



**Alfa-Bank**

**First Half 2010 Results  
September 10, 2010**

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Chief Financial Officer**



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# Financial highlights 1H 2010

## Financial performance

- Net profit at US\$ 296 mln (1H 2009: US\$ 6 mln, FY 2009: US\$ 77 mln)
- Total comprehensive income increased to US\$ 185 mln compared to US\$ 39 mln as at 1H 2009
- Provisions decreased from US\$ 1 504 mln (10.1% of loan portfolio) at FY 2009 to US\$ 1 441 mln (9.5% of loan portfolio) at 1H 2010
- Cost to income at 40.4% (end-2009: 51.3%)
- Return on equity at 21.2% (end-2009: 3.6%)

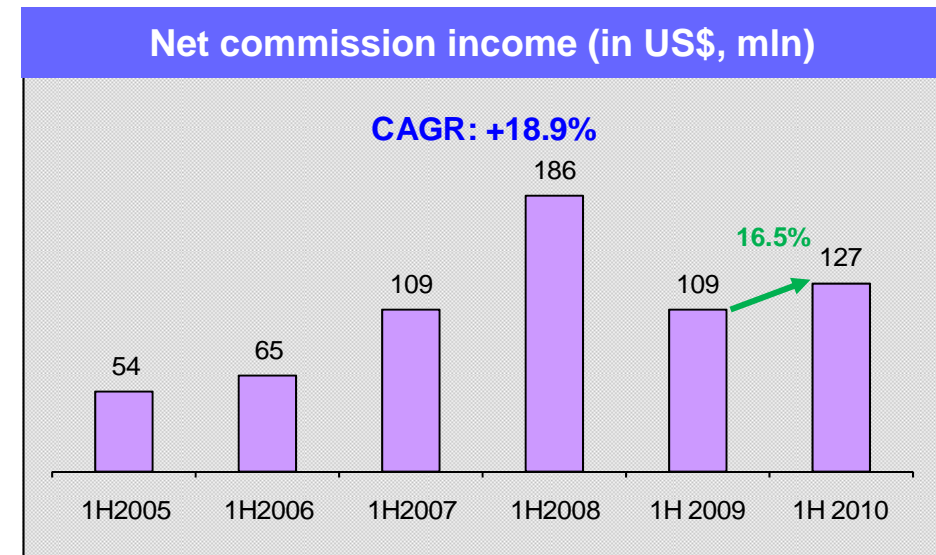
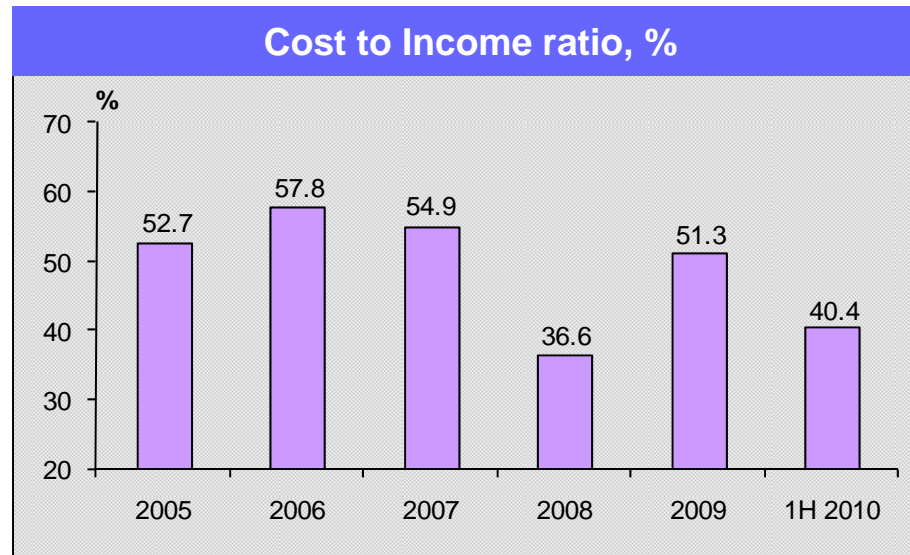
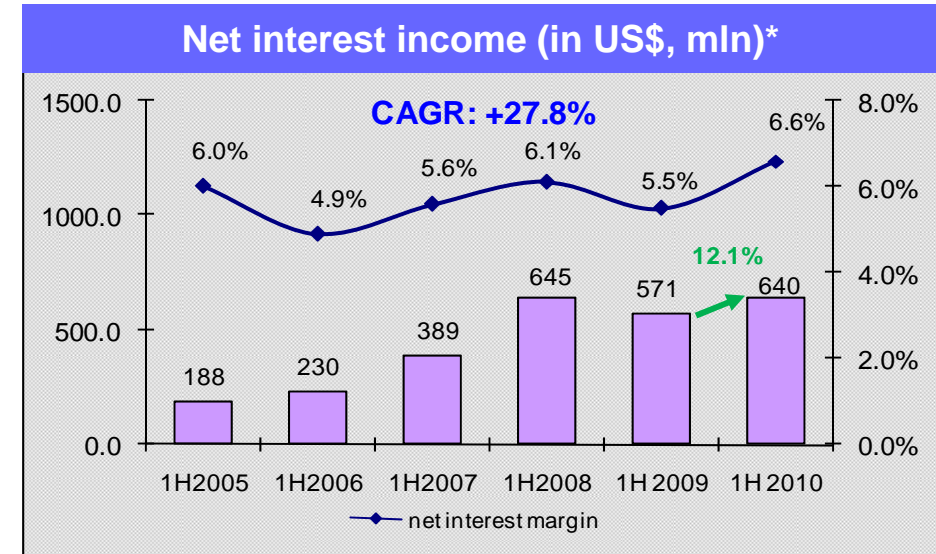
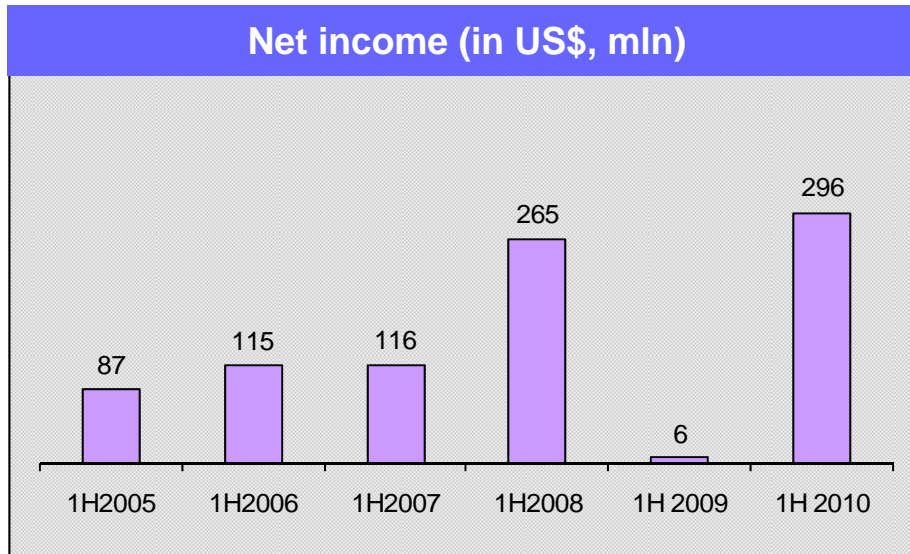
## Operating performance

- Total assets increased 4.3% from US\$ 21.6 bn at FY 2009 to US\$ 22.6 bn
- Gross loans increased 1.2% from US\$ 15.0 bn at FY 2009 to US\$ 15.1 bn:
  - Alfa-Bank loan portfolio increased from US\$ 13.6 bn at FY 2009 to US\$ 14.1 bn
  - This growth was offset by ATB loan portfolio decreasing by approximately 15% during the same period
- Cash and cash equivalents up 22% from US\$ 2.0 bn at FY 2009 to US\$ 2.4 bn
- Customer accounts down 5.1% from US\$ 13.7 bn at FY 2009 to US\$ 13.0 bn:
  - Alfa-Bank up 1% from US\$10.5 bn at FY 2009 to US\$ 10.6 bn
  - ATB down 25% from US\$ 3.1 bn at FY 2009 to US\$ 2.3 bn
- Debt securities issued increased from US\$ 1.6 bn at FY 2009 to US\$ 2.7 bn
- Total equity up 6.9% from US\$ 2.7 bn at FY 2009 to US\$ 2.9 bn

## Ratings

- Moody's confirmed credit rating at Ba1 in May 2010
- Fitch upgraded credit rating to BB/stable in July 2010
- S&P changed outlook from stable to positive in June 2010. Credit rating was confirmed at B+

# Income is returning to pre-crisis level

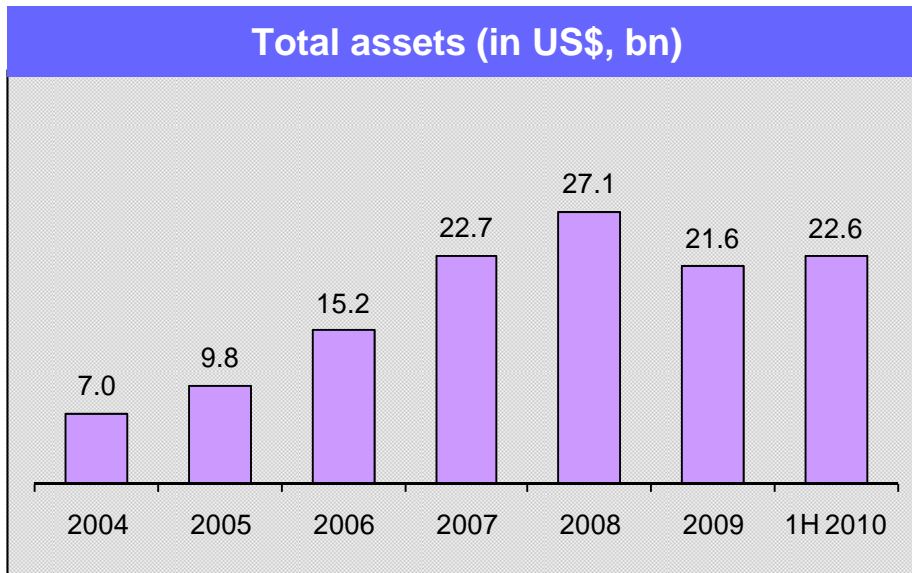


Source: IFRS reviewed by auditors financial results

\* Net interest margin is calculated as Net interest income / Average earning assets

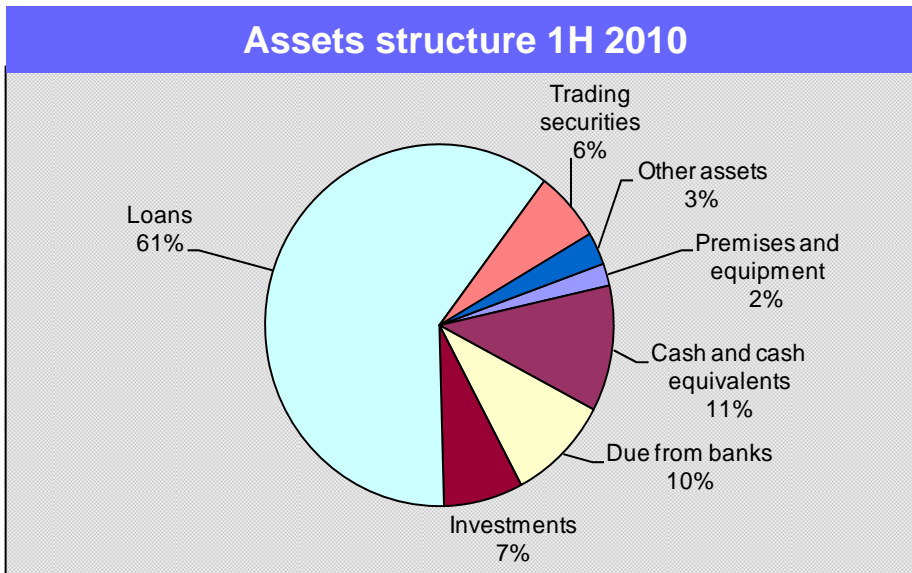
# Assets and loan portfolio development

Total assets (in US\$, bn)

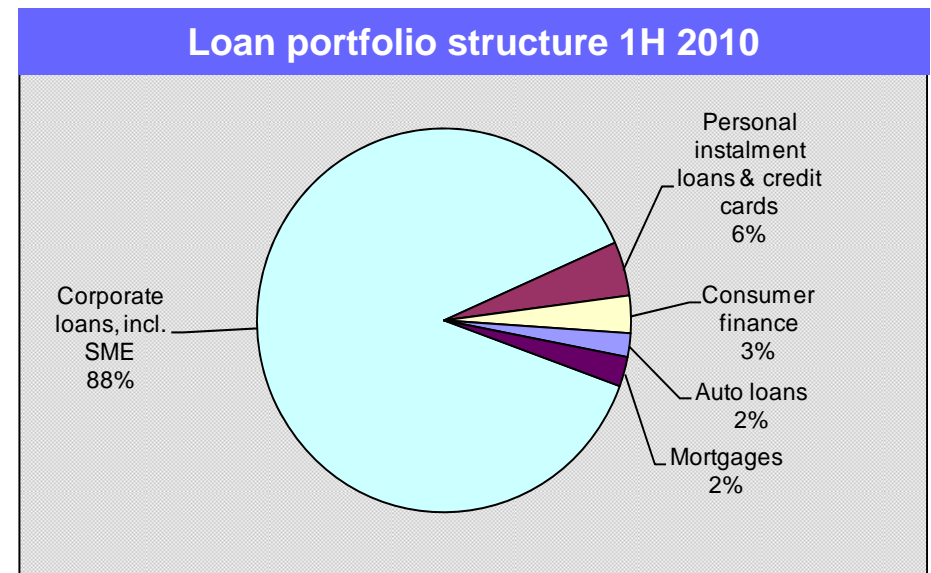


- Top 7 in terms of assets and top 5 in terms of equity in Russia – largest private bank
- Increase in total assets and loan portfolio in 1H 2010 is primarily driven by macroeconomic recovery after the global crisis and the ability of Alfa-Bank to attract new customers both in corporate and retail segments
- Total gross loans increased 1.2% in 1H 2010. While Alfa-Bank's loan portfolio grew 3.1% from US\$ 13.6 bn to US\$ 14.1 bn, this was offset by a 15% reduction in ATB's loan portfolio.

Assets structure 1H 2010



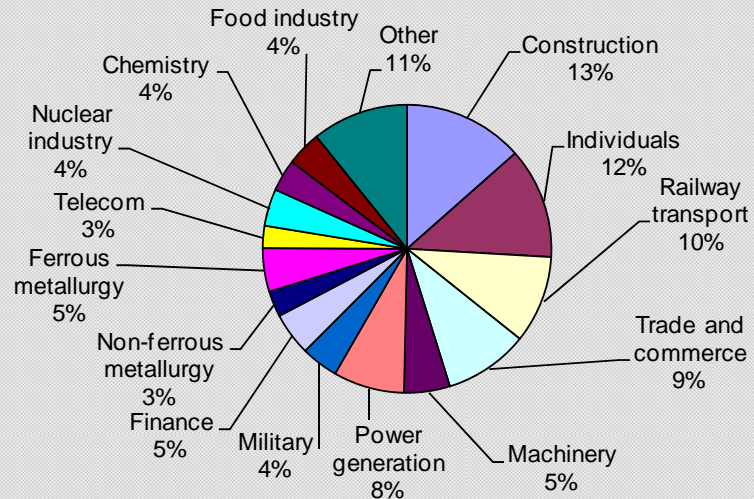
Loan portfolio structure 1H 2010



Source: IFRS reviewed by auditors financial results

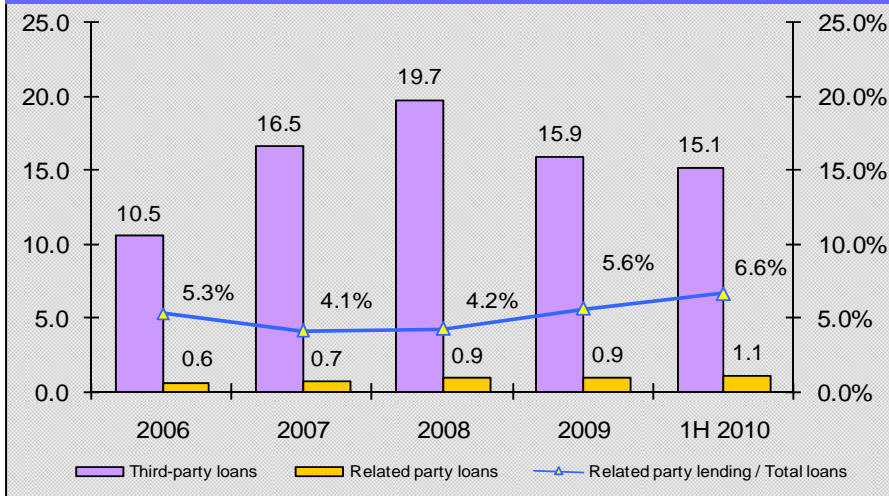
# Conservative risk management

## Loans breakdown by economic sectors

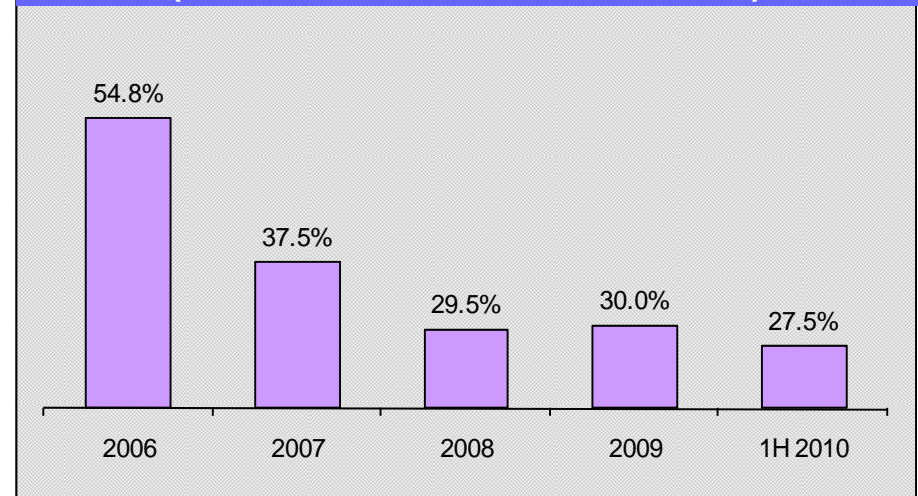


- The largest sector in the loan portfolio, Construction, represents 13% of the total loan book (end-2009: 16%). Most of the construction sector financing consists of less risky commercial property (85% of construction portfolio) and infrastructure construction (5%), as compared to housing construction (10%)
- Top 10 depositor concentration decreased from 30.0% at the end of 2009 to 27.5% at 1H 2010, the lowest level in recent years
- Loan concentration of top 10 borrowers remained stable (28.4% of total loans at the end of 2009 and 28.6% of total loans at 1H 2010)
- Lending to related-party borrowers increased from 5.6% of total loans at the end of 2009 to 6.6% of total loans at 1H 2010 (including credit-related commitments)

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



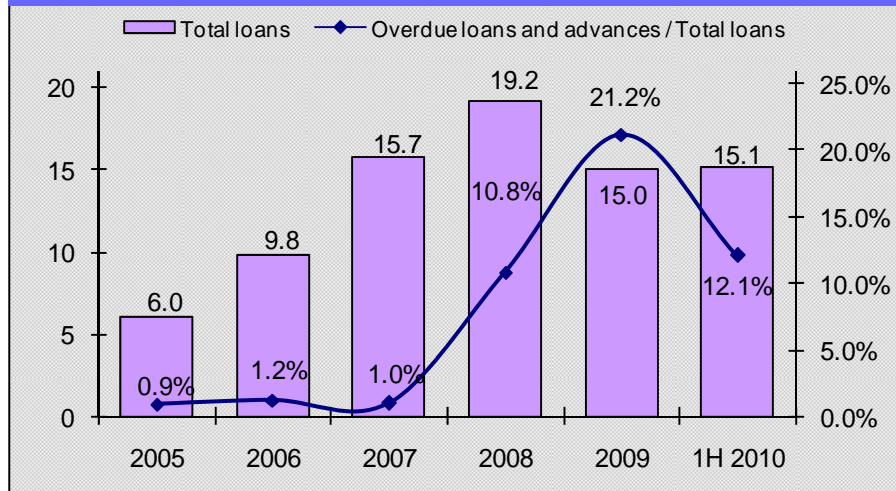
## Concentration of top 10 depositors (as % of total customer accounts)



Source: IFRS reviewed by auditors financial results  
\* including credit-related commitments

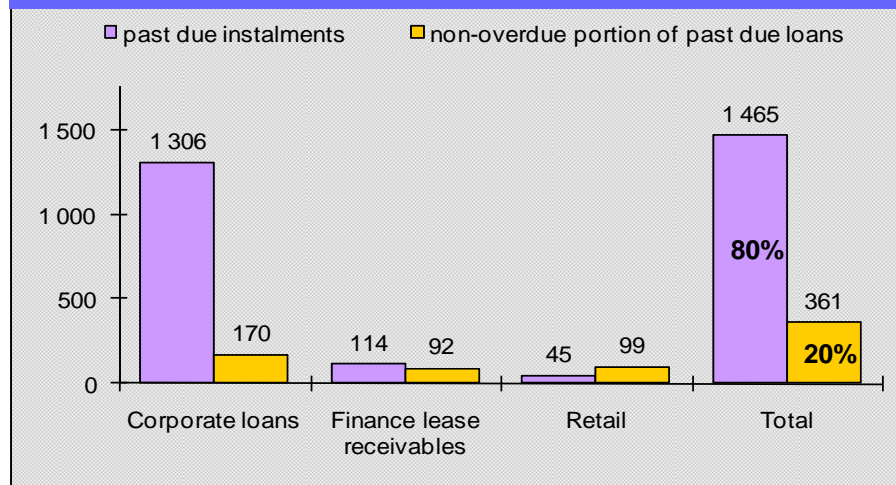
# Loan portfolio quality is improving

## Overdue loans and advances 1+ days\*

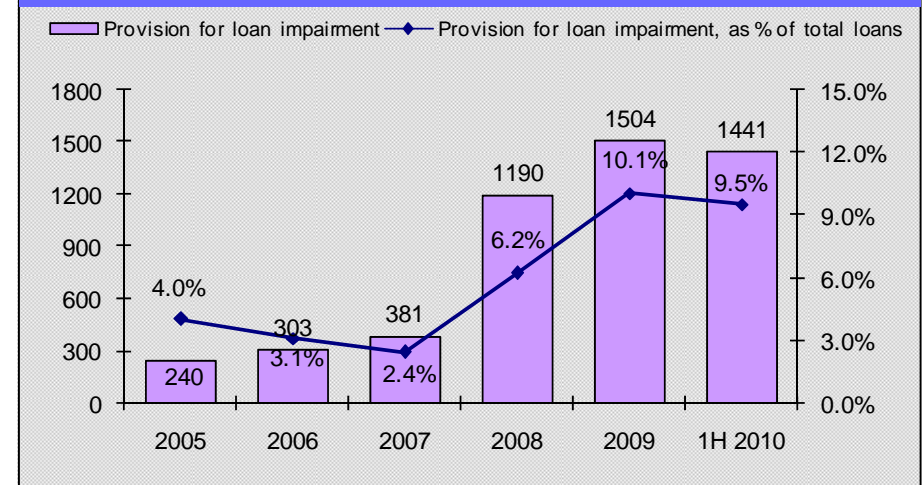


- Overdue loans started to decrease in 4Q 2009, and there has been significant progress made in 1H 2010
- As of 1H 2010, approximately 13.5% of the loan book had been restructured \*\*
- Provisioning rate decreased by 0.6% together with significantly improved loan portfolio quality. The slight decrease is in line with Alfa-Bank's conservative provisioning policy

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



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

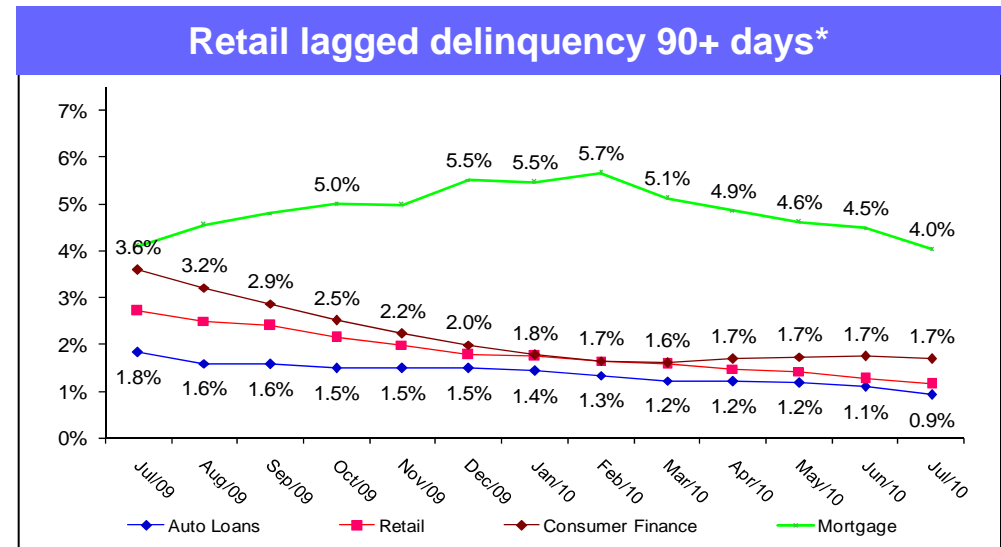
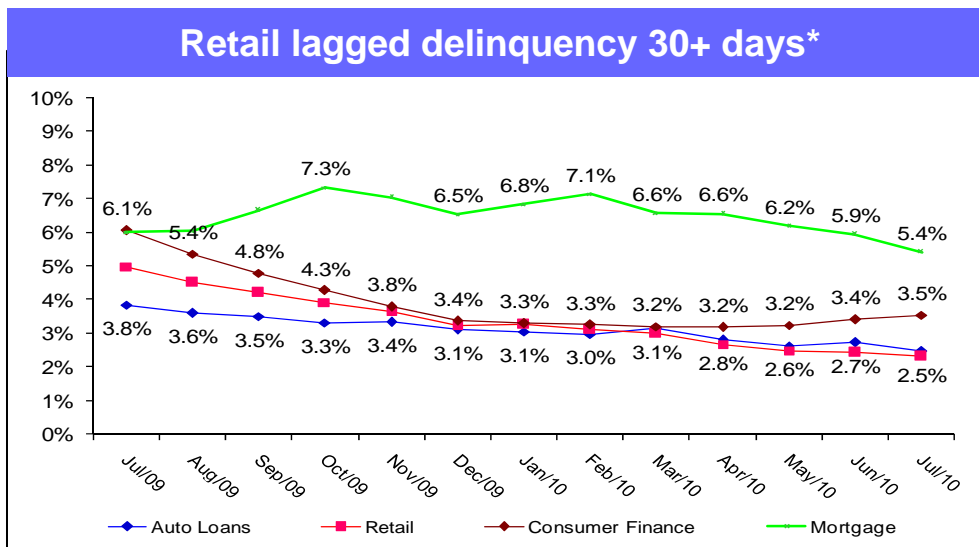
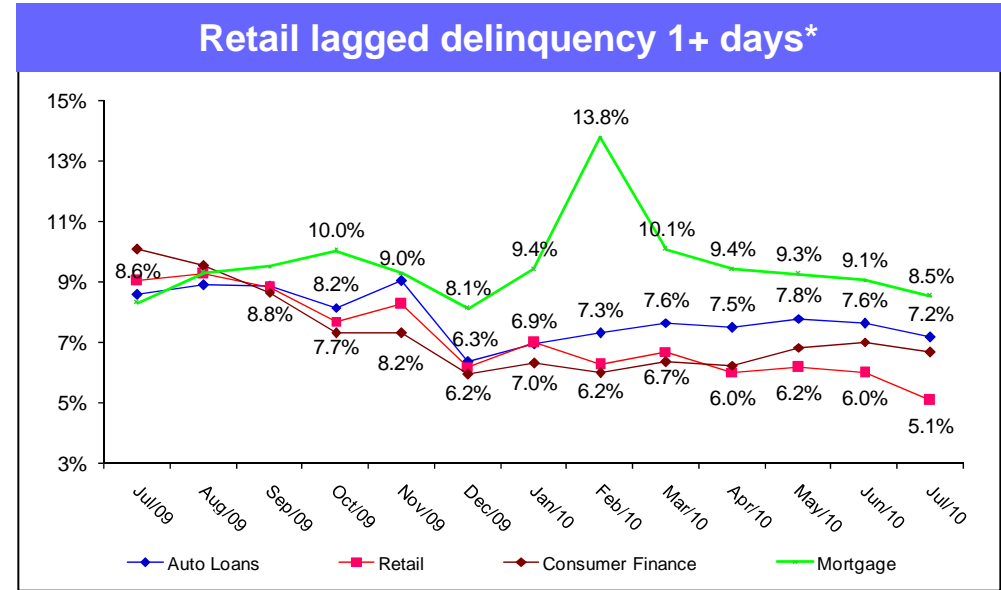
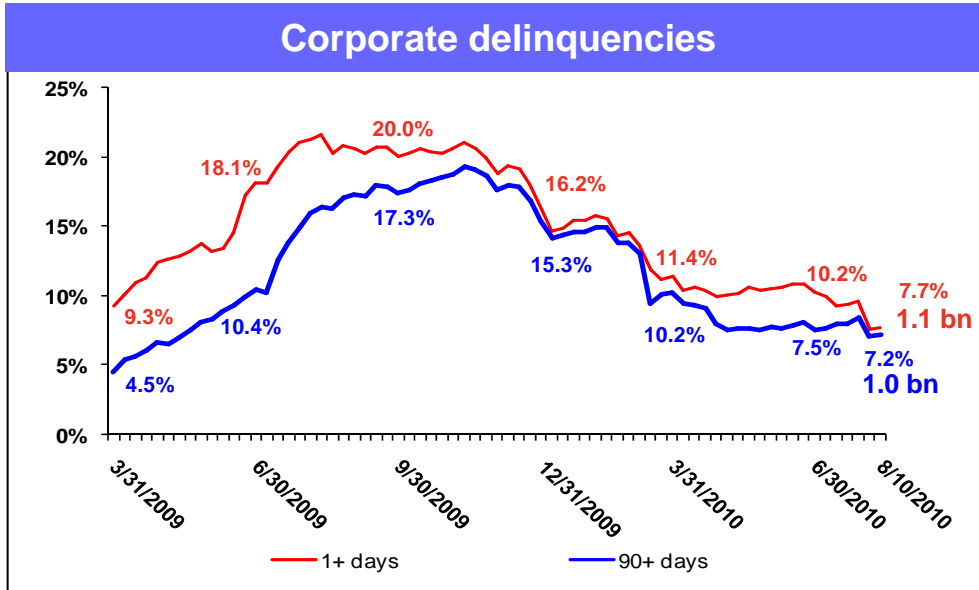


Source: IFRS reviewed by auditors financial results

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

\*\*Risk management estimates (not IFRS)

# Dynamics of loan portfolio delinquencies\*



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

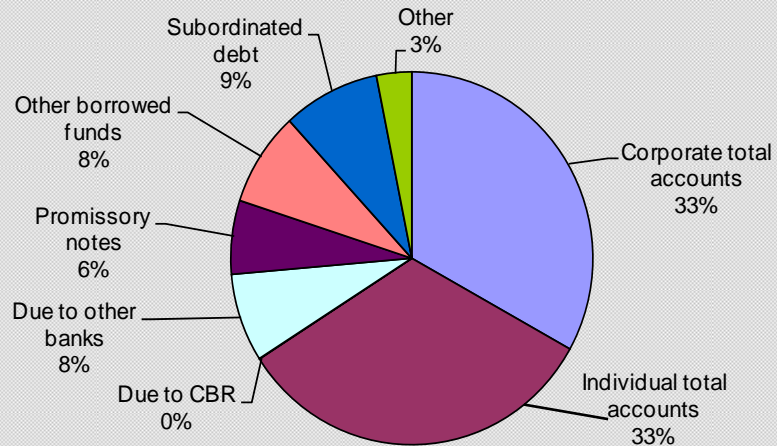
\*Mortgage delinquency increased due to new write off methodology – overdue less than 540 days loans are included in lagged delinquency



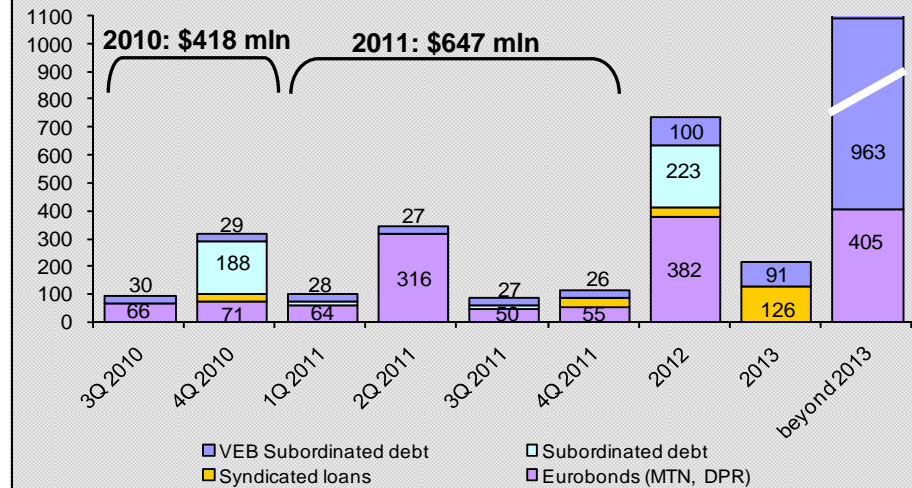


# Funding structure is relatively well-balanced between various sources

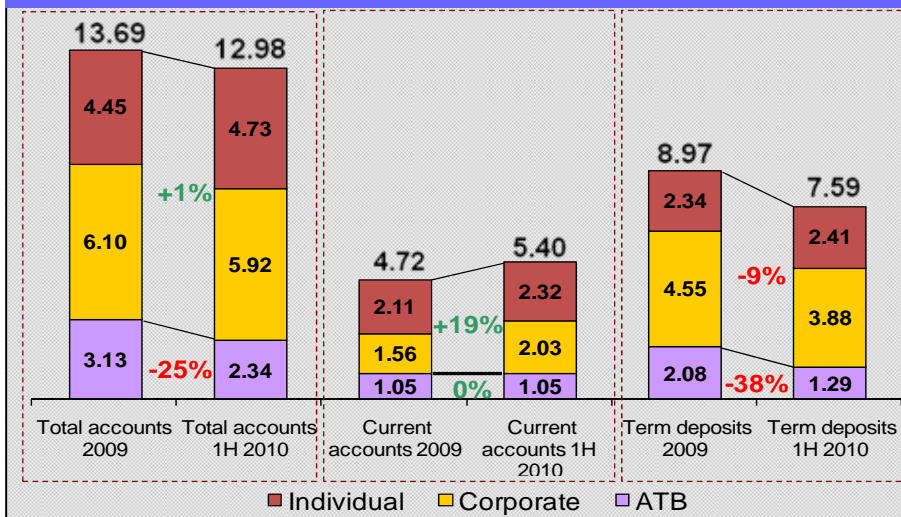
## Liability structure 1H 2010



## Other borrowed funds maturity breakdown (US\$, mln)



## Customer accounts, (US\$, bn)

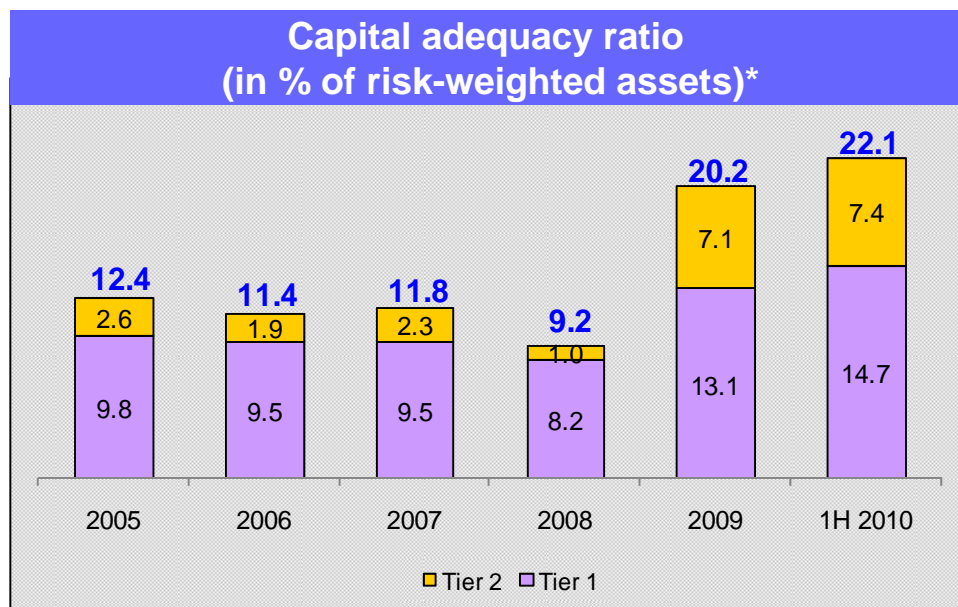


## Liquidity management

IFRS cash as of 1H 2010	US\$ 2.4 bn or 10.6% of TA
<b>Additional funding sources available as of 07.09.2010</b>	<b>Unused limit, US\$, mln</b>
HFS portfolio	1 360
REPOable Fixed Income portfolio	726
Cross Guarantee agreements*	994
Loan portfolio to CBR REPO	72
<b>Total</b>	<b>3 152</b>
Next month average daily loan redemption	US\$ 52.9 mln

Source: IFRS reviewed by auditors financial results  
 \* Will no longer be available after 1 January 2011

## High capital level maintained



- Capital adequacy ratio increased from 20.2% as of YE 2009 to 22.1% as of 1H 2010
- Significant increase of capital adequacy ratio in 2009-2010 was due to the following:

- In January 2009 a subordinated loan from Vnesheconombank was attracted in the amount of approximately \$294 mln which increased Tier 2 capital
- Shareholder capital injection of \$320 mln completed in June 2009
- In October 2009 Vnesheconombank granted additional subordinated loans to Alfa-Bank of approximately \$1 bn in total which further increased Tier 2 capital

**CAR summary, USD '000\***

	6/30/2010	Diff	12/31/2009
<b>Capital adequacy</b>			
Tier 1	2 760 973	213 914	2 547 060
Tier 2	1 412 208	51 583	1 360 625
<b>Total capital</b>	<b>4 173 181</b>	<b>265 497</b>	<b>3 907 684</b>
Banking book	16 785 567	-681 471	17 467 039
Trading book	2 056 936	149 400	1 907 537
<b>Total risk weighted assets</b>	<b>18 842 504</b>	<b>-532 072</b>	<b>19 374 576</b>
<b>Tier 1 ratio</b>	<b>14.7%</b>	<b>1.5%</b>	<b>13.1%</b>
<b>Total capital ratio</b>	<b>22.1%</b>	<b>2.0%</b>	<b>20.2%</b>

- Effective from 25 August 2010 interest rates on subordinated loans from Vnesheconombank have been changed:
  - on the RUR 29.2 bn subordinated loan maturing in 2020 decreased from 9.5% p.a. to 7.5% p.a.
  - on the RUR 10.4 subordinated loan maturing in 2019 decreased from 8% p.a. to 6.5% p.a.

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

## Forecast FY 2010

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<b>Total Assets</b>	<b>~ US\$ 24 – 25 bn (1H 2010: 22.6 bn)</b>
<b>Loan Portfolio</b>	<b>Corporate loans: ~ US\$ 14.0 – 14.5 bn (1H 2010: 13.3 bn)</b> <b>Retail loans: ~ US\$ 2.0 – 2.2 bn (1H 2010: 1.9 bn)</b>
<b>Cost to Income Ratio</b>	<b>&lt; 50% (1H 2010: 40.4%)</b>
<b>Return on Equity</b>	<b>15 – 20% (1H 2010: 21.2%)</b>
<b>CAR</b>	<b>~ 18 – 20% (1H 2010: 22.1%)</b>

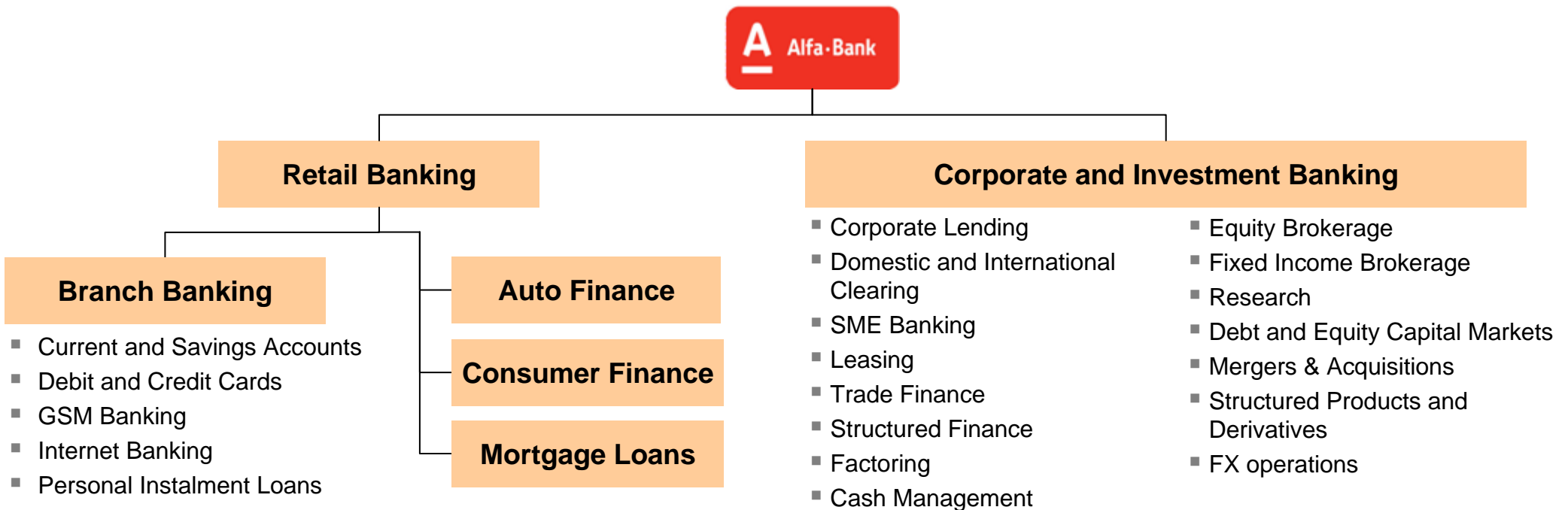
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# Appendix

# Alfa-Bank's universal business franchise

Best bank in Russia – “Customer Experience Index”  
research by PricewaterhouseCoopers and Senteo\*

4.3 million retail clients and 38,600 corporate clients



## Strategy

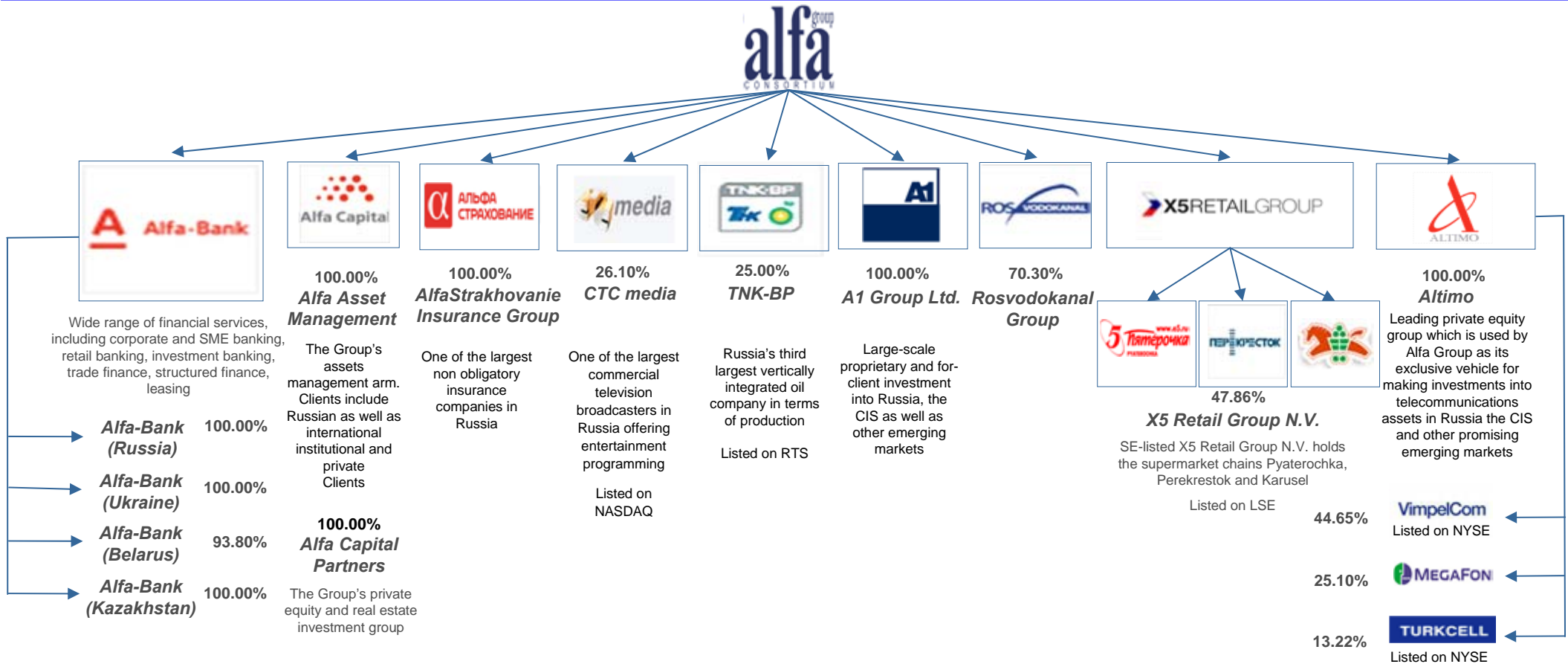
- Alfa-Bank is, and will remain, a universal bank, focused on corporate, retail & investment banking
  - Effective management of assets and liabilities in order to further increase profitability
    - Steady increase of the loan portfolio with focus on borrowers' quality
  - The business units will be further integrated in order to promote efficiency and sales
    - Capital markets borrowing
    - Introduce CRM systems to improve client service

\* Source: Customer Experience Index by PWC, January 2010

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

- Alfa Group holds approximately US\$ 52 bn in assets and US\$ 15.7 bn in equity\*
- Each business is legally distinct and run independently from each other, all intra-group transactions are done on market terms

## Alfa Group's Holdings\*\*



\* Source: Alfa Group audited report FY 2008

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

# Alfa-Bank: well recognised record of excellence

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- Best Bank in Russia, 2009, 2008, 2007
- Best Local Bank Trading Rouble, 2006
- Best Forex Bank in Russia, 2006



- Best bank in the “Customer Impressions of Retail Banking in Russia” research by KPMG and Senteo, 2007



Russian National Association of Securities Market Participants

- Best Service Company for Individual Investors, 2009



- Best bank in the “Customer Experience Index” research by PricewaterhouseCoopers and Senteo, 2009, 2008



- Best bank in Russia by quality of retail client services
- Creative Idea of the Year 2007 — Cosmopolitan — Visa Cards



- Best Internet Bank in Russia 2008
- Best Domestic Bank 2008
- Best Trade Finance Bank in Russia, 2008, 2007
- Best Equity Research Bank 2008



- Brand of the Year / EFFIE 2008 award for “My Alfa” banking card



- Super Brand Award 2008, 2007, 2006

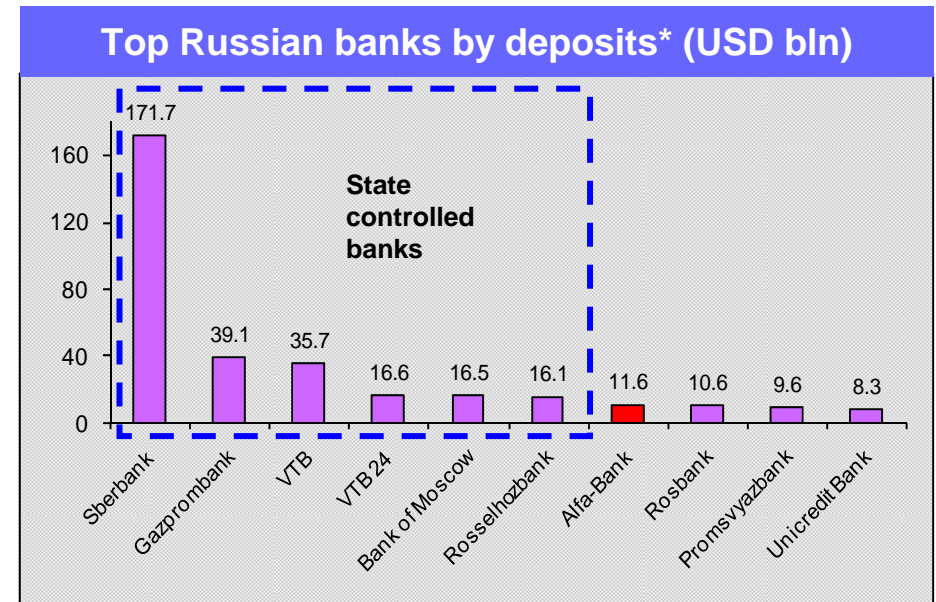
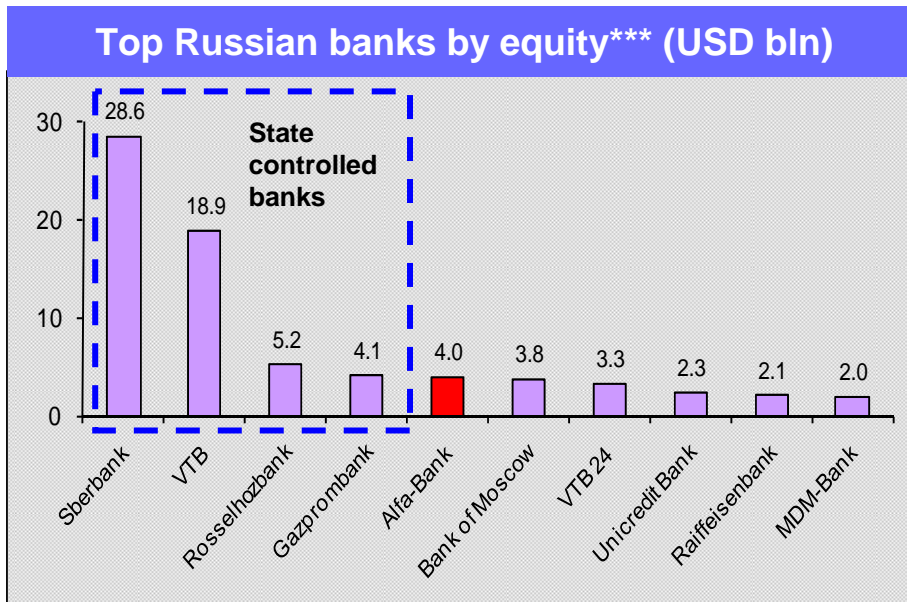
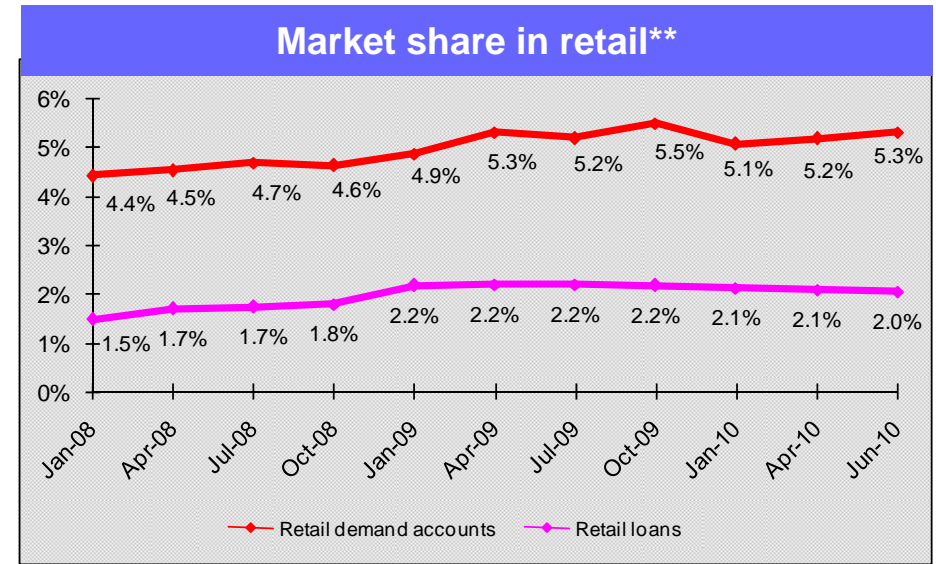
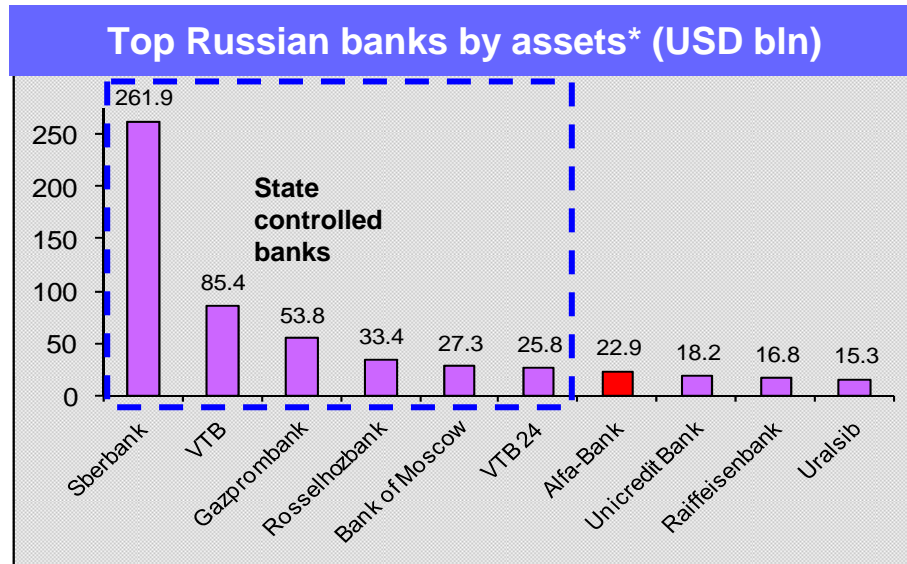


- One of the most transparent banks according to the “Transparency and Disclosure by Russian Banks” 2007 research



- Russian Private Bank of the Year 2009

# Leading Russian private bank in most market segments



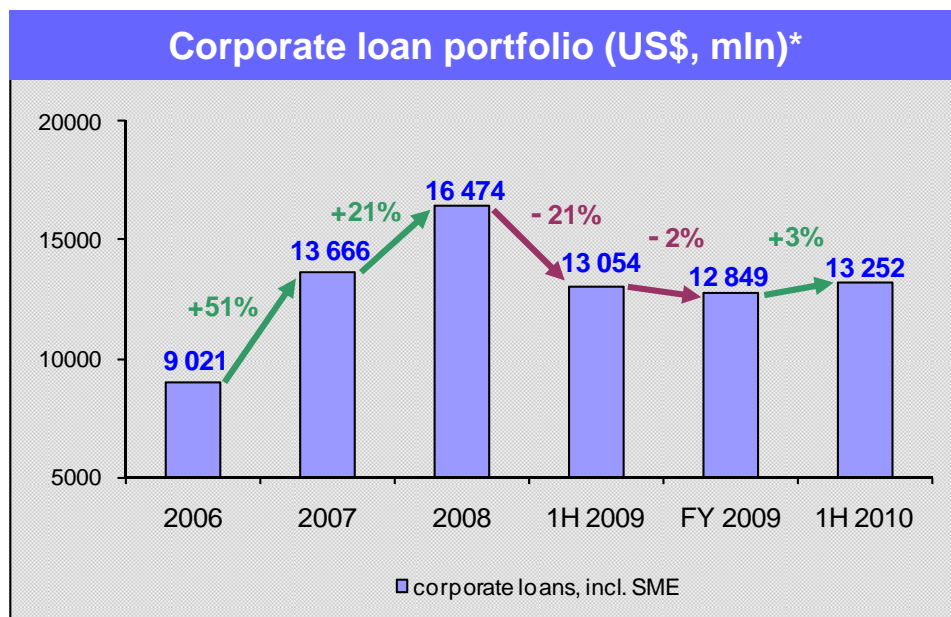
\* Source: [rating.rbc.ru](http://rating.rbc.ru). Figures as of July 1, 2010

\*\* Source: CBR, Alfa-Bank's management report July 2010

\*\*\* Source: [kommersant.ru/money/](http://kommersant.ru/money/) Figures as of January 1, 2010



## Leading private bank in corporate segment...



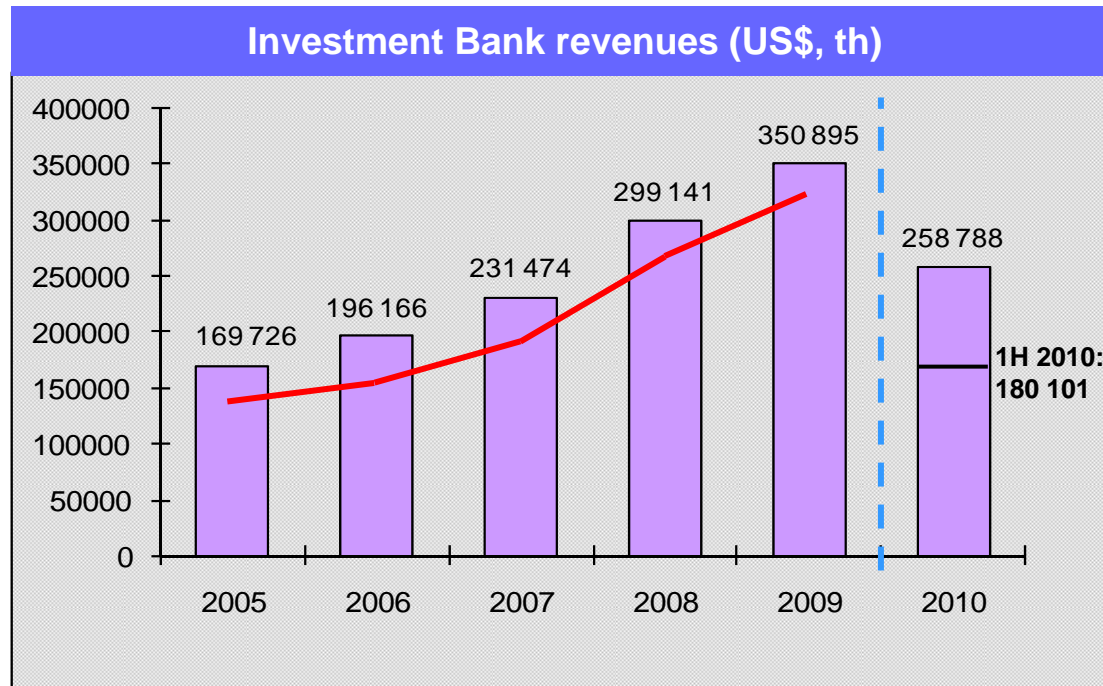
- Largest private bank by corporate customer accounts
- Services 38,600 corporate clients, including leading Russian Blue Chip companies such as Russian Railways, Rosneft, Alrosa, TNK-BP, Rosatom, S7 airlines, X5 Retail Group
- Corporate bank's strengths
  - Oriented to long standing corporate relationships
  - Country-wide distribution
  - Excellent reputation, team and credit expertise
  - Good local knowledge
  - Experience in management of distressed assets and debts, enabling the bank to actively manage the corporate loan portfolio

### Strategy

- Loan portfolio recovery and regaining market share
- Promotion of sales of corporate investment products
  - Finalization of problem assets restructuring
- Focus on commissions and other income, maximize client revenue potential
- Promoting high-margin products such as structured lending and trade finance
- Further develop settlement business and increase customer service quality

\* Source: IFRS reviewed by auditors financial results

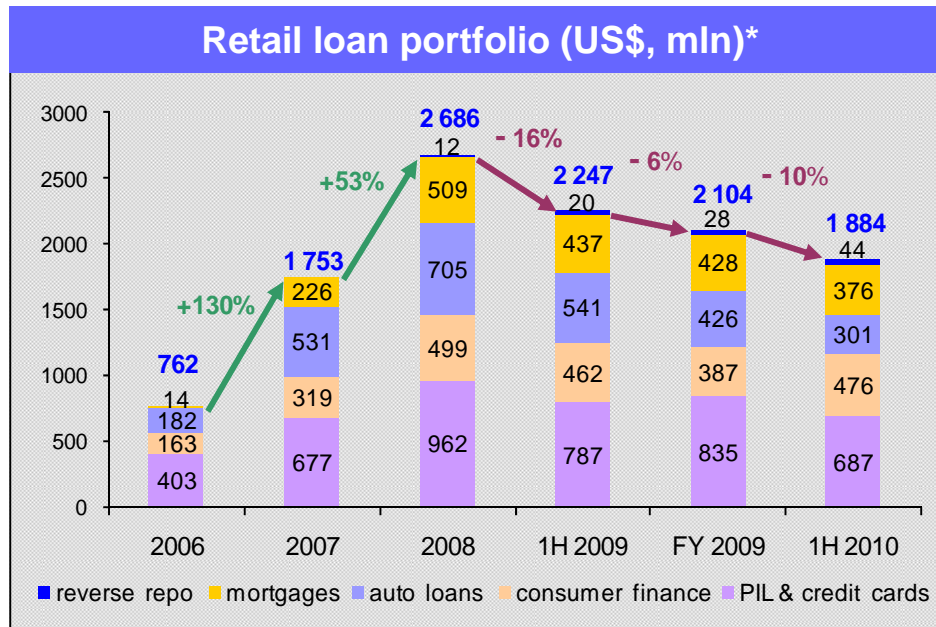
# Alfa Investment Banking Financial Results: 2005-2010 Y.T.D.



Figures based on Management Accounts (including Equities, Fixed Income, Corporate Finance, FOREX)

- Fixed income market remains buoyant and local and international issuance remains active. Success is broad based in both local and international markets
- Equity markets in Russia (globally as well) were very poor in the 2nd quarter. New issuance wave in the 4th quarter in doubt. Build out of distribution and research almost complete.
- Advisory business continues to be slow but Mergers and Acquisitions activity picking up significantly in the 3rd quarter. Pipeline growing
- Foreign exchange activity rising with volatility. Corporate volumes rebounding but commissions under severe pressure. Development of electronic platforms continues.

## ... with solid positions in retail sector



- 4.3 million retail customers served
- Full spectrum of retail banking products offered: credit cards, deposits, PILs, consumer, auto, mortgage loans, internet and mobile phone banking
- Number three largest Russian bank by retail demand deposits, behind Sberbank and VTB (5.3% market share as of June 1, 2010)\*\*
- Large distribution network – 247 retail branches as of August 2010
- Retail business was profitable in 1H 2010, segment profit before tax stood at US\$ 90 mln
- Rated number 1 in customer experience index in 2009 by PricewaterhouseCoopers
- Strong private banking offering “A-Club”

### Strategy

- Increase of the net fee and commission income share in the retail business total income
  - Aggressive consumer finance development by means of sales increase
    - Concentration on VIP customers
  - Focus on being a client-oriented business, introduce CRM systems
- Development of synergy with Corporate-Investment Business in terms of cross sales and possible usage of conjoint branches
- Strengthening of Alfa-Bank’s leadership in internet banking in terms of individual customers’ transactions and internet acquiring

\* Source: IFRS reviewed by auditors financial results

\*\* Source: CBR, Alfa-Bank management reports

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