The Bank Board of Directors HR and Remunerations Committee recommendations shall be taken into account in setting remunerations for members of the Bank Management Board in accordance with their functions as defined based on procedures established at the Bank.

8. CORPORATE SECRETARY

8.1. The Bank Board of Directors may decide to appoint Corporate Secretary, a Bank official supervising compliance of the Bank management bodies and the Bank officials with procedural requirements ensuring realization of rights and protection of interests of the Bank shareholders.

8.2. Corporate Secretary shall act based on the Bank Charter and the Bank internal regulation adopted by the Bank Board of Directors, which defines Corporate Secretary operating procedures, competence, responsibility, education, expertise and personal

qualification requirements, as well as based on the labor contract between the Bank and Corporate Secretary, whose terms and conditions, including remuneration, shall be set by the Bank Board of Directors.

8.3. Corporate Secretary shall report to the Bank Board of Directors.

8.4. To ensure efficiency of Corporate Secretary efforts, the Bank Board of Directors may decide to create Corporate Secretary Administration. The Corporate Secretary Administration composition, headcount and functions distribution shall be set forth in the Bank internal regulation to be approved by the Bank Board of Directors (see *Para 8.2* hereof).

8.5. Failing availability of the Corporate Secretary position at the Bank, his/her functions mentioned under **8.6** and **10.3.1** hereof, shall be performed by another Bank official(s) reporting on their functions of Corporate Secretary as stipulated herewith, to the Bank Board of Directors.

8.6. The Bank Corporate Secretary shall have the following responsibilities:

- Organize preparation and support of the Bank General Shareholder Meeting;
- Support operation of the Bank Board of Directors and its Committees;
- Ensure development and implementation of the Bank dividend policy;
- Participate in ensuring compliance with listing requirements of Russian and foreign exchanges where the Bank Securities are traded;
- Participate in control of Information Disclosure;
- Facilitate the Bank relations with its shareholders;
- Support and develop the Bank Corporate Governance System in accordance with the existing Russian legislation and the best international practice.

9. INTERNAL AUDIT AND CONTROL

9.1. *The Bank Internal Control System*

The Bank internal control system shall be governed by the Bank Internal Regulation *PSB Internal Control Policy*, which sets forth the Bank internal control objectives and ways to achieve them, the Bank internal control bodies, as well as key elements and levels of internal control at the Bank. The Bank internal control bodies and units (see *Para 4.3* hereof) shall act based on the Bank Charter and the Bank Internal Regulation *PSB Internal Control Policy*, as well as the Bank internal documents regulating establishment, functions, rights, obligations and operating procedures for the Bank internal control bodies.

9.1.1. *The Bank Audit Commission*

The Bank Audit Commission shall supervise the Bank financial and economic operations, including the Bank branches and representative offices, in conformity with the Bank Charter and the Bank Internal Regulation *PSB Audit Commission Regulations* adopted by the Bank General Shareholder Meeting.

The Bank Audit Commission shall cooperate with the Bank Board of Directors Audit Committee and the Bank internal control bodies.

9.1.2. *The Bank Board of Directors Audit Committee*

The Bank Board of Directors Audit Committee shall operate in conformity with the Bank Internal Regulation ***PSB Board of Directors Audit Committee Regulations*** adopted by the Bank Board of Directors.

The Bank Board of Directors Audit Committee shall ensure supervision on behalf of the Bank Board of Directors of the Bank financial and economic operations. The Bank Board of Directors Audit Committee shall have the following responsibilities:

- Preliminary consideration and development of recommendations in respect of crucial aspects of the Bank financial and economic operations;
- Control over accurateness and completeness of the Bank financial reporting;
- Control of the Bank auditing firm activities;
- Control of the Bank internal control units;
- Control of the Bank compliance with the existing Russian legislation, regulations of the Bank of Russia and other authorities, mandatory for banking institutions incorporated in Russia.

The Board of Directors shall decide on the quantitative composition of the Bank Board of Directors Audit Committee, to be stipulated in the Bank Internal Regulation ***PSB Board of Directors Audit Committee Regulations***.

9.1.3. Internal Control Units

9.1.3.1. Internal Audit and Control Department is a structural unit of the Bank, established for the purposes of internal control of and assistance to the Bank management bodies in ensuring efficiency of the Bank operations through identification, assessment and definition of the acceptable level of banking risks, as well as implementation of measures aimed at maintenance of banking risks at levels, which do not threaten the Bank financial stability and interests of the Bank creditors and depositors.

The Bank Internal Regulation ***Internal Audit and Control Department Regulations*** adopted by the Bank Board of Directors shall govern internal Audit and Control Department proceedings. Internal Audit and Control Department shall report to the Bank Board of Directors. Director of Internal Audit and Control Department shall report and be accountable to the Bank Board of Directors, as well as to the Bank President with regard to day-to-day operations.

9.1.3.2. Financial Markets Compliance Control Service is a structural unit of the Bank, established for the purposes of internal control of the Bank operations in financial markets, including compliance of the Bank as a professional participant in the securities market with the existing Russian legislation on securities markets, protection of rights and interests of securities investors, publicity, as well as requirements of the Federal Securities Markets Authority, the Bank of Russia, professional standards for self-regulating professional participants in the securities markets and requirements of the Bank internal regulations related to its professional operations in the securities markets.

The Bank Internal ***Regulations for Financial Markets Compliance Control Service*** and ***Regulations for Internal Control of Professional Securities Markets Participant*** approved by the Bank President shall regulate operations of the Bank Financial Markets Compliance Control Service. The Bank President shall decide on establishment and reorganization of the Bank Financial Markets Compliance Control Service. The Head of Financial Markets Compliance Control Service shall report and be accountable to the Bank President.

9.1.3.3. Financial Monitoring Service is a structural unit of the Bank, responsible for development and implementation of internal control rules aimed at countering legalization of proceeds from crime and terrorism financing (money laundering), as well as all relevant programs and measures in this area, and for submission of relevant data to anti-money

laundering and anti-terrorist financing authorities, in conformity with Federal Law 115-FZ of August 7, 2001 On *Anti-Money Laundering and Anti-Terrorist Financing*.

The Bank Internal *Regulations for Financial Monitoring Service* and *Internal Control Regulations for Anti-Money Laundering and Anti-Terrorist Financing* adopted by the Bank President shall regulate the Bank Financial Monitoring Service operations.

The Bank President shall decide on establishment and reorganization of the Bank Financial Monitoring Service. The Head of the Bank Financial Monitoring Service shall report and be accountable to the Bank President.

9.1.4. Independent Auditor

9.1.4.1. To ensure objectivity and accuracy of the Bank financial and accounting reports, the Bank shall annually hire an independent and qualified auditor for review of the Bank annual financial and accounting reports.

9.1.4.2. The procedure for selection and approval of an independent auditor shall be agreed with the Bank Board of Directors Audit Committee, which shall issue a prior approval of the auditor remuneration and the scope of audit and other associated services to be provided to the Bank. Based on the Board of Directors Audit Committee recommendations, the Bank Board of Directors shall submit auditor nomination for consideration by the Bank General Shareholder Meeting.

9.1.4.3. The Bank Board of Directors Audit Committee shall control actions of the Bank independent auditor and consider financial reports submitted by the Bank Management Board, producing relevant recommendations for consideration by the Bank Board of Directors. Such control shall be aimed at ensuring objectivity of the Bank financial indicators and proper presentation of the Bank operating results and associated risks.

9.1.4.4. A representative of the independent auditor shall be invited to participate in the Bank Annual General Shareholder Meeting, in order to provide clarifications in respect of the auditor opinion as shareholders may require.

10. STAKEHOLDERS RELATIONS

The Bank shareholder interests and rights shall be realized, among others, through the Bank General Shareholder Meetings and functions of the Bank Board of Directors, the Bank President, the Bank Management Board, the Bank Audit Commission, as well as the Bank Registrar and Depository.

10.1. The Bank Shareholder Relations

10.1.1. With a view of ensuring effective realization of shareholder rights, the Bank shall regularly and timely distribute among its shareholders complete and accurate information related to various areas, including the Bank operations, dividend disbursement, agenda of the Bank General Shareholder Meeting and other issues.

10.2. The Bank Relations with Registrar and Depository⁶

10.2.1. The Bank shall ensure implementation of the Bank shareholder rights to protection and registration of their title to the Bank shares through the Bank shareholder register maintained and safeguarded by the Bank Registrar.

⁶ Depository – entity ensuring GDR issuance and retirement, GDR accounting and title transfer registration, distribution of information to GDR holders, dividend disbursement and other actions.

10.2.2. The Bank shall ensure implementation of GDR holder rights to protection and registration of their title to the Bank GDRs (including shares owned through GDRs) through services of the Bank Depository.

10.3. *Relations between the Bank Board of Directors and the Bank Employees*

10.3.1. Members of the Bank Board of Directors shall have the right to hold meetings with the Bank President, members of the Bank Management Board and the Bank employees. Such meetings may be held with the participation of the Bank President, the Bank Corporate Secretary or any member of the Bank Board of Directors.

10.3.2. Members of the Bank Board of Directors shall reasonably exercise their right mentioned under **10.3.1** above, have a clear rationale for a meeting and a good understanding of its goals and objectives. Such meetings shall not impede discharge by the Bank employees of their duties.

10.4. *Investment Community Relations*⁷

10.4.1. The Bank is focused on enhancement of its investment attractiveness through better information transparency and maximization of its stock valuation.

10.4.2. Key to the Bank investment community relations is timely disclosure of objective, accurate and consistent information about the Bank operations, in accordance with the existing Russian legislation, as well as a dynamic dialog with investors and analysts.

10.5. *Public Relations and Mass Media Relations*

10.5.1. The Bank shall maintain and develop relations with mass media, government agencies and the general public interested in the Bank operations, as well as enhance its overall information transparency.

10.5.2. To maximize its information transparency, the Bank shall regularly participate in major national and international conferences and seminars.

10.5.3. The following principles shall be key to the Bank public relations and mass media relations:

- Information disclosure in accordance with the Bank Internal Regulation ***PSB Information Disclosure Policy***;
- Ongoing update of full and objective information pertaining to the Bank operations;
- Prompt responses to information requests received by the Bank.

10.6. *Development of Partner Relations with Stakeholders*

10.6.1. Due to a significant impact of clients', partners' and other Stakeholders' trust on the Bank operations, while developing its Corporate Governance System the Bank shall strive to maintain and develop sustainable trust relations with Stakeholders both in the short and in the long run.

10.6.2. The Bank shall adhere to the principle of neutrality in its relations with financial and industrial groups, government agencies, political parties and alliances.

10.6.3. While developing its client relations, the Bank shall seek to meet client requirements as best it can, including through high quality and market competitiveness of its services.

10.7. *HR Development*

⁷ Investment Community shall be understood as investors, investment funds, rating agencies, exchanges, investment banks, investment analysts and experts.

10.7.1. The Bank shall consider HR development as one of the pillars of its long-term sustainable development. Ongoing improvement and strengthening of the Bank corporate culture is intended to enhance each employee's involvement in implementation of the Bank mission and strategic objectives.

10.7.2. The Bank shall strive to create an environment allowing to unlock and develop each employee's creative capabilities, as well as enhance their professional skills.

The Bank shall regularly evaluate and develop its staff, including through annual performance appraisal, professional knowledge tests, internal and external trainings, including internal seminars and employee participation in international conferences and round tables.

10.7.3. The Bank shall continuously focus on employee health protection and labor safety. The Bank HR policy shall exclude discrimination based on ethnic or national origin, political affiliation, skin color, race, religion, or sex.

11. PSB DEVELOPMENT STRATEGY

11.1. The Bank development strategy shall reflect long-term priority areas and targets for the Bank operations, taking into account the market environment, the Bank financial position and other drivers of the Bank financial and economic operations, as well as potential ramifications of the Bank decisions and the maximum level of risk acceptable for the Bank.

11.2. The Bank Board of Directors shall be competent to approve the Bank development strategy.

11.3. The Bank Board of Directors Strategy Committee shall be in charge for preliminary analysis and recommendations to the Bank Board of Directors, necessary for decision-making in respect of the Bank long-term strategic development targets, as well as for the Bank strategic management setup and distribution of relevant key responsibilities.

11.4. The Bank Management Board shall be responsible for organization of the Bank development strategy elaboration and submission for consideration by the Bank Board of Directors.

11.5. The Bank Strategic Development Directorate shall be responsible for elaboration of the Bank development strategy with the involvement of the Bank managers and employees of the Bank structural units, as well as independent experts qualified for corporate strategic planning.

12. RISK MANAGEMENT

12.1. Risk management at the Bank shall be regulated by the Bank Internal Regulation ***Bank Risk Management Policy***, which identifies key types of bank risks, establishes bank risk management principles and procedures, designates key participants in the risk management process and outlines their functions and responsibilities.

12.2. The Bank risk management shall be ensured within the limits of competences established for each specific participant in the Bank risk management process by the Bank Internal Regulation ***Bank Risk Management Policy*** and other internal corporate regulations governing specific risk management at the levels of:

- The Bank Board of Directors;
- The Bank Management Board;
- The Bank President;
- The Bank collective operating bodies established and functioning in accordance with the Bank internal regulations;
- The Bank structural units responsible for the Bank specific risk coordination and management;
- The Bank structural units and officials.

13. SIGNIFICANT CORPORATE EVENTS

13.1. Significant corporate events shall be understood as the Bank actions, which may have a material impact on the Bank organizational structure and financial position, or result in other fundamental corporate changes, including revision of the Bank shareholder rights. Significant corporate events shall primarily include the Bank restructuring, acquisition of 30% or more of the Bank outstanding shares, major transactions and related party transactions, decrease or increase of the Bank authorized capital, and significant amendment of the Bank Charter.

In order to enable the Bank shareholders to influence significant corporate events, such events shall be as transparent as practicable.

13.2. The Bank transactions, which according to the existing Russian legislation may be recognized as major transactions or related party transactions shall be subject to prior approval by the Bank management bodies, as set forth in the Bank Charter. Where needed, the Bank may hire independent appraisers for the purposes of market valuation of property, which is the subject of a major transaction.

13.3. Major (non-standard) nonrecurring banking operations and other transactions, which are not in line with or not provided for in the Bank annual budget and/or strategy, shall be considered exclusively by the Bank Board of Directors amending accordingly the Bank annual budget and/or strategy.

13.4. In the process of takeover of the Bank by any third parties (takeover), the Bank shall refrain from any actions aimed at protection of interests of the Bank executive bodies and members of the Bank Board of Directors, as well as actions impairing the Bank shareholders' position. In case of takeover, the Bank shall hire independent appraisers for the purposes of current market valuation of the Bank shares and assessment of potential market valuation change post takeover.

13.5. The Bank shall hire independent appraisers to establish the Bank shares swap ratio in case of the Bank restructuring through merger or takeover.

14. INFORMATION TRANSPARENCY

14.1. *The Bank Information Disclosure Policy*

14.1.1. Information disclosure shall be an important element of the Bank Corporate Governance, enabling the Bank shareholders, investors and other Stakeholders to have an objective insight into the Bank operating results, its plans and development priorities.

14.1.2. The Bank Internal Regulation *PSB Information Disclosure Policy* adopted by the Bank Board of Directors shall regulate rules and principles of Information Disclosure, as

well as establish the list of information to be disclosed by the Bank in accordance with the existing Russian legislation and additional information, which the Bank may deem necessary to disclose.

14.1.3. The Bank shall comply with all Information Disclosure requirements set forth in the existing Russian legislation for issuers whose securities are issued and/or traded in the Russian Federation, as well as for issuers with relevant levels of listing at Russian and/or foreign exchanges (if applicable). In addition, the Bank shall assume additional obligations with regard to Information Disclosure in accordance with key principles of the Bank Information Policy established in the bank Internal Regulation *PSB Information Disclosure Policy*.

14.1.4. The Bank shall have a permanently operating Information Disclosure Group supervising development and implementation of the Bank information policy in line with the Bank strategy and the existing Russian legislation.

14.2. Confidential Information

14.2.1. The Bank shall disclose its information based on a reasonable balance between the Bank information transparency and security of commercial interests of the Bank and the Bank clients and partners.

14.2.2. All Bank employees, members of the Bank management bodies and shareholders shall be responsible for maintaining confidentiality of the Bank information.

14.3. Insider Information

14.3.1. The Bank shall seek to minimize the likelihood of conflict of interest and prevent improper use of Insider Information.

14.3.2. The Bank Internal Regulation *PSB Regulations for Insider Information and Securities Transactions* adopted by the Bank Board of Directors shall regulate the Bank Insider Information procedure.

14.4. Financial Reporting

14.4.1. The Bank shall maintain accounting and produce financial reports in accordance with the Russian Accounting Standards and International Financial Reporting Standards.

14.4.2. The Bank financial reports shall contain notes facilitating interpretation of the Bank financial results and disclosing information about the Bank contingent liabilities and related party transactions.

14.4.3. To provide additional information to Stakeholders, alongside with its financial reports the Bank shall publish a press release discussing year-on-year changes in the Bank financials, as well as hold a conference call with participation of the Bank management.

14.5. Ownership Structure

14.5.1. The Bank shall disclose information about its ownership structure, in accordance with the existing Russian legislation and in a way, which does not violate the Bank shareholder rights.

14.6. Disclosure of Remunerations

14.6.1. The Bank shall disclose remunerations of members of the Bank Board of Directors and the Bank Management Board, in accordance with requirements of the existing Russian legislation.

15. PROFESSIONAL ETHICS AND BUSINESS CONDUCT

15.1. Professional ethics and business conduct principles and standards shall be set forth in the Bank internal regulations, which:

- Reflect social responsibility of the Bank, in particular, for the quality of the Bank services;
- Establish procedures intended to prevent and identify conflict of interests, as well as procedures preventing abuse of authority by the Bank employees to the detriment of the Bank, including through illegal use of Confidential and Insider Information;
- Establish the Bank key social values and operating principles;
- Set forth responsibility for the Bank employees' failure to adhere to the Bank professional ethics and business conduct standards.

15.2. The Bank shall ensure adherence to professional ethics and business conduct standards adopted by bank alliances, associations and other self-regulating organizations.

15.3. The Bank shall obligatorily communicate to its employees professional ethics adopted by bank alliances, associations and other self-regulating organizations and adhered to by the Bank, as well as professional ethics and business conduct standards set forth in the Bank internal regulations. The Bank shall also communicate information about implementation by the Bank of professional ethics adopted by bank alliances, associations and other self-regulating organizations and adhered to by the Bank, as well as professional ethics and business conduct standards set forth in the Bank internal regulations, to the Bank clients and Stakeholders.

16. CORPORATE GOVERNANCE APPRAISAL

16.1. At least once a year the Bank Board of Directors shall evaluate the status of the Bank Corporate Governance across the following areas:

- Authority distribution among the Bank management bodies;
- Setup for the Bank Board of Directors proceedings, including relations with the Bank President and the Bank Management Board;
- Approval of the Bank development strategy and supervision of its implementation;
- Coordination of the Bank risk management;
- Prevention of conflict of interests of the Bank shareholders, the Bank Board of Directors, the Bank Management Board, the Bank President, the Bank employees, creditors, depositors and other clients;
- Relations with the Bank related parties;
- Professional ethics rules and procedures;
- Coordination of the Bank Information Disclosure;
- Monitoring of the Bank Internal Control System.

16.2. In addition, Corporate Governance status appraisal may be driven by information about Corporate Governance status influence on current operations of the Bank structural units, submitted to the Bank Board of Directors by Internal Control Units.

16.3. The Bank Board of Directors may hire independent advisors (see *Para 6.10* hereof) and the Bank structural units' employees for the purposes of the Bank Corporate Governance status appraisal.

16.4. Corporate Governance status appraisal shall cover the areas mentioned in *16.1* above, in accordance with the *Indicative List of Questions for Appraisal of Corporate Governance Status by Banking Institutions* contained in the Bank of Russia Letter 11-T of February 7, 2007 *On List of Questions for Appraisal of Corporate Governance Status by Banking Institutions* (hereinafter – Letter 11-T). The list of questions for Corporate Governance status appraisal may be extended by a decision of the Bank Board of Directors.

16.5. Should shortcomings be identified in the process of appraisal of the Bank Corporate Governance status, the Bank shall develop relevant remedy measures with specific deadlines and responsible persons appointed.

16.6. Corporate Governance status appraisal results shall be submitted for consideration and approval by the Bank Board of Directors, based on the form provided in Appendix 2 to the *Indicative List of Questions for Appraisal of Corporate Governance Status by Banking Institutions*, as set forth in Letter 11-T.