

Approved
by the Board of Directors of MDM Bank, OAO
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CORPORATE SOCIAL RESPONSIBILITY STRATEGY

Moscow
2007

GOALS AND PRINCIPLES



The Bank's mission
and key values

MDM Bank's mission: to be a respected and successful universal financial institution, achieving market leadership by adhering to globally accepted standards of banking services and principles of corporate ethics.

MDM Bank's key values: expertise, client focus, integrity and confidentiality, transparency, and social responsibility.

MDM Bank's goal is to become the leading Russian private bank positioned as a socially responsible financial institution and the best partner to meet the financial needs of its clients.

Introduction and observation of the CSR principles constitute a means of doing business in the long-term perspective, while in the short-term they are one of the tools to achieve this goal.

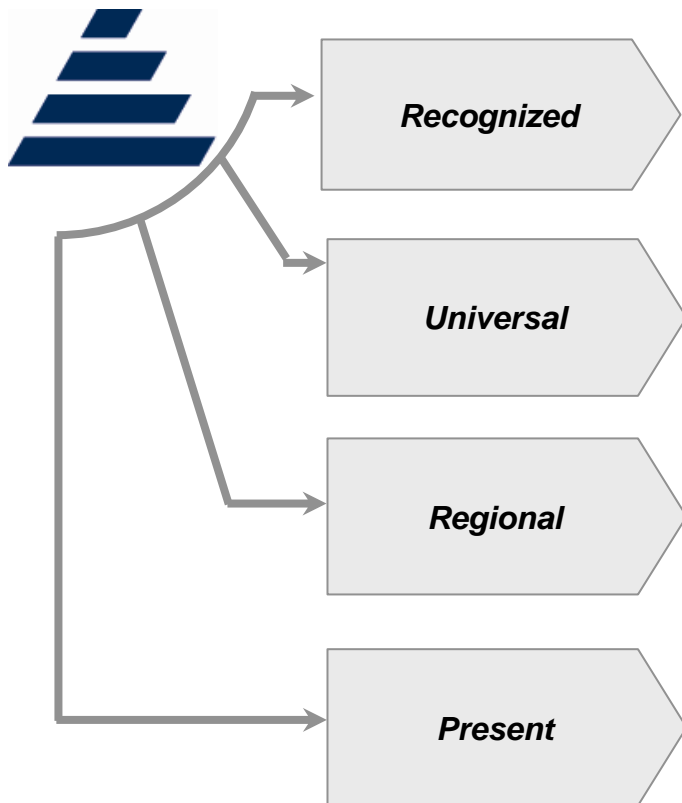
Main advantages of the CSR strategy

- ✓ Systematize project management and link current programs with the Bank's business strategy;
- ✓ Systematize stakeholder relationships in order to efficiently utilize the Bank's resources;
- ✓ Support the decision making process via improvement of the internal non-financial reporting system;
- ✓ Improve the Bank's information transparency, strengthen its reputation on Russian and international markets, i.e., by improving the external non-financial reporting system (including fulfilling the Bank's commitment to structure CSR activities, declared in 2005);
- ✓ Strengthen trust among regional stakeholders in the course of expansion into regions;
- ✓ Improve the Bank's image;
- ✓ Support for implementation of the Bank's business strategy.

CSR strategy in support of the Bank's business strategy

Recognized, Universal, Regional and Present are key elements in the Bank's business strategy.

In order for the CSR strategy to support fulfilling the Bank's business strategy, it is necessary to achieve targets under the following objectives:



Goals of the CSR strategy's implementation

- Stakeholders are aware that MDM Bank is a responsible corporate citizen and understand what this means for the Bank.
- Stakeholders are aware that the Bank adheres to the same principles in its interactions with all stakeholders and clearly understand how these principles relate to them.
- Stakeholders are aware that the Bank's regional business is just as important as its Moscow business and understand that the Bank applies the same standards in every region where it is present, including regarding matters of participation in the lives of local communities.
- Stakeholders are aware that the Bank is continuously improving the quality of its services and aims to be the employer of choice in Russia's banking sector; they understand how the Bank will achieve these goals.

Basic principles of stakeholder engagement

The Bank is guided by the following principles of stakeholder engagement:

- ✓ **Transparency**
- ✓ **Dialogue**
- ✓ **Reliability**
- ✓ **Flexibility**
- ✓ **Comprehensive approach**

For MDM Bank this means:

- The Bank regularly informs its stakeholders about all aspects of the Bank's performance that could be interesting to stakeholders and uses the most advanced and user-friendly methods and tools for this process;
- The Bank's personnel and top managers participate in the process of identifying and assessing the interests, expectations and concerns of the stakeholders with whom they engage. In order to increase efficiency, bilateral forms of engagement are used;
- Stakeholders trust both the Bank as a whole and its individual representatives; they feel protected and well understood in their interactions with the bank and always have an opportunity to discuss openly any questions that seem important (partnership relations);
- The Bank is responsive to the expectations, requests and concerns of its stakeholders, as well as to changes in the market situation, and adapts its performance if necessary;
- The Bank focuses its activities on the types of businesses and projects that are the most beneficial for stakeholders, known as the Triple Bottom Line¹ concept.

¹ Triple Bottom Line = Sustainable Development – Business approach to decision making based on three key criteria: economic prosperity, environmental integrity and social contribution.

Stakeholders of the Bank

The Bank engages with the following groups of stakeholders:

- ✓ Society as a whole;
- ✓ Shareholders;
- ✓ Customers and counterparties (Russian and international, including investors and international financial institutions);
- ✓ Personnel;
- ✓ Federal supervisory and regulatory governmental authorities;
- ✓ Local communities in Russia's regions;
- ✓ Suppliers and contractors;
- ✓ Competitors (considered as clients and counterparties or as other participants on the Russian financial market);
- ✓ Mass media;
- ✓ Non-governmental organizations (NGOs);
- ✓ Professional associations (unions, associations, clubs);
- ✓ Rating agencies.

PRIORITIES OF CSR STRATEGY

Top CSR priorities for 2007-2010:

The top CSR priorities were defined based on the Bank's business strategy for 2008-2012 and with consideration of Russian and international best practices.

Strengthening relationships with the four key stakeholder groups is necessary in order to successfully accomplish the Bank's business strategy. Specific CSR-related priority activities for each key group have been developed and are to be implemented in 2008-2012:

**Society as a whole
(all groups of the
stakeholders)**
(Priority 1)

- Enhancing the Bank's information transparency for all stakeholders;

**Customers/
counterparties**
(Priority 2)

- Developing, implementing and complying with business ethics principles;
- Substantially improving quality of customer service in all regions where the Bank is present;
- Providing access to the Bank's products and services to a wide range of customers.

Personnel
(Priority 3)

- Enhancing long term personnel loyalty (hiring, retention and motivation), including building the Bank's reputation as an "employer of choice"
- Developing and maintaining corporate culture and team spirit;
- Granting professional development and career path opportunities to all employees.

Local communities
(Priority 4)

- Continuously engaging with local communities in all regions where the Bank works;
- Responsible financing in the framework of cooperation with international financial institutions;
- Strengthening and systematizing charitable activities.

Priority 1: Information transparency

Information transparency is a vital precursor for fostering sustainable business relations, laying the groundwork for socially responsible business practices, and achieving sound operational results, as well being a key success factor in the competition for raising capital.

Being transparent to all stakeholder groups is a key task in the framework of the Bank's CSR strategy.

The importance of this task is stipulated not only by tightening regulations aimed at enhancing the information transparency of financial institutions and by recommendations of the Basel Committee and OECD, but also by the Bank's own aspiration to improve. The Bank seeks to apply the leading trends of international financial markets, which provides a competitive advantage on the Russian market and attracts new customers and investors.

The Bank's information policy is being developed.

Priority 2: Customers/ counterparties

Most of all, the Bank values its customers. The success of the Bank directly depends on the degree of its customer satisfaction.

The CSR strategy classifies clients represented by Russian or international financial institutions (corresponding banks) and organizations (e.g. stock exchange, brokerage house, investment bank, etc.) as the Bank's counterparties.

The Bank is a universal financial institution that operates in all sectors of the financial market and aims to build long-term relationships with existing and potential customers and counterparties.

Under the 2008-2012 business strategy, the Bank's customers/counterparties are regarded as a group of top priority stakeholders to whom the Bank will attach special attention in the upcoming years.

In order to achieve the strategic goals established for 2008-2012, the Bank shall become a socially responsible financial institution, which:

- ✓ Complies with the principles of business ethics;
- ✓ Provides high-quality customer service;
- ✓ Ensures easy and wide access to its products and services.

It is also necessary to ensure that the Bank's customers/counterparties are informed about the Bank's achievements in respect to CSR.

Priority 3: Personnel

The Bank's personnel play a key role in customer service and providing products and services.

The Bank's efforts to develop its corporate culture and investments in human resources create a strong competitive advantage on the financial services market, which is impossible to copy or reproduce.

During the next five years the Bank will pay special attention to strengthening its image as an employer of choice in order to recruit the most highly qualified specialists and achieve the Bank's strategic goals in the most efficient way possible.

The HR strategy for 2008-2012 was recently developed and is being implemented. The strategy covers a set of CSR issues that were also defined as priorities under the CSR strategy. The CSR strategy complements, but does not duplicate, the HR strategy.

The CSR strategy addresses certain elements of the Bank's strategic initiatives in respect to HR, including:

- ✓ Corporate culture;
- ✓ Personnel retention and motivation;
- ✓ Professional development and career path opportunities for the Bank's employees.

Priority 4: Local communities in regions of Russia

The high concentration of the banking market in Moscow is stimulating a move outward to regional markets. The Bank's strategic objectives for the next five years include dynamic regional expansion and strengthened positioning of the Bank in the target regions.

Development of relationships with local communities in Russia's regions will allow the Bank to efficiently use its wide distribution network and gain a key competitive advantage in the medium term.

Regional development implies engagement with local communities, which, in the framework of the CSR strategy, are represented by following groups:

- ✓ Regional customers/counterparties (existing and potential);
- ✓ Local authorities and supervisory bodies;
- ✓ Local non-governmental organizations.

The following areas are priorities for the Bank in its relations with local communities:

- ✓ Community dialogue in the regions of the Bank's presence;
- ✓ Responsible financing;
- ✓ Sponsorship/Charity.

TERMS

Basic CSR terms and definitions

Corporate social responsibility (CSR) – systematized economic, environmental and social efforts of the Bank, based on continuous stakeholder engagement and aimed at supporting business strategy and minimizing risks.

Stakeholders – individuals, companies and communities directly or indirectly related to the Bank and its operations. The list of the Bank’s stakeholders in the context of this CSR strategy is introduced on page 7 herein.

Stakeholder engagement – the Bank’s efforts to better understand stakeholders’ interests, expectations and concerns and to involve stakeholders. Continuous and systematic stakeholder engagement is a cornerstone of CSR.

Non-financial reporting (CSR reporting) – systematic and regular disclosure on CSR following certain rules and based on systems and processes allowing top managers and shareholders as well as other stakeholder groups to obtain accurate and fair information on all aspects of the Bank’s performance.

Responsible financing – project financing that considers (along with traditional risk assessments) the possible social and environmental impacts of a project on stakeholders as well on the Bank’s business strategy.