



**Alfa·Bank**

**First Half 2012 Results**

**September 7, 2012**

Presented by:

Andrew Baxter, CFO

Svetlana Demyashkevich, Deputy CFO

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## Financial highlights 1H 2012



### Statement of Income

- Net profit at US\$ 544 mln (1H 2011: US\$ 275 mln)
- Segment profit before tax and bonuses:
  - Corporate and Investment banking – US\$ 512 mln
  - Retail banking – US\$ 147 mln
- Cost to income at 47.6% (1H 2011: 54.9%)
- Return on equity at 29.7% (1H 2011: 16.8%)

### Financial Position

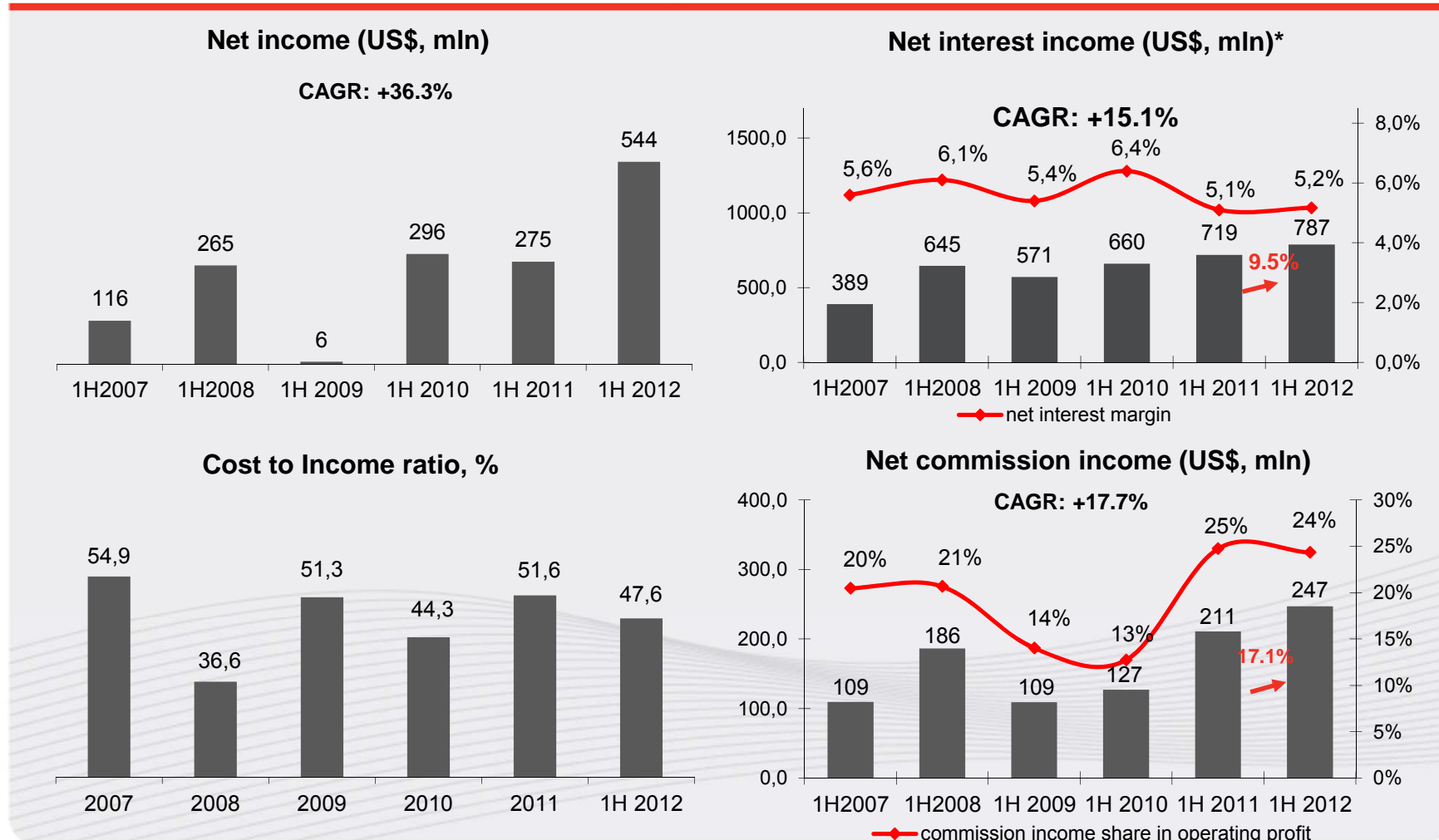
- Total assets increased 7.9% from US\$ 31.4 bn at FY 2011 to US\$ 33.9 bn
- Gross loans increased 4.1% from US\$ 23.2 bn at FY 2011 to US\$ 24.1 bn
- Provisioning ratio decreased from 5.9% of loan portfolio at FY 2011 to 4.9%
- Customer accounts up 5.4% from US\$ 18.3 bn at FY 2011 to US\$ 19.2 bn
- Due to other banks increased from US\$ 2.4 bn at FY 2011 to US\$ 3.4 bn
- Total equity up 13.5% from US\$ 3.4 bn at FY 2011 to US\$ 3.9 bn

### Ratings

- Fitch upgraded credit rating from BB+/stable to BBB-/stable in July 2012
- S&P upgraded long term credit rating from BB- to BB in December 2011, outlook was changed from stable to positive in July 2012
- Moody's confirmed credit rating at Ba1 in March 2012, stable outlook



## Income well above pre-crisis levels

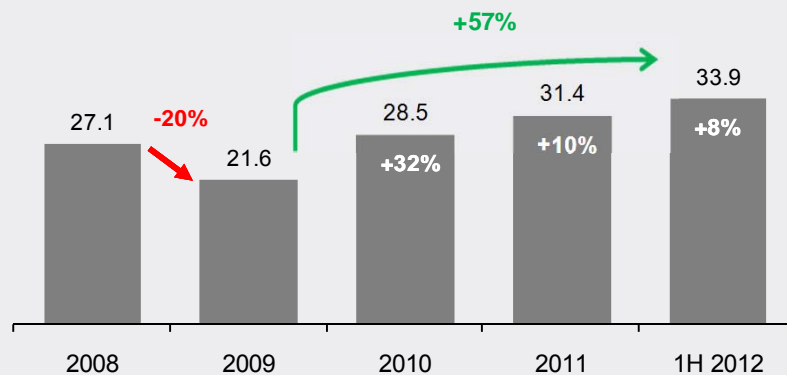


Source: IFRS audited financial results, 6m 2012 reviewed by auditors IFRS results  
\* Net interest margin is calculated as Net interest income / Average interest earning assets



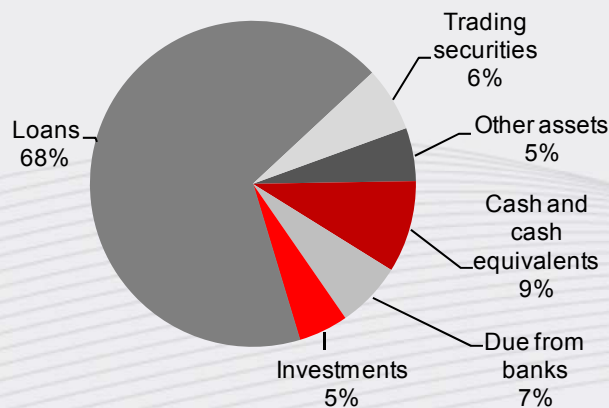
## Assets and loan portfolio development

**Total assets (US\$, bn)**

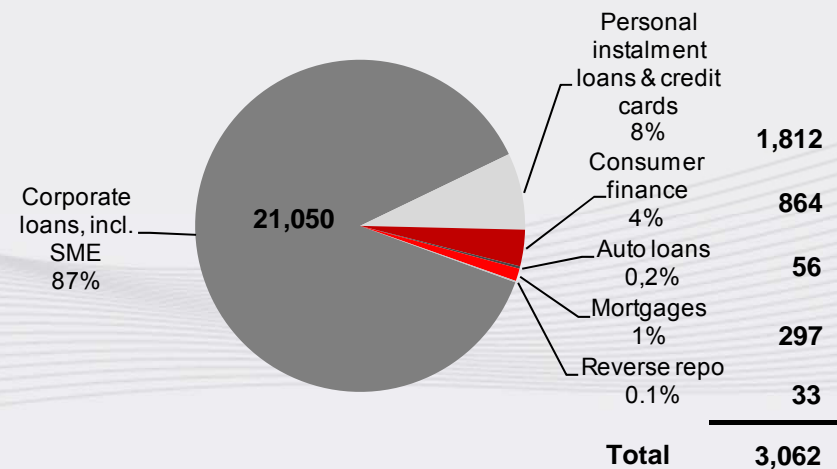


- Top 5 in terms of gross loans, total assets and equity – Russia’s largest private bank\*
- Total gross loans increased by 4,1% in 1H 2012
- Total assets grew by 8% in 1H 2012 and more than 50% from YE 2009
- Alfa-Bank maintains relatively stable assets structure with a loan portfolio share of about 68% and gross loans to deposits ratio of 125% (127% as at YE 2011)

**Assets structure 1H 2012**



**Loan portfolio structure 1H 2012 (US\$, mln)**



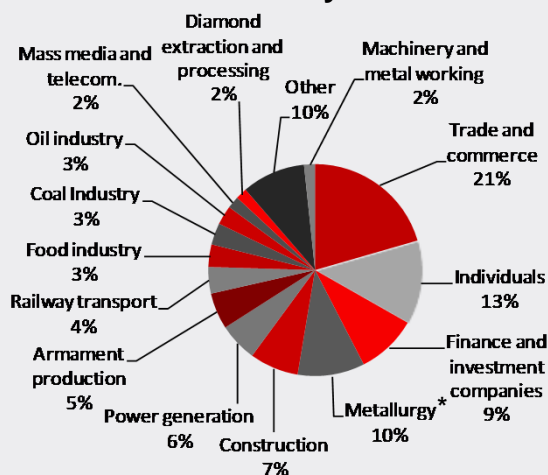
Source: IFRS audited financial results, 6m 2012 reviewed by auditors IFRS results

\* Source: rating.rbc.ru, as of July, 2012. Bank of Moscow is considered as part of VTB Group, as it was merged in 2011



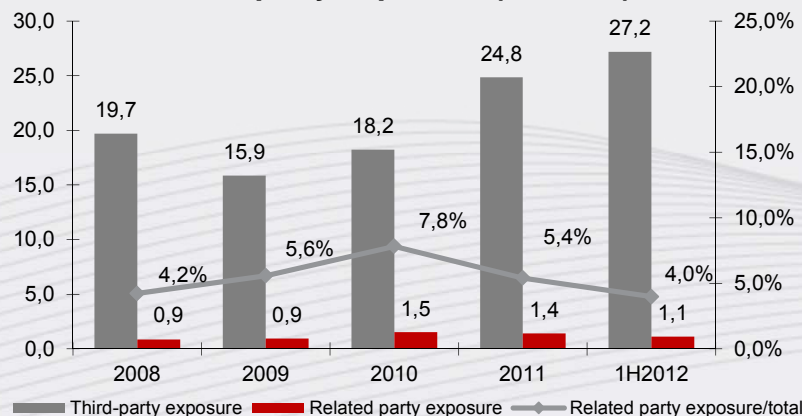
## Gradually improving concentration levels

### Loans breakdown by economic sectors

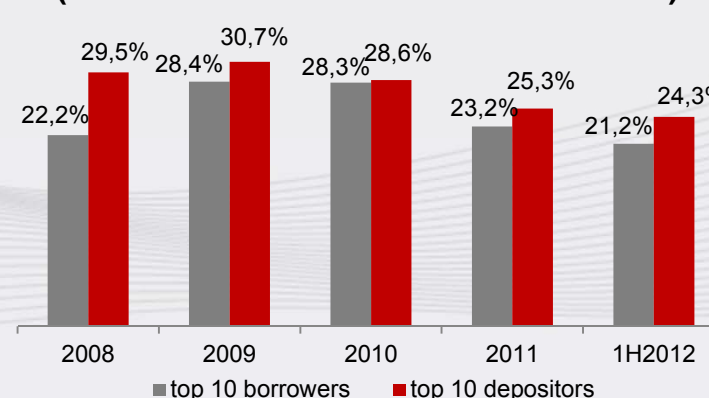


- Relatively stable industry mix, with significant growth of trade and commerce sector (from 16% of gross loans in 2011 to 21% in 1H 2012)
- Loan and deposit concentrations of top 10 customers demonstrate a stable decrease starting from 2009
- Exposure to related-party borrowers decreased from 5.4% of total loans and credit related commitments at the end of 2011 to 4.0% at 1H 2012

### Related party exposure (US\$, bn)\*\*



### Concentration of top 10 borrowers / depositors (as % of total loans / customer accounts)

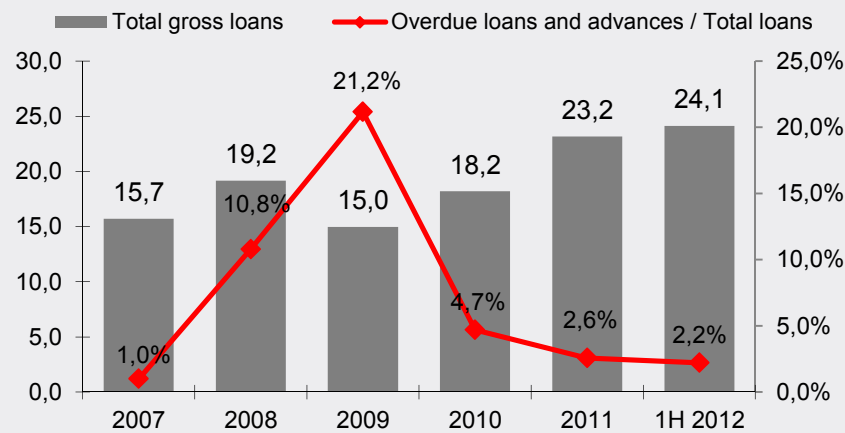


Source: IFRS audited financial results, 6m 2012 reviewed by auditors IFRS results  
 \* Including ferrous metallurgy US\$ 1,960 mln (8%) and non-ferrous metallurgy US\$ 505 mln (2%)  
 \*\* Including credit-related commitments



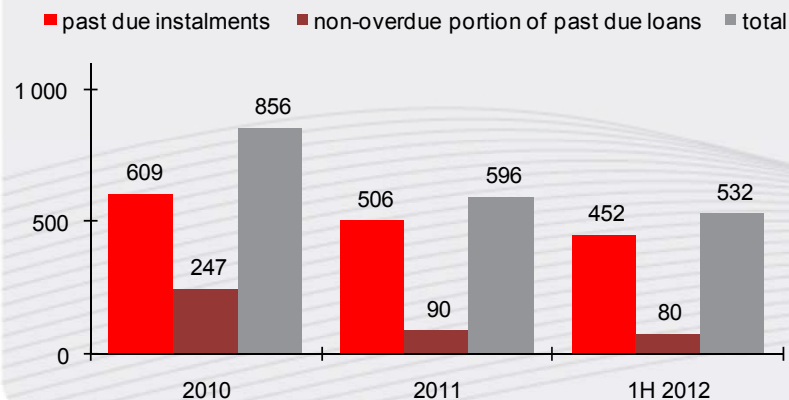
## Loan portfolio quality

**Overdue loans and advances 1+ days (US\$, bn)\***

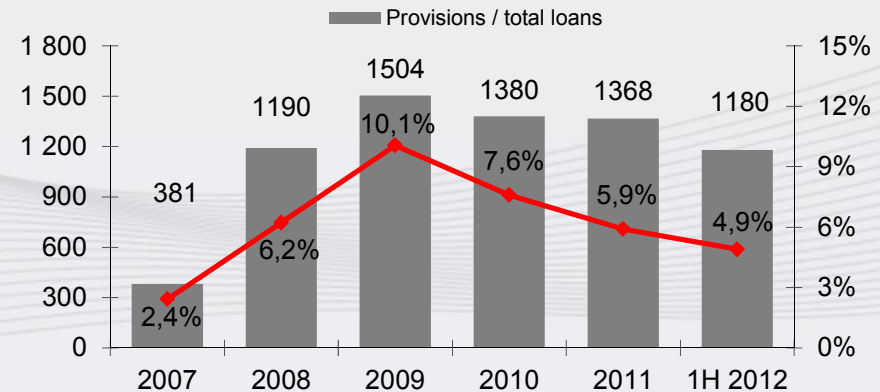


- Overdue loans peaked in 2009 during the international financial crisis, and fell down to 2.2% by the end of 1H 2012
- Provisioning rate decreasing due to problem loans resolution together with improved portfolio quality
- Share of problem loans\*\* in total loan portfolio decreased from 5.0% in 2011 to 4.8% in 1H 2012
- Provisions coverage of overdue loans is 222% as of 1H 2012, 230% as of FY 2011, 161% as of FY 2010
- Corporate loans written off as uncollectible decreased from US\$ 39 mln in 1H 2011 to US\$ 15 mln in 1H 2012

**Overdue loans structure (US\$, mln)**



**Provision for loan impairment (US\$, mln)**



Source: IFRS audited financial results, IFRS 6m 2012 reviewed by auditors IFRS results

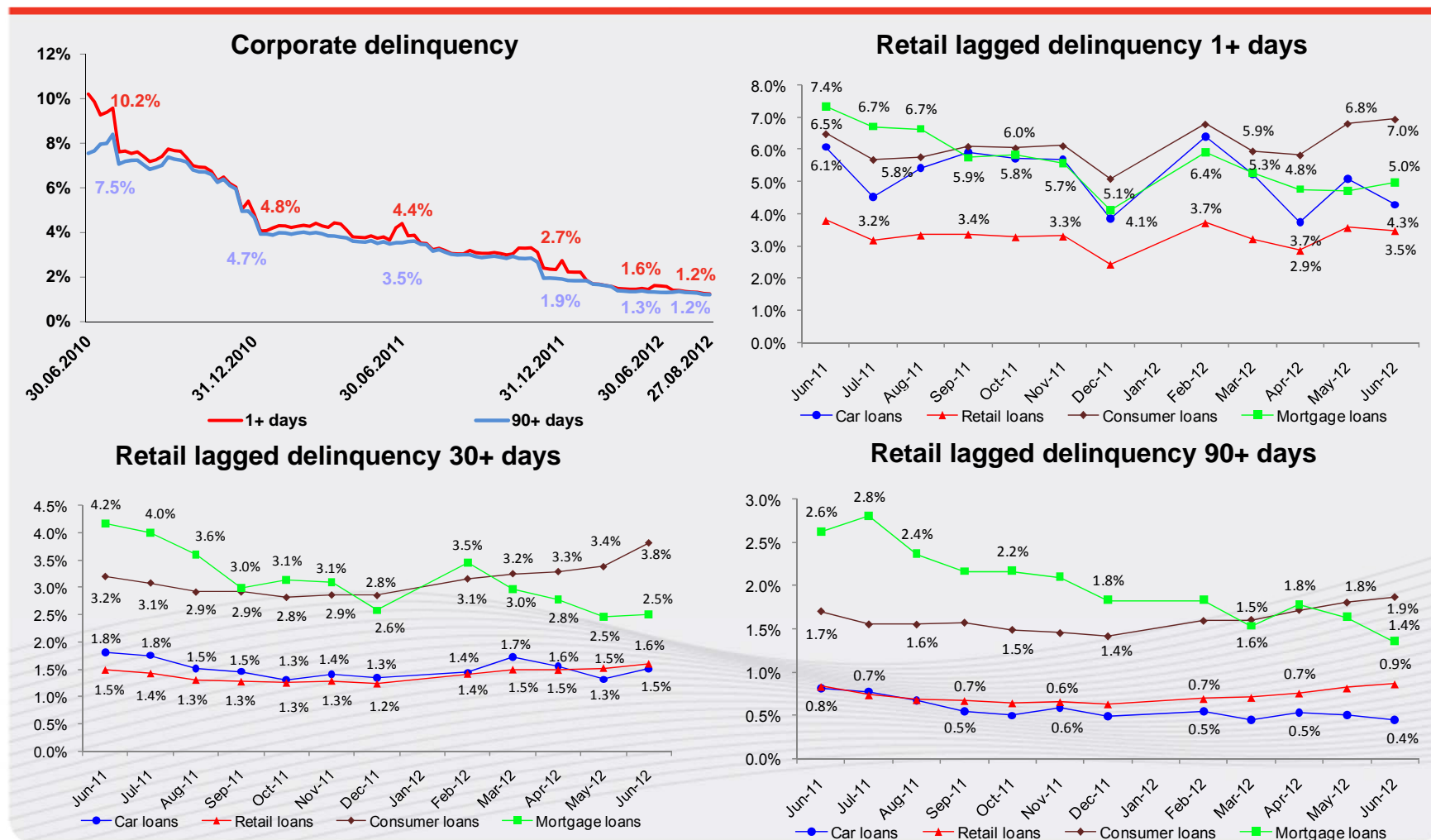
\* Overdue loans and advances include both past due instalments and the remaining non-overdue portion of the loan

\*\* Problem loans include both overdue loans and current but impaired loans, including those that were restructured less than 6 months prior to reporting date





# Dynamics of loan portfolio delinquencies



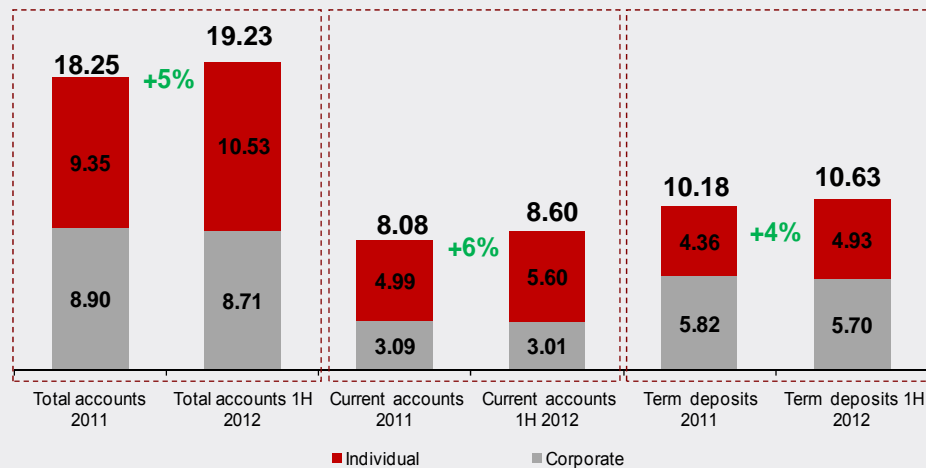
Risk management estimates (not IFRS), Alfa-Bank only



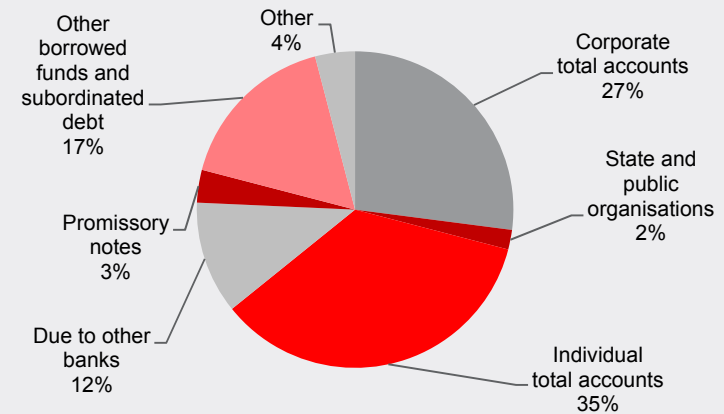


## Funding structure is well-balanced

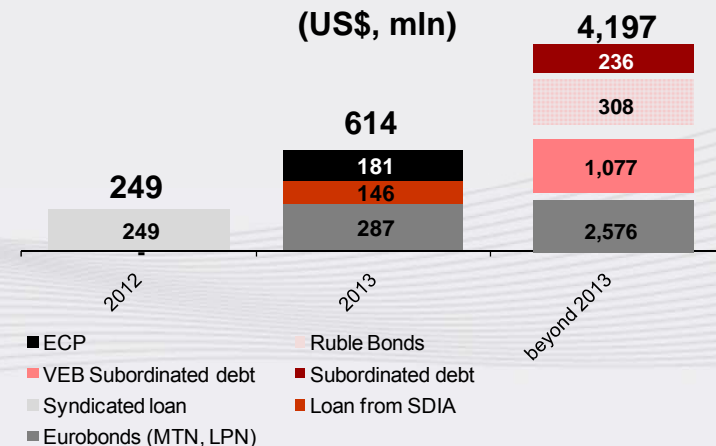
Customer accounts (US\$, bn)



Liability structure 1H 2012



Other borrowed funds maturity breakdown\*\*



Liquidity sources, 05.09.2012\*

IFRS cash as of 1H 2012	\$3.1 bln or 9.1% of TA
<b>Additional funding sources available as of 05.07.2012</b>	<b>Unused limit, US\$ mln</b>
HFS portfolio	901
REPOable Fixed Income portfolio	561
Loan portfolio to CBR REPO	1 346
CBR Xguarantee	1 033
CBR/MINFIN Auctions	1 636
<b>Total</b>	<b>5 478</b>
Next month average daily loan redemption	\$49.9 mln

Source: IFRS audited financial results, IFRS 6m 2012 reviewed by auditors IFRS results

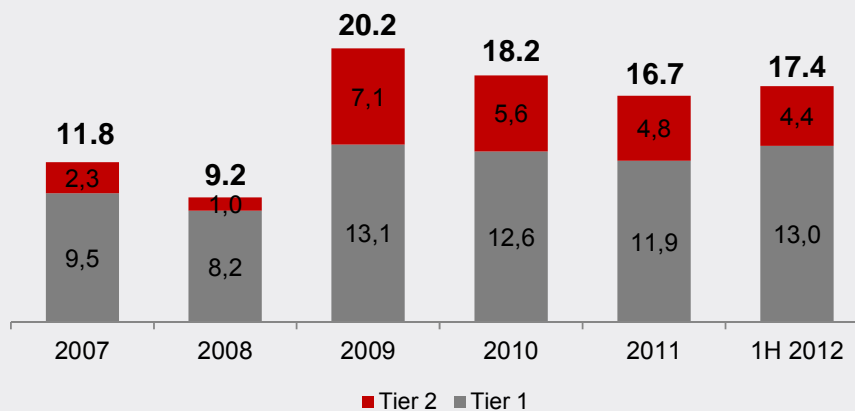
\* Treasury accounts

\*\* US\$16 million DPR programme was redeemed in March 2012. US\$ 346 million of MTN notes were redeemed in June 2012



## High capital adequacy level maintained

Capital adequacy ratio (in % of risk-weighted assets)\*



CAR summary (US\$, mln)\*

	30.06.2012	Diff	31.12.2011
<b>Capital adequacy</b>			
Tier 1	3 820	458	3 362
Tier 2	1 315	-32	1 347
<b>Total capital</b>	<b>5 135</b>	<b>426</b>	<b>4 710</b>
Banking book	27 589	513	27 077
Trading book	1 851	698	1 153
<b>Total risk weighted assets</b>	<b>29 440</b>	<b>1 211</b>	<b>28 229</b>
<b>Tier 1 ratio</b>	<b>13,0%</b>	<b>1,1%</b>	<b>11,9%</b>
<b>Total capital ratio</b>	<b>17,4%</b>	<b>0,8%</b>	<b>16,7%</b>

- Capital adequacy ratio increased to 17.4% as of 1H 2012 from 16.7% as of YE 2011 mostly due to solid growth of retained earnings in 1H 2012
- Total RWA increased by 4.3%:
  - Banking book grew by 1.9%
  - Trading book grew by 60.5%
- In January 2012 the Alfa Banking Group took the decision not to exercise a call option on its subordinated Loan Participation Notes in the amount of US\$300 mln due 2017

\* CAR ratios calculated in accordance with Basel I standards (management computation)

## Forecast 2012



**Total Assets**

**Growth ~ 15 – 20%**

**Loan Portfolio**

**Corporate loans: growth ~ 15 – 20%**  
**Retail loans: growth ~ 20 – 25%**

**Cost to Income Ratio**

**~ 50%**

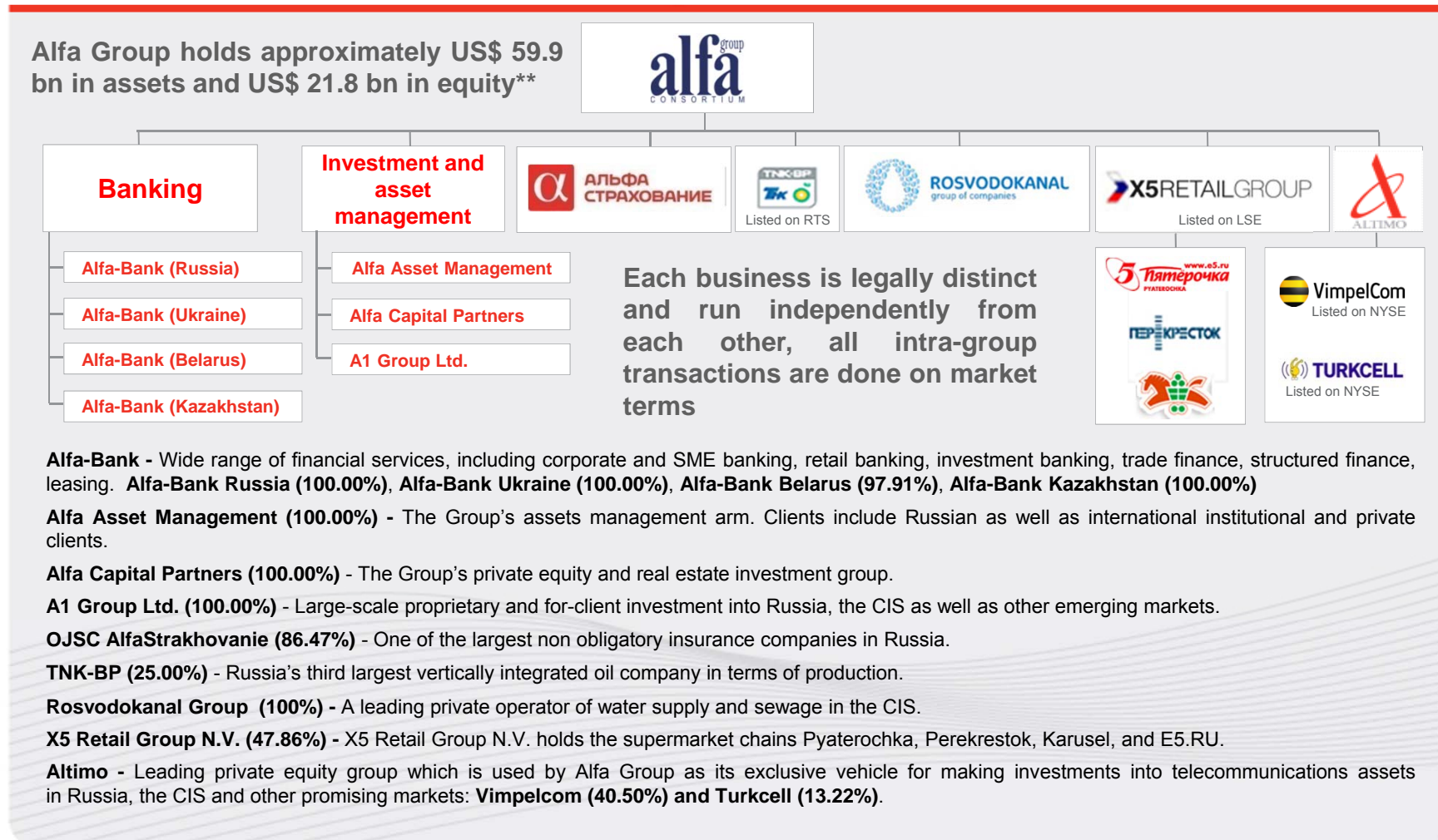
**Return on Equity**

**> 20%**

**CAR**

**~ 16 – 18%**

## Alfa-Bank: the key banking asset of Alfa Group\*

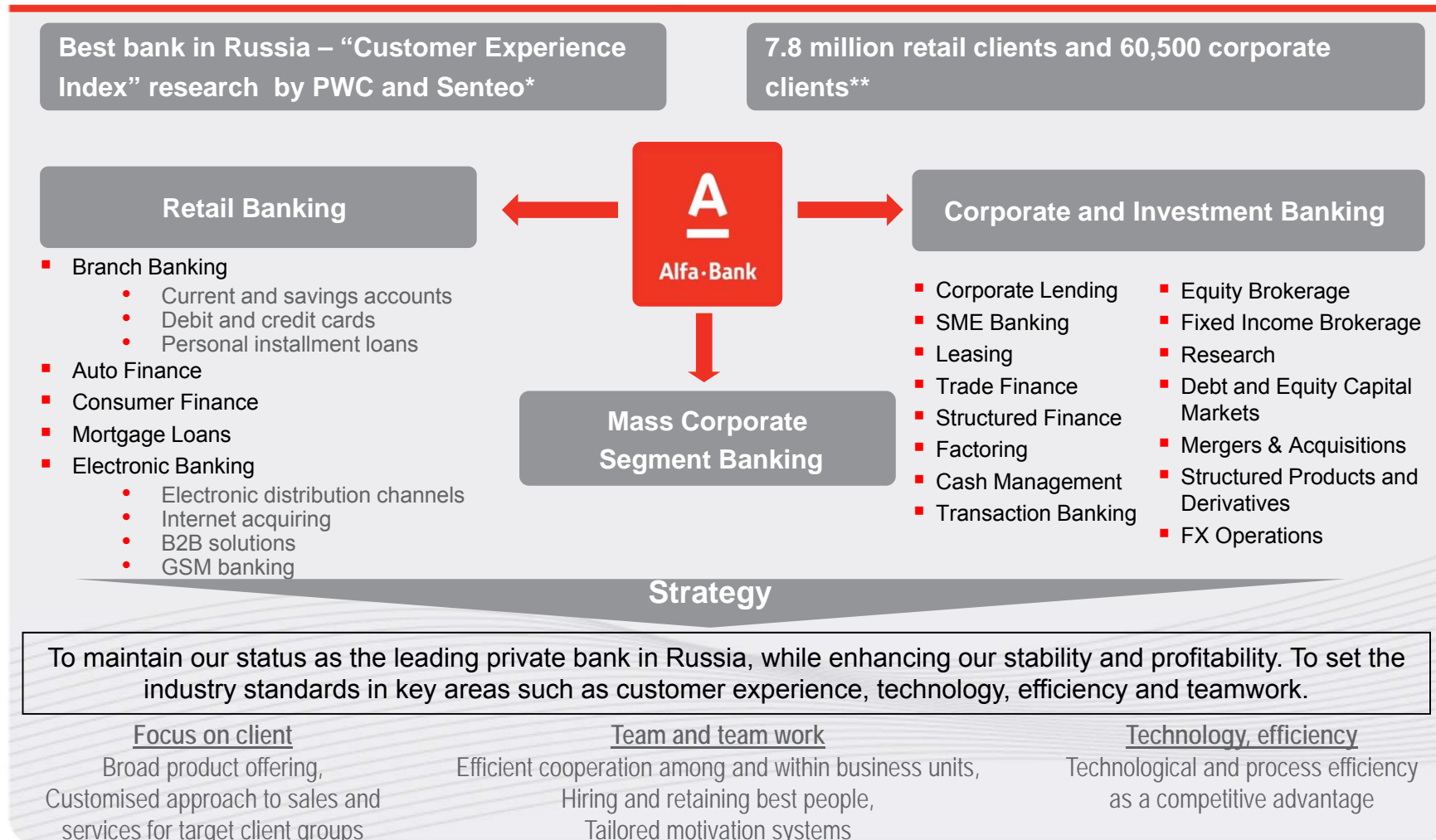


\* The stakes in the companies shown include effective minority stakes

\*\* Source: Alfa Group audited report FY 2010



## Alfa-Bank's universal business franchise



\* Source: PWC and Senteo, June 2012

\*\* as of July 1, 2012

## Alfa-Bank: well recognised record of excellence



- Best Bank in Russia, 2009



- Highest International Approval Rate, Debit Consumer Issuer, 2011



- Best Service Company for Individual Investors, 2009
- Best analytics, 2010



- Best bank in the “Customer Experience Index” research by PricewaterhouseCoopers and Senteo, 2011, 2010, 2009



- Best bank in Russia, Best Creative Idea of the Year 2011, 2010, 2009



- Best Internet Bank in Russia, 2011, 2010



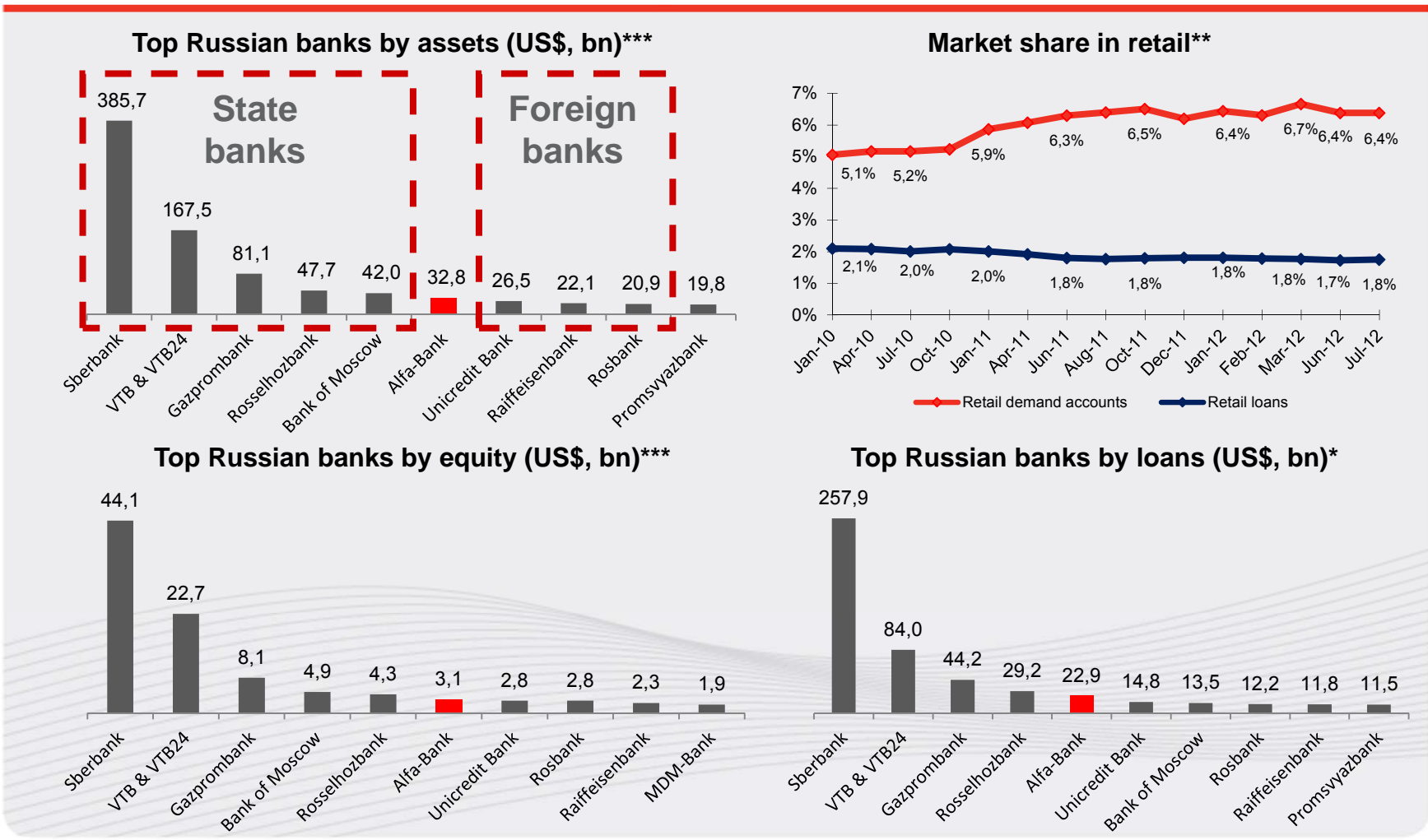
- Best private bank in Russia by Global Reputation Index (GRI) research, 2010



- Russian Private Bank of the Year, 2009



# Leading Russian private bank in most market segments



\* Source: [rating.rbc.ru](http://rating.rbc.ru). Figures as of July 1, 2012

\*\* Source: CBR, Alfa-Bank's management report July 2012

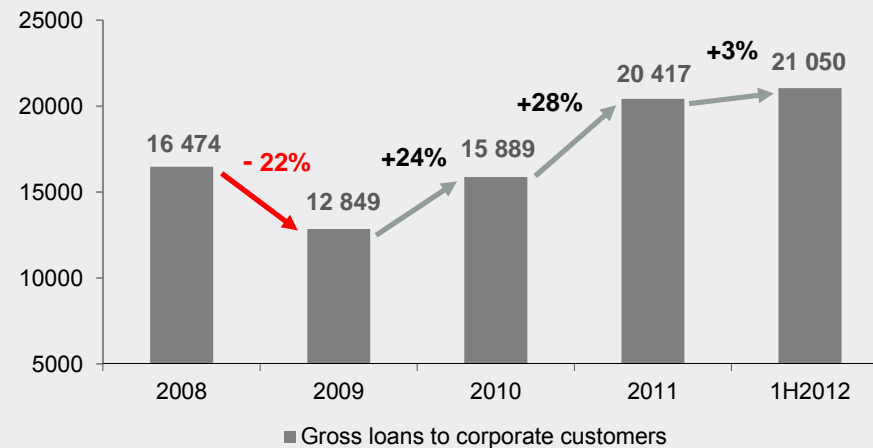
\*\*\* Source: [bankir.ru/rating/](http://bankir.ru/rating/) Figures as of July, 2012

Figures are based on non-consolidated RAS financial statements (Alfa-Bank only)

## Leading private bank in the corporate segment...



**Gross loans to corporate customers**



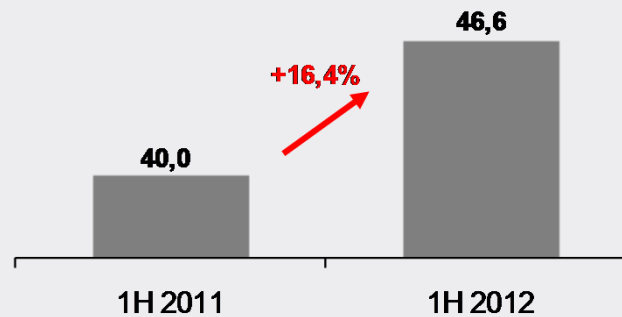
- Largest private bank in terms of corporate customer loans and accounts
- Services 60,500 corporate clients, including leading Russian Blue Chip companies: MOESK, Russian Railways, Inter RAO UES, Novotrans, NLMK, X5 Retail Group
- Alfa-Bank's strengths:
  - Excellent industry expertise
  - Strong team of client managers
  - Strong transactional platform
  - Deep distressed assets and debt management expertise
  - Fast response to customers' needs
  - Broad range of products (a universal bank)

Source: IFRS audited financial results, 6m 2012 reviewed by auditors IFRS results

... with rapidly growing transaction business...



Commission income (USD, mln)\*



Strategy

- The Goal: diversification of Bank's revenues, higher share of non-interest income, growing the base of loyal customers over the long term;
- Investments into IT platform development – CRM systems, Alfa Client Online, supply chain financing systems;
- Strengthening of sales model with the creation of product sales team in HQ and regions;
- Target products:
  - Settlement services (collection, conversion, cash management, currency control, corporate cards);
  - Treasury operations (deposits, minimum balance, bills);
  - Payroll projects;
  - Trade financing (L/C, guarantees, export-import financing with the participation of export credit agencies);
  - Financing of supply chains including factoring.

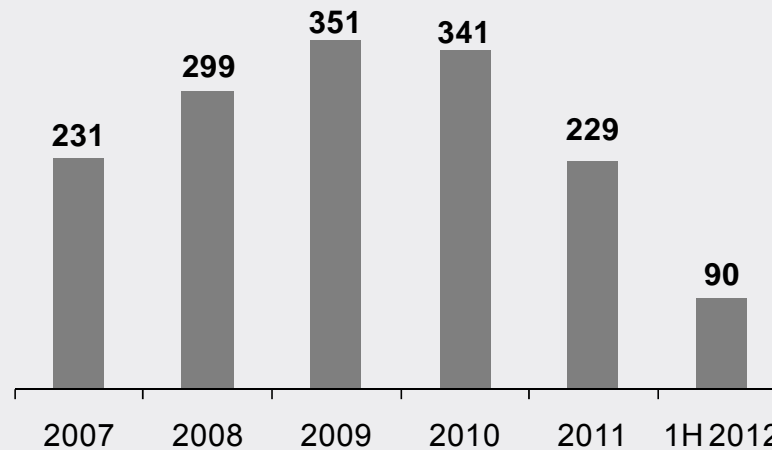
Source: Alfa-Bank management accounts (excluding ATB)

\* Results of corporate transaction business only (excluding commissions from corporate lending)

... with an important Investment Banking franchise...



Investment Bank operating profit (US\$, mln)\*



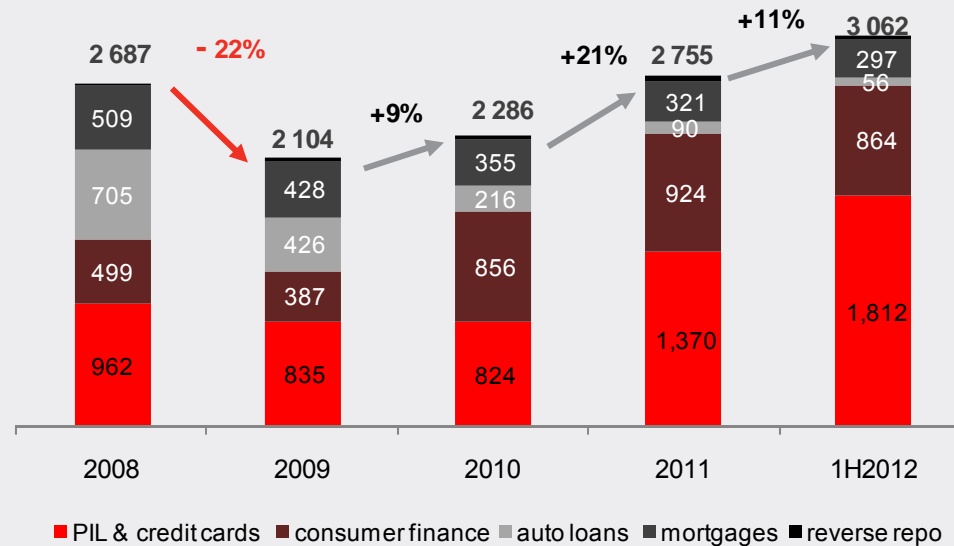
- Operating profit in 2012 is expected to be slightly higher than the 2011 level, in spite of decreased trading volumes and turmoil in the markets
- FOREX products brought US\$ 35 mln of operating profit which is 38% more than in 1H 2011
- Alfa-Bank is increasing focus on structured products, derivatives and client financing, which stimulates client business in other CIB products, in addition to generating its own revenue
- Investments in retail-focused Alfa Forex and Alfa Direct are proving effective and will be increased

Source: Alfa-Bank management report July 2012

\* Figures based on management accounts (including Equities, Fixed Income, Corporate Finance, FOREX)



... and with solid positions in retail sector



- 7.8 million retail customers served by the end of 1H 2012
- Banking products offered: PILs, consumer, credit cards, deposits, internet and mobile phone banking
- Third largest Russian bank by retail demand deposits, behind Sberbank and VTB (6.4% market share as of July 2012)\*
- Large distribution network – over 350 retail branches by the end of 1H 2012
- Segment profit before tax for 1H 2012 stood at US\$ 147 mln
- Rated number 1 in customer experience index in 2008-2011 by PricewaterhouseCoopers
- Strong VIP banking offering “A-Club”

Source: IFRS audited financial results, 6m 2012 reviewed by auditors IFRS results

\* Source: CBR, Alfa-Bank management reports, as of 1 July 2012

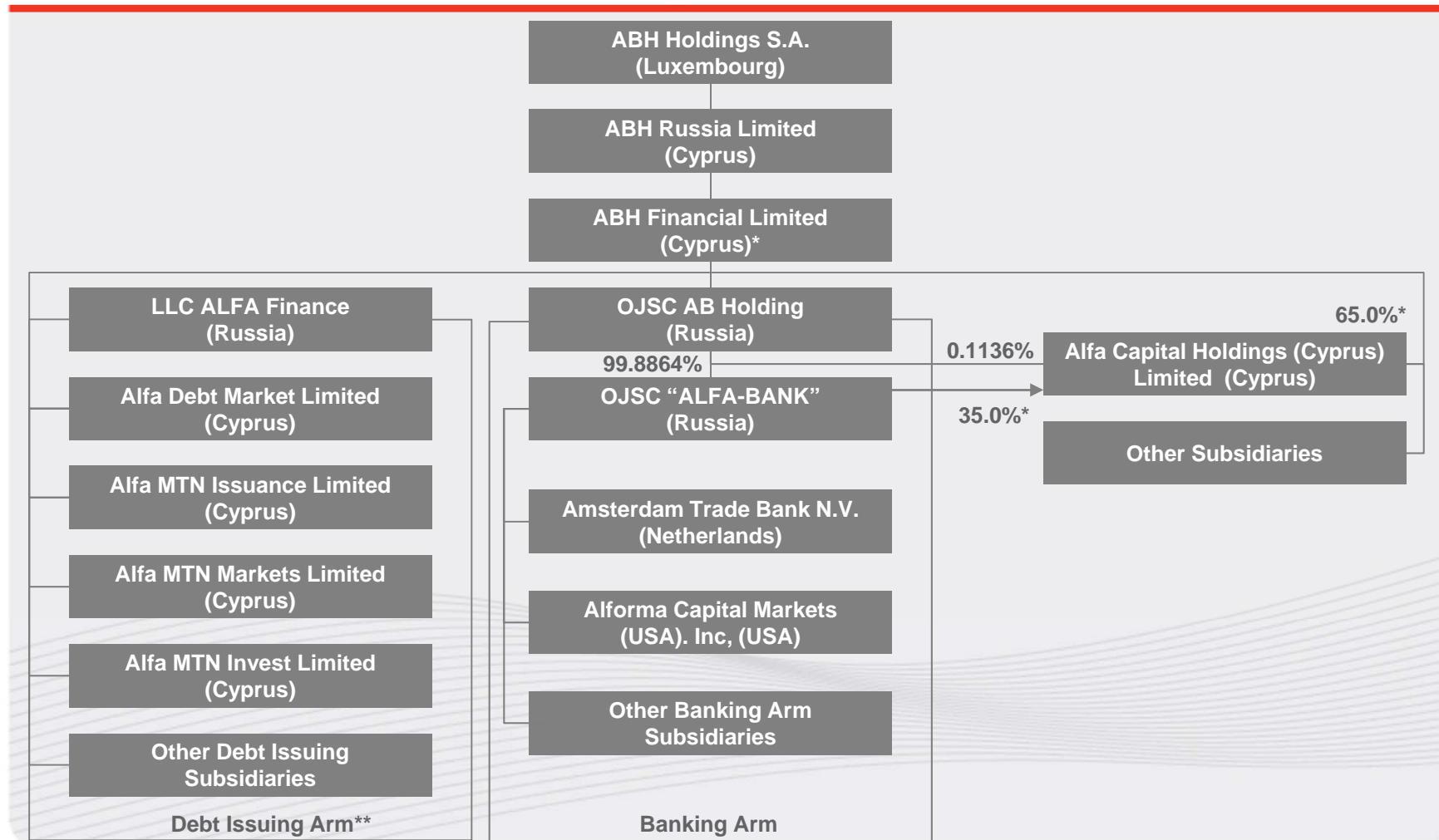
## Changes in management



- Petr Aven was appointed to Chairman of the Supervisory Board of the Alfa Banking Group replacing Johann Jonach
- Petr Smida, who was CEO of Alfa-Bank between 2004 and 2007 and has since remained on the Board of Directors, replaced Johann Jonach at the position of Chairman of the Board of Directors of Alfa-Bank
- Rushan Khvesyuk, previously CEO of Alfa-Bank, became CEO of Alfa Banking Group
- The positions of Chairman of the Executive Board and Chief Executive Officer both previously held by Rushan Khvesyuk were split:
  - Effective from May 2012, Alexey Marey took the position of CEO of Alfa-Bank
  - Andrei Sokolov, previously First Deputy Chairman of the Executive Board, assumed the position of Chairman of the Executive Board
- Vladimir Tatarchuk after a year in VTB as Deputy Chairman of the Executive Board was appointed to the position of Head of Corporate and Investment Banking, First Deputy Chairman of the Executive Board of Alfa-Bank
- Effective 16 January 2012, Igor Kolomeisky was appointed Head of Investment Banking at Alfa-Bank, replacing Edward Kaufman who held this position since March 2007. He joined the Executive Board in August 2012
- Alexey Korovin was appointed Head of Retail Business effective 23 January 2012. He joined Alfa-Bank's Executive Board in May 2012
- Effective 20 March 2012, Shlomit Gruman-Navot was appointed Head of HR of Alfa-Bank
- Effective from September 2012, Robert Karreman took the position of Chief Risk Officer of Alfa-Bank, Michael Lawrence took the position of Head of Treasury of Alfa-Bank and John Traynor was appointed Head of Transaction Banking



# Appendix: Organizational Structure of Alfa Banking Group



\* In June 2012 Alfa-Bank sold a 19.6% stake in Alfa Capital Holdings (Cyprus) Limited to ABH Financial Limited and in July 2012 another stake of 15.1%, Alfa-Bank currently owns directly 35.0% of Alfa Capital Holdings (Cyprus) Limited and ABH Financial Ltd owns 65.0% of Alfa Capital Holdings (Cyprus) Limited

\*\* The Debt Issuing Arm consists of special purpose vehicles that are used to raise funds internationally. These entities do not have assets apart from the contractual rights associated with their respective debt obligations



**Thank you for your attention!**

**For questions about Alfa-Bank, please contact our Investor Relations:**

Alfa-Bank, Investor Relations

7, Mashki Poryvaevoy street

Moscow, 107078, Russia

tel.: +7 (495) 795 37 11

email: [ir@alfabank.ru](mailto:ir@alfabank.ru)

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