



**Alfa-Bank**

**First Half 2009 Results  
24 September 2009**

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Chief Financial Officer**



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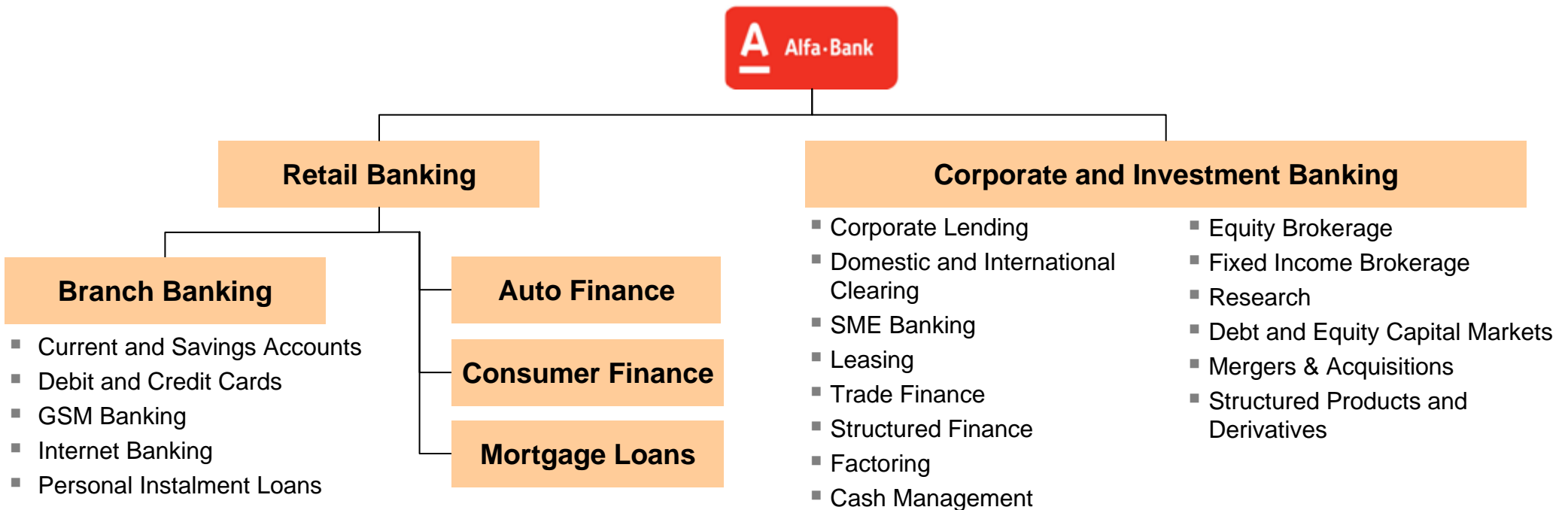
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# Alfa-Bank's universal business franchise

One of the most recognised brands in Russia —  
National “Super Brand of the Year”\*

3.6 million retail clients and  
55,000 corporate clients\*\*



## Strategy

- Alfa-Bank is, and will remain, a universal bank, focused on corporate, retail & investment banking
  - Focus on maintaining liquidity
    - Ensure asset quality – increase and diversify collateral base
- The business units will be further integrated in order to promote efficiency and sales
  - Maintain profitable margins
  - Exploit economies of scale

\* Source: Superbrands International brand research, March 2008

\*\* Figures as of September 1, 2009

# Financial highlights 1H 2009

## Financial performance

- Profit before tax and provisions decreased 8.8% to US\$ 425 mln compared to US\$ 466 mln as at 1H 2008
- Provisions increased from US\$ 1 190 mln (6.2% of loan portfolio) at YE 2008 to US\$ 1 451 mln (9.5% of loan portfolio) at 1H 2009
- Cost to income at 46.2% (end-2008: 36.6%)
- Return on equity at 1.2% (end-2008: 11.5%)
- Net income at US\$ 14 mln

## Operating performance

- Total assets down 15.0% from US\$ 27.1 bn at YE 2008 to US\$ 23.0 bn
- Total gross loans down 20.2% from US\$ 19.2 bn at YE 2008 to US\$ 15.3 bn
- Trading securities up 69.6% from US\$ 0.7 bn at YE 2008 to US\$ 1.3 bn
- Cash and cash equivalents down 24.6% from US\$ 3.9 bn at YE 2008 to US\$ 2.9 bn
- Customer accounts remained at US\$ 12.6 bn

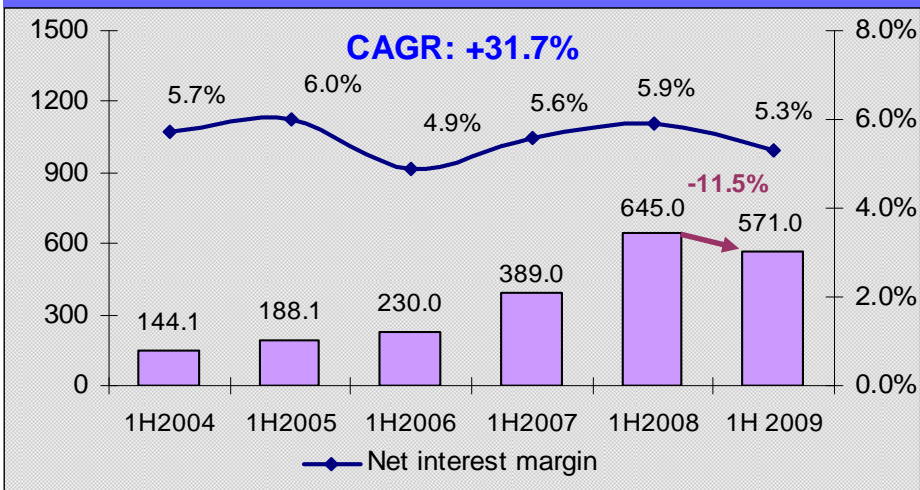
## Ratings

- Moody's confirmed credit rating at Ba1 in February 2009
- S&P downgraded the credit rating from BB- to B+ in September 2009 due to deteriorating asset quality in Russian banking sector. Outlook was set stable.

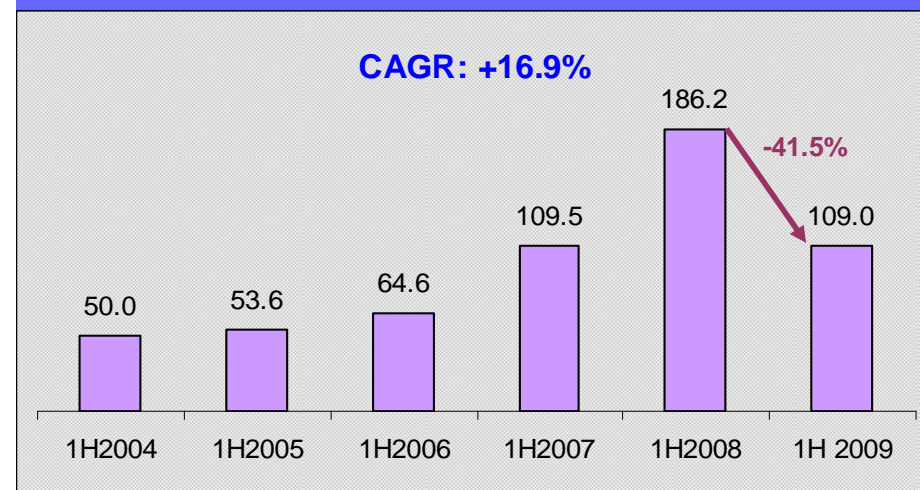
Rated by S&P as one of the most transparent banks in their 2007 research report:  
"Transparency and Disclosure by Russian Banks"

# Operating profit offset by conservative provisioning

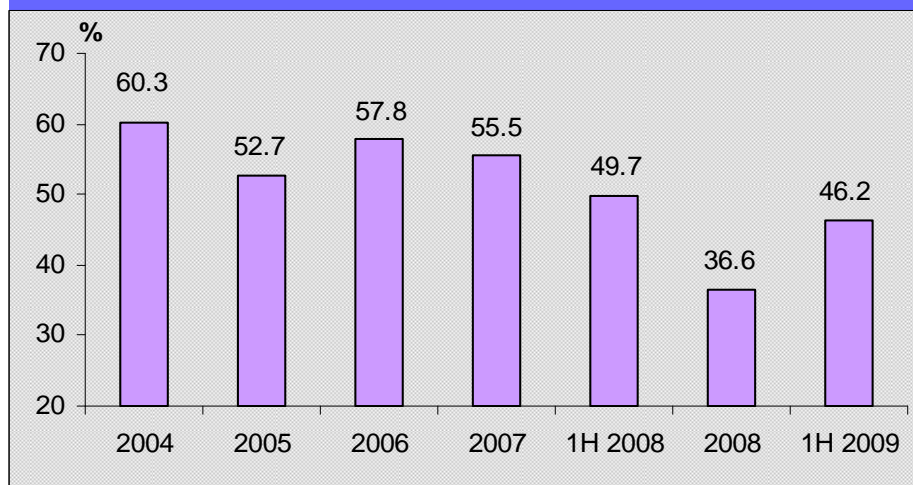
Net interest income (in US\$, mln)\*



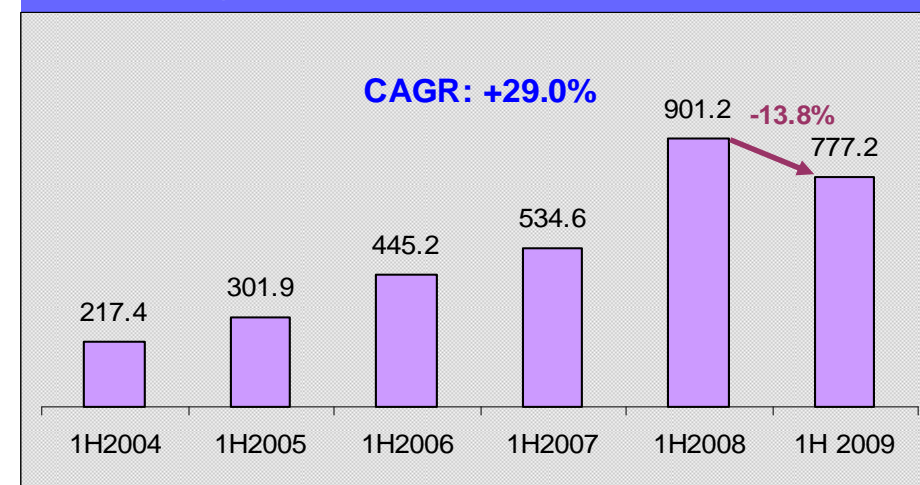
Net commission income (in US\$, mln)



Cost to Income ratio, %



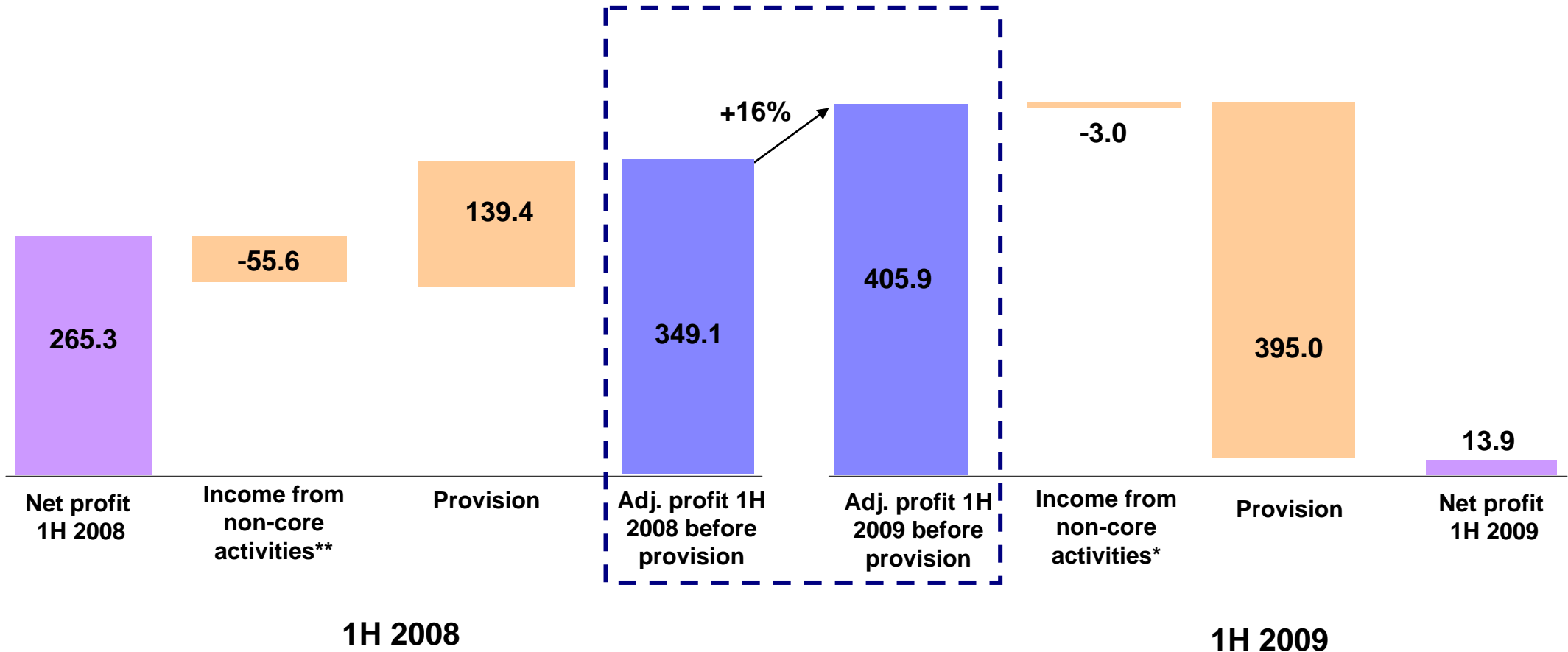
Operating profit before provisions (in US\$, mln)



Source: IFRS audited financial results

\* Net interest margin is calculated as Net margin from lending operations / Average earning assets

## Income before provisions performance (\$US, mln)



\* Income from non-core activities in 1H 2009 primarily includes revaluation of investments in VISA Inc. \$2.6 mln, Mastercard \$0.7 mln and mutual funds \$-0.2 mln

\*\* Income from non-core activities in 1H 2008 includes income on sale of film licences (\$45 mln), revaluation of equity interest in VISA Inc. due to its IPO (\$25.9 mln) and revaluation of Amtel (\$-15.2 mln)

Source: IFRS audited financial results 1H 2008, 1H 2009

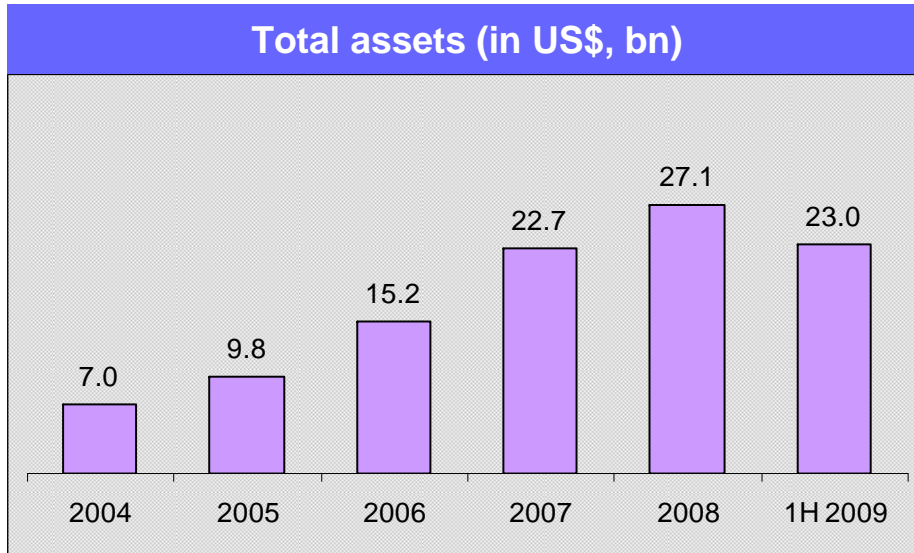
## Effective cost reduction program implemented in 2008-2009

Operating costs, USD '000	6m 2009	6m 2008	change	FY 2008	FY 2007	change
Staff costs	(174 526)	(256 386)	-32%	(430 328)	(369 639)	16%
Rent and utilities	(46 007)	(48 417)	-5%	(100 223)	(79 838)	26%
Depreciation and other expenses related to premises and equipment	(61 923)	(36 458)	70%	(77 173)	(58 372)	32%
Computer and telecommunications expenses	(15 791)	(25 079)	-37%	(53 190)	(61 560)	-14%
Consulting and professional services	(14 087)	(16 452)	-14%	(29 641)	(20 063)	48%
Maintenance	(10 347)	(10 425)	-1%	(25 247)	(18 637)	35%
Administrative expenses	(5 239)	(9 595)	-45%	(17 269)	(11 351)	52%
Taxes other than income tax	(4 798)	(13 237)	-64%	(24 019)	(8 541)	181%
Travel expenses	(2 134)	(4 140)	-48%	(9 413)	(9 072)	4%
Advertising and marketing	(6 149)	(10 062)	-39%	(20 600)	(19 003)	8%
Other	(11 293)	(4 500)	151%	(26 145)	(25 889)	1%
<b>Total operating costs</b>	<b>(352 294)</b>	<b>(434 749)</b>	<b>-19.0%</b>	<b>(813 249)</b>	<b>(681 965)</b>	<b>19.3%</b>
<b>Cost-to-income ratio</b>	<b>46.2%</b>	<b>49.7%</b>		<b>36.6%</b>	<b>55.5%</b>	

- Cost to income ratio dropped from 49.7% in 1H 2008 to 46.2% in 1H 2009 due to increased efficiency and costs reduction
- Cost to income in H2 2008 was positively affected by significant income earned from acquisition of own debt, reduction of bonus accrual, and re-classification of certain losses to equity

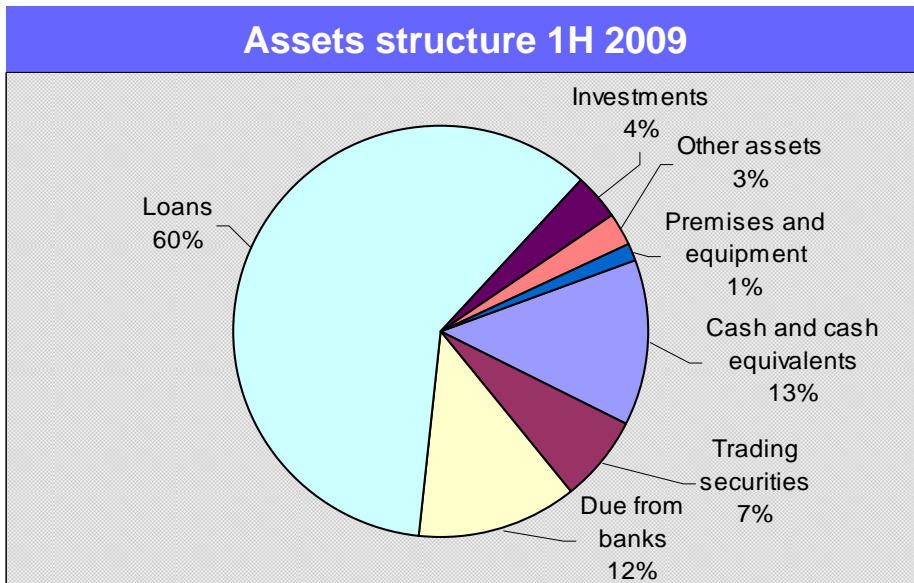
# Assets and loan portfolio development

Total assets (in US\$, bn)

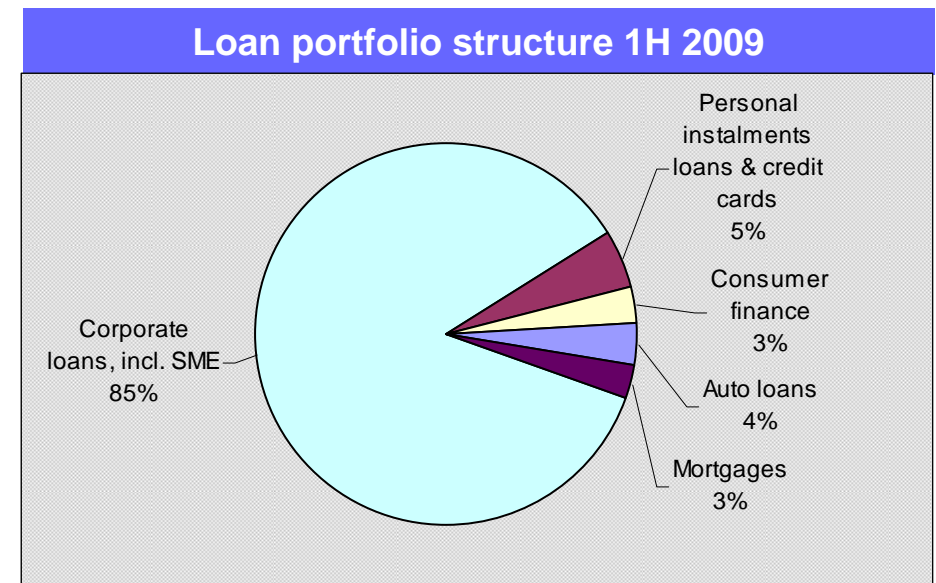


- Top 6 in terms of assets and top 5 in terms of equity in Russia – largest private bank
- Decrease in total assets and loan portfolio for the period from 31 December 2008 to 30 June 2009 (-15% and -20% respectively) primarily driven by worsening macroeconomic conditions, which led to reduced availability of funding resources (e.g. capital markets)

Assets structure 1H 2009



Loan portfolio structure 1H 2009

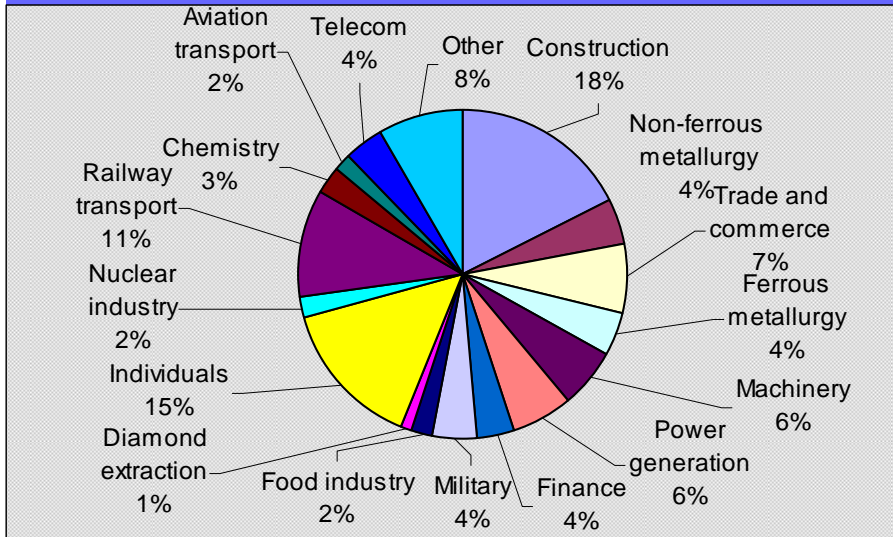


Source: IFRS audited financial results



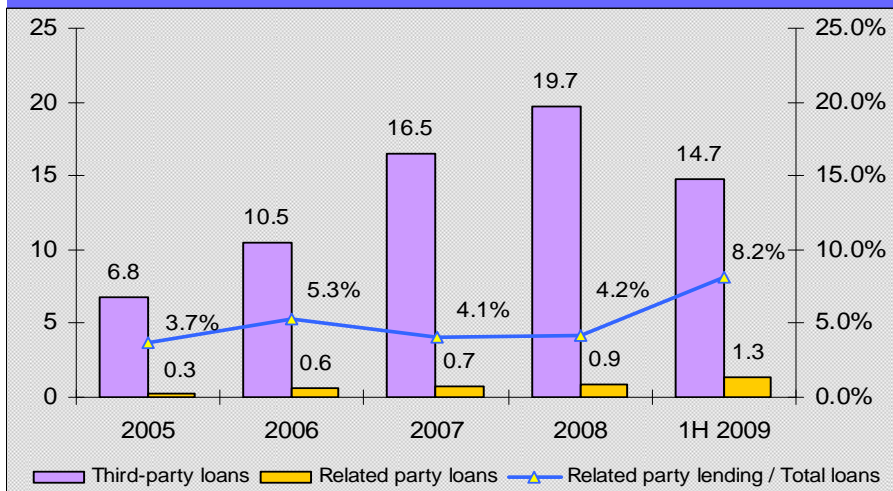
# Conservative risk management

## Loans breakdown by economic sectors

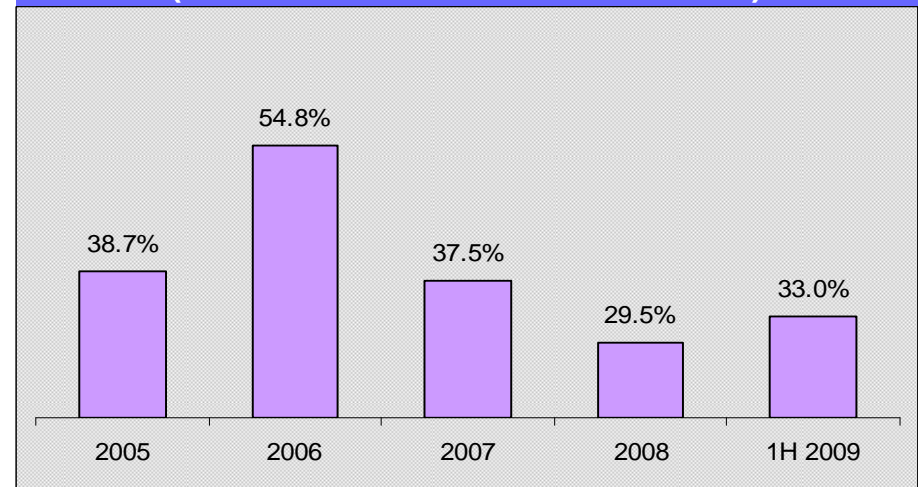


- The largest sector in the loan portfolio, Construction, represents 18% of the total loan book (end-2008: 17%). Most of the construction sector financing consists of less risky commercial property (69% of construction portfolio) and infrastructure construction (12%), as compared to housing construction (19%)
- Top 10 depositor concentration increased from 29.5% at the end of 2008 to 33.0% at 1H 2009, although is lower than in previous years
- Loan concentration of top 10 borrowers increased from 22.2% of total loans at the end of 2008 to 29.2% of total loans at the end of 1H 2009 due to increased focus on lending to blue-chip companies
- Lending to highly rated related-party borrowers increased to 8.2% of total loans as at 1H 2009 (including credit-related commitments)

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



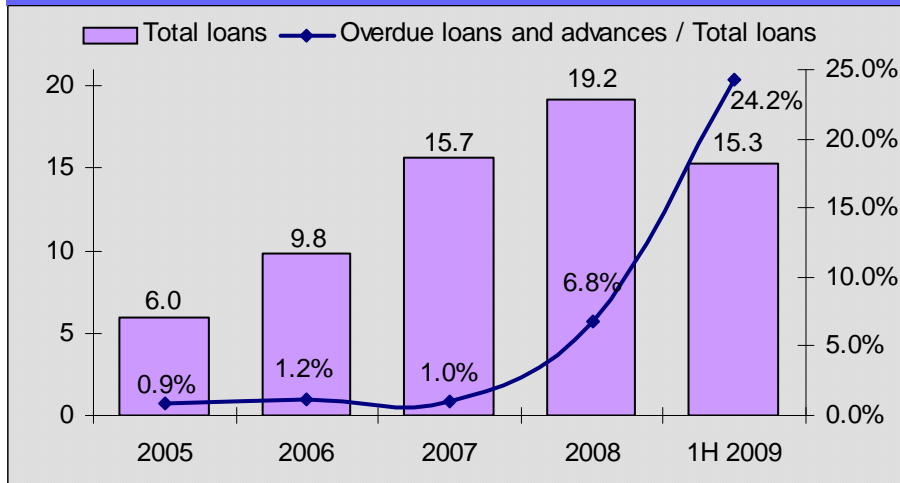
## Concentration of top 10 depositors (as % of total customer accounts)



Source: IFRS audited financial results  
\* including credit-related commitments

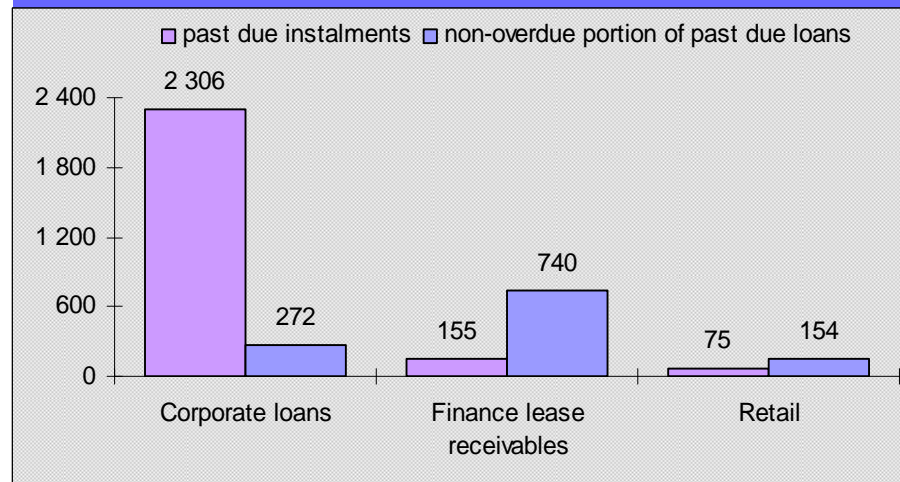
# Loan portfolio quality

## Overdue loans and advances 1+ days\*

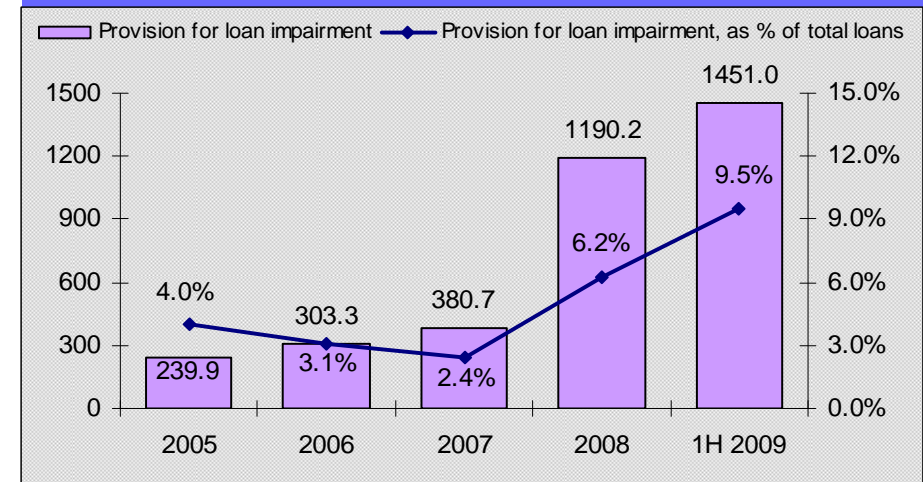


- Overdue loans increased due to general deterioration in corporate borrowers credit quality; asset quality worsening is attributable to the whole Russian banking industry
- Most of the overdue loans are currently being negotiated for restructure; as of 1H 2009 13.8% of the loan book had been restructured
- The non-overdue portion of “Overdue loans and advances” amounted to 31% of the total
- Due to the current market environment and conservative provisioning policy, the provisioning rate has grown considerably up to 9.5% of the total loan book as at June 2009 and is planned to be further increased

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



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

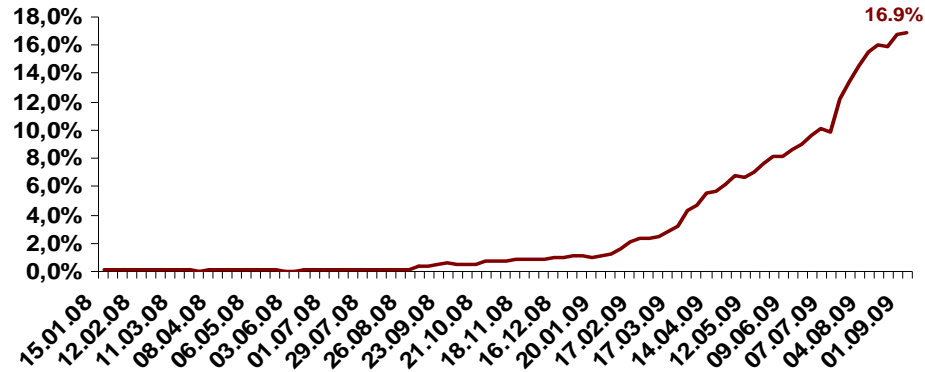


Source: IFRS audited financial results

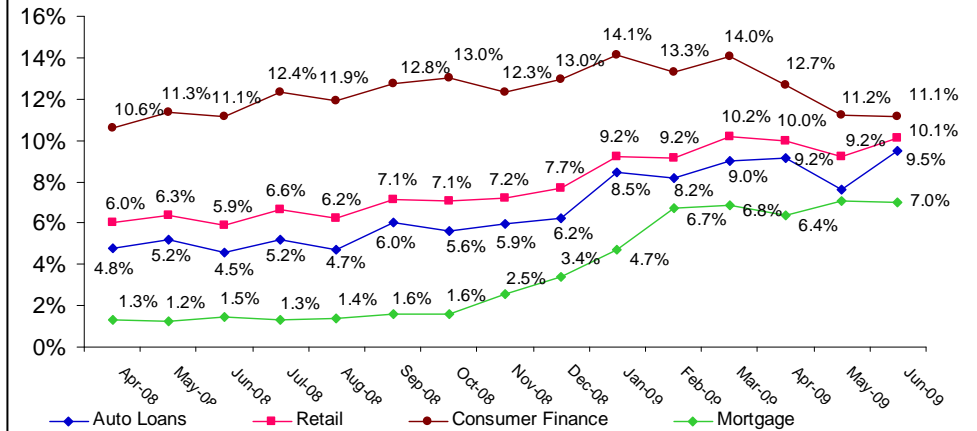
\* Overdue loans and advances include both past due instalments and the remaining non-overdue portion of the loan

# Dynamics of loan portfolio delinquencies\*

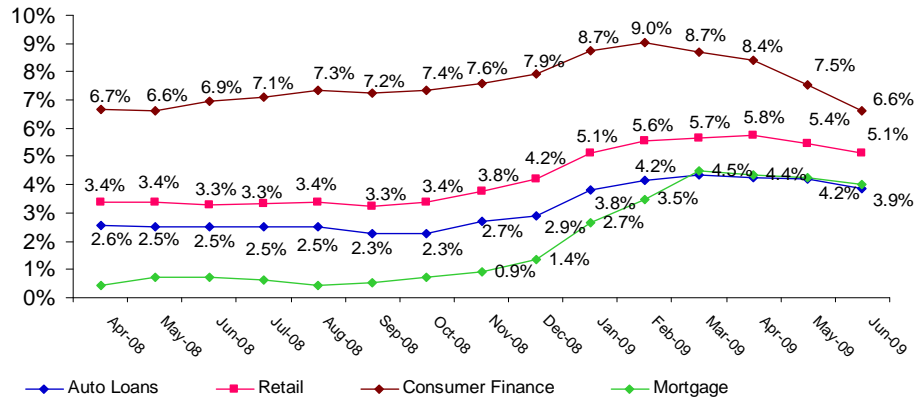
## Corporate delinquencies 90+ days



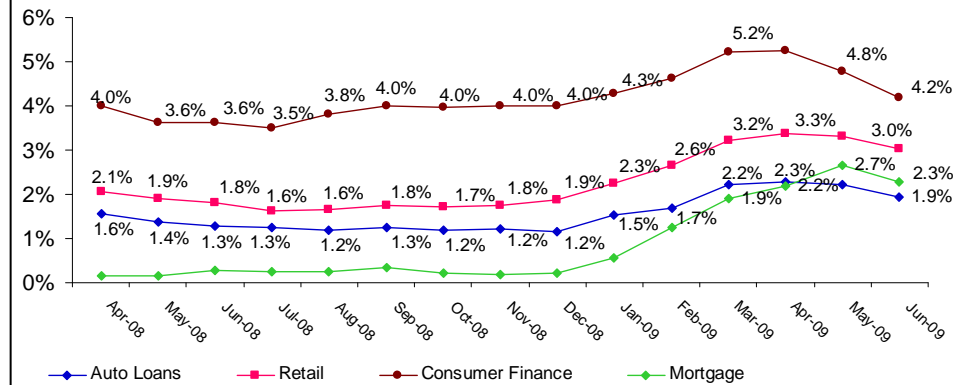
## Retail lagged delinquency 1+ days



## Retail lagged delinquency 30+ days



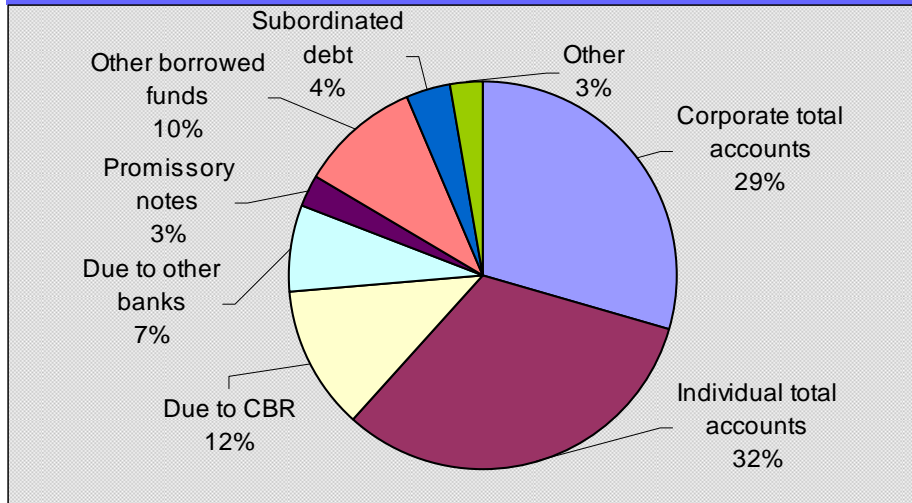
## Retail lagged delinquency 90+ days



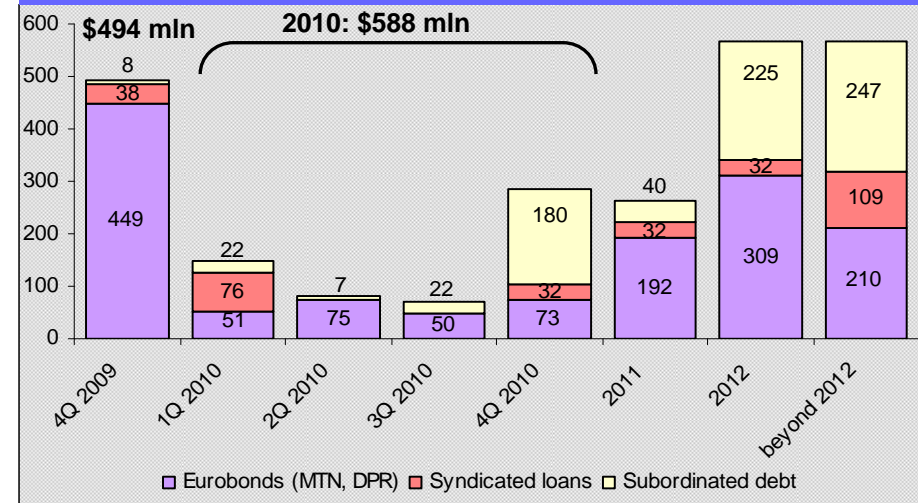
\* Risk management estimates (not IFRS)

# Increased diversification of funding sources

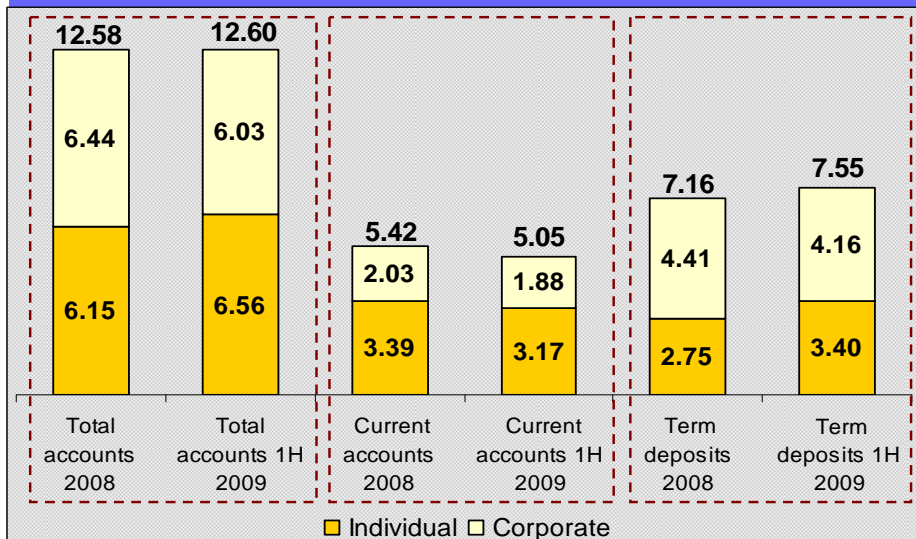
## Liability structure



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



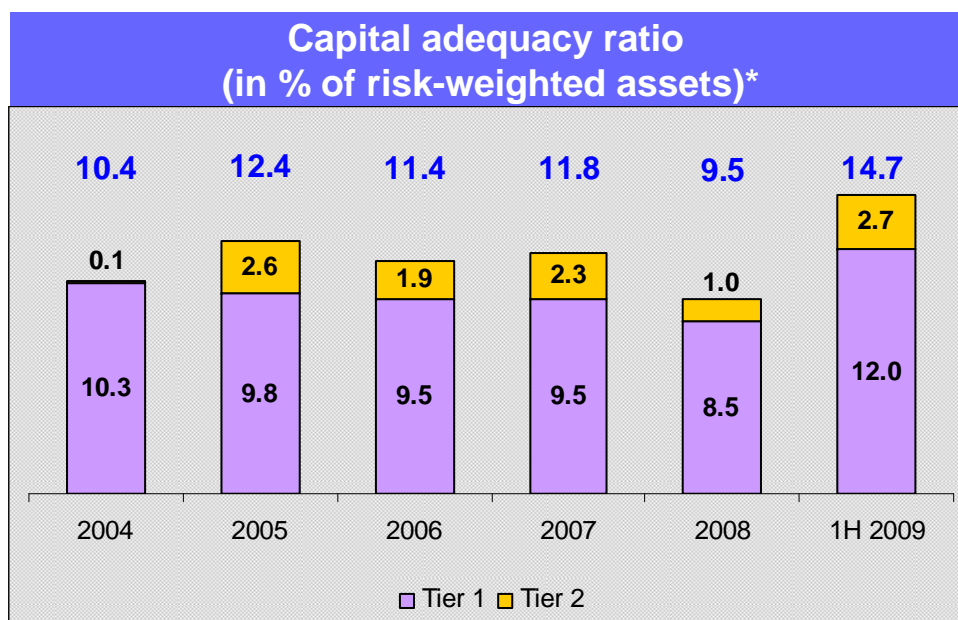
## Customer accounts, (US\$, bn)



## Liquidity management

IFRS cash as of 1H 2009	\$2.9 bln or 12.7% of TA
Cash as of 27.08.2009	\$2.4 bln
<b>Additional funding sources available as of 27.08.2009</b>	<b>Unused limit, USD mln</b>
HFS Portfolio	795
CBR and Ministry of Finance auctions	3 072
Cross Guarantee agreements	393
<b>Total</b>	<b>4 260</b>
Next month average daily loan redemption	\$40.4 mln

## Adequate capital level maintained



- Capital adequacy increased substantially from 9.5% in 2008 to 14.7% in 1H 2009
- In January 2009 a subordinated loan from Vneshekonombank was attracted in the amount of approximately \$294 mln which increased Tier 2 capital
- Shareholder capital injection of \$320 mln completed in June 2009
- Vnesheconombank has approved additional subordinated loans to Alfa-Bank of approximately \$0.96 bn

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

	30.06.2009	Diff	31.12.2008
<b>Capital adequacy</b>			
Tier 1	2 433 018	327 957	2 105 061
Tier 2	540 970	297 611	243 359
<b>Total capital</b>	<b>2 973 989</b>	<b>625 568</b>	<b>2 348 421</b>
Banking book	16 995 985	-5 103 380	22 099 366
Trading book	3 289 104	579 005	2 710 098
<b>Total risk weighted assets</b>	<b>20 285 089</b>	<b>-4 524 375</b>	<b>24 809 464</b>
<b>Tier 1 ratio</b>	<b>12.0%</b>	<b>3.5%</b>	<b>8.5%</b>
<b>Total capital ratio</b>	<b>14.7%</b>	<b>5.2%</b>	<b>9.5%</b>

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

## Outlook 2009

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<b>Total Assets</b>	<b>~ US\$ 22 bn (FY 2008: 27.1 bn)</b>
<b>Loan Portfolio</b>	<b>Corporate loans: ~ US\$ 12.5-13.5 bn (FY 2008: 16.5 bn)</b> <b>Retail loans: ~ US\$ 1.8-2.1 bn (FY 2008: 2.7 bn)</b>
<b>Cost to Income Ratio</b>	<b>~ 44% (FY 2008: 36.6%)</b>
<b>Return on Equity</b>	<b>&lt; 5% (FY 2008: 11.5%)</b>
<b>CAR</b>	<b>~ 18-20% (FY 2008: 9.5%)</b>

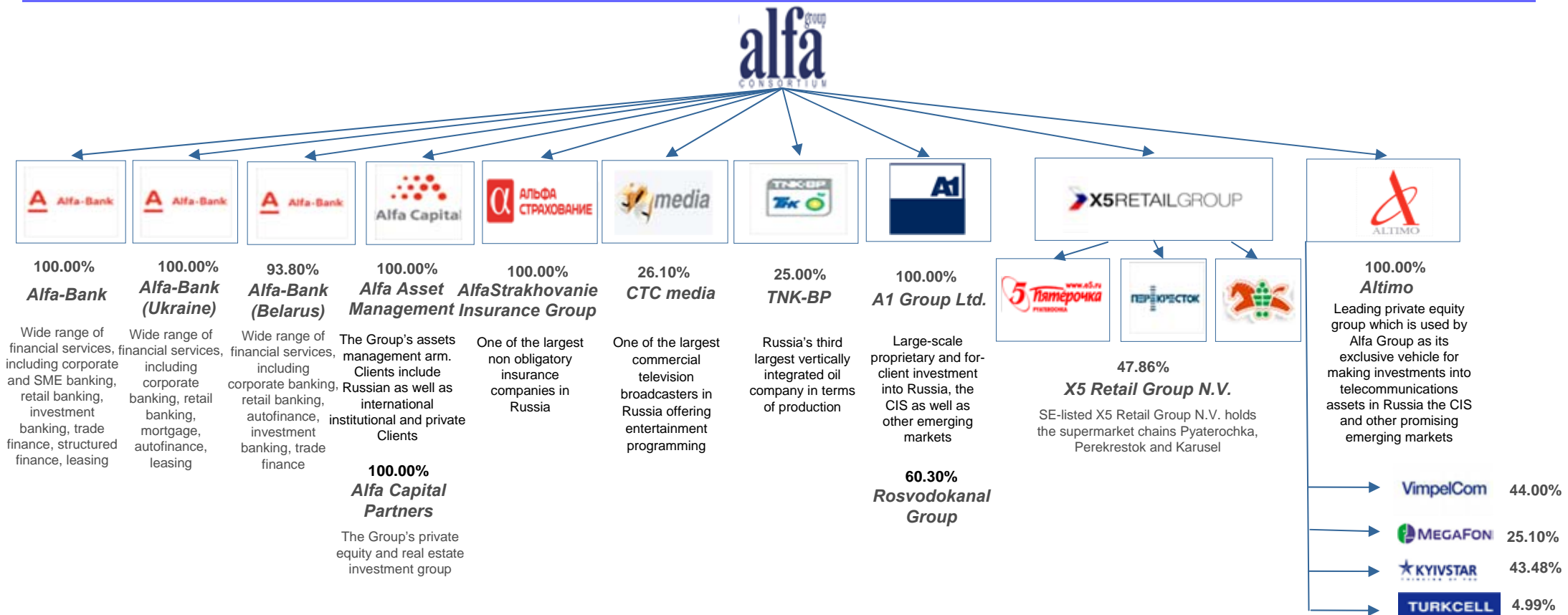
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## Appendix

# The role of Alfa-Bank within Alfa Group

- Alfa Group holds approximately \$49.7 bn in assets and \$18.4 bn in equity\*
- Each business is legally distinct and run independently from each other, all intra-group transactions are done on market terms
- No cross-holding with Alfa-Bank Ukraine or any other entities within the Group

## Alfa Group's Holdings\*\*



\* Source: Alfa Group audited report FY 2007

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



## Proud of awards and recognition



- Best Bank in Russia, 2009, 2008, 2007
- Best Local Bank Trading Rouble, 2006
- Best M&A House in Russia and Best M&A Deal of the Year, 2004
- Best Forex Bank in Russia, 2006



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



- Best bank in the “Customer Impressions of Retail Banking in Russia” research by PricewaterhouseCoopers and Senteo, 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, 2004, 2003, 2002
- Best Equity Research Bank 2008
- Best Forex Bank in Russia, 2005, 2004
- Best M&A Advisor, 2004, 2003



- Operational Risk Achievement Award for “Operational Risk Framework at an Institution Based in an Emerging Market”, 2005, 2004



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



- Super Brand Award 2008, 2007, 2006

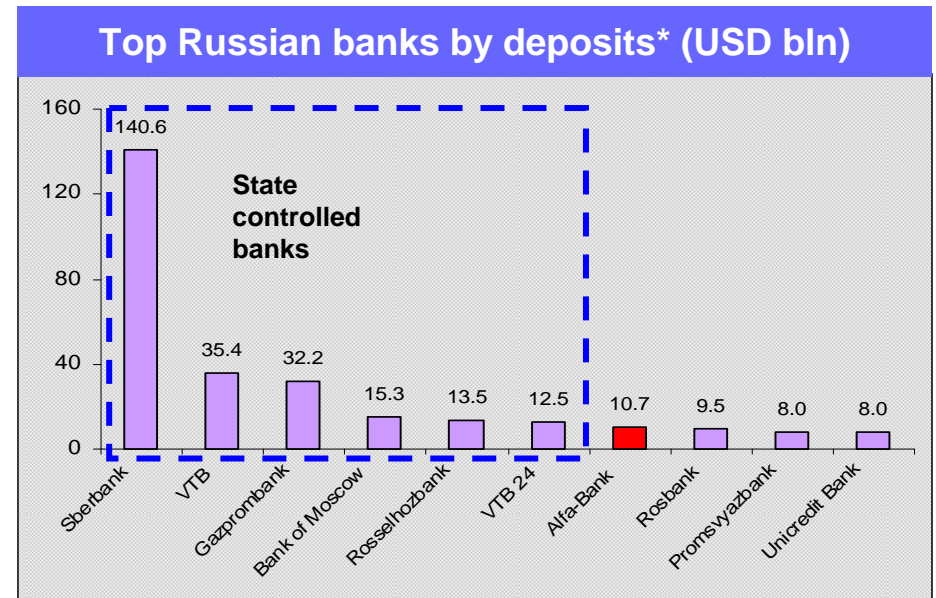
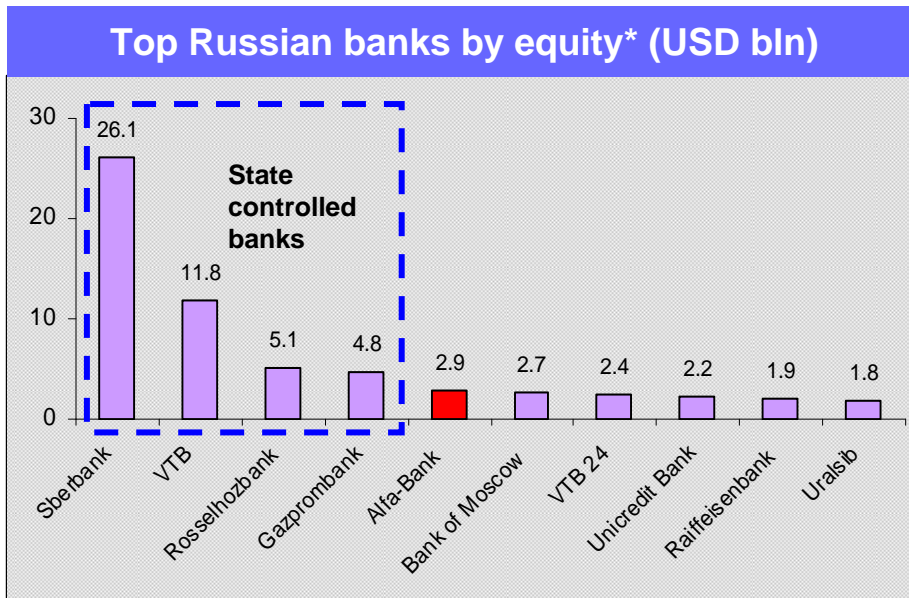
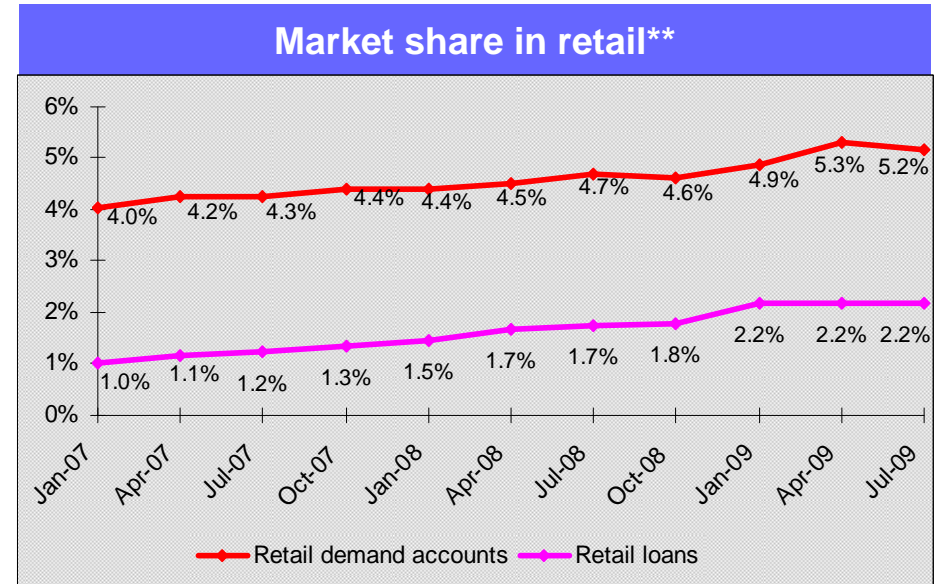
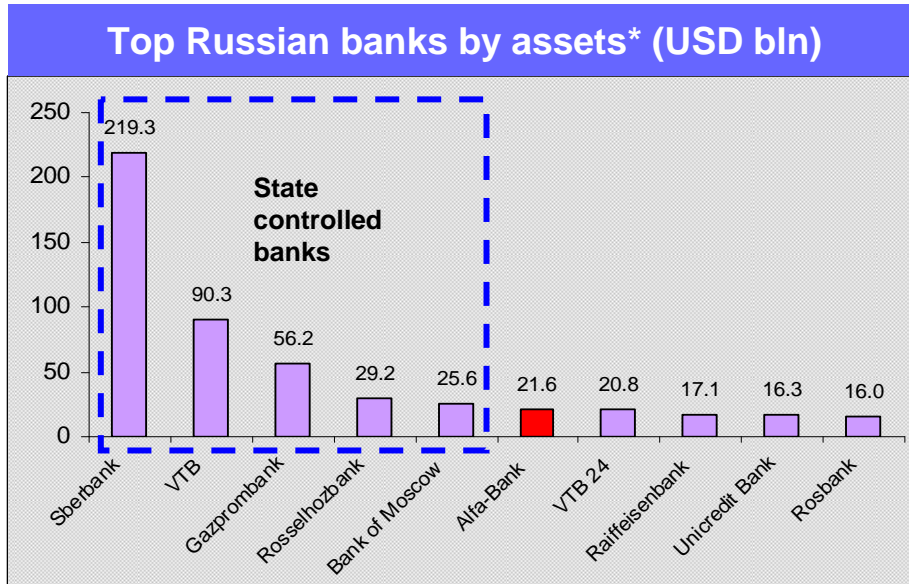


- One of the most transparent banks according to the “Transparency and Disclosure by Russian Banks” 2007 research



- European Co-Brand Programme Award 2006 for Alfa-Bank - Aeroflot MasterCard Card Russia

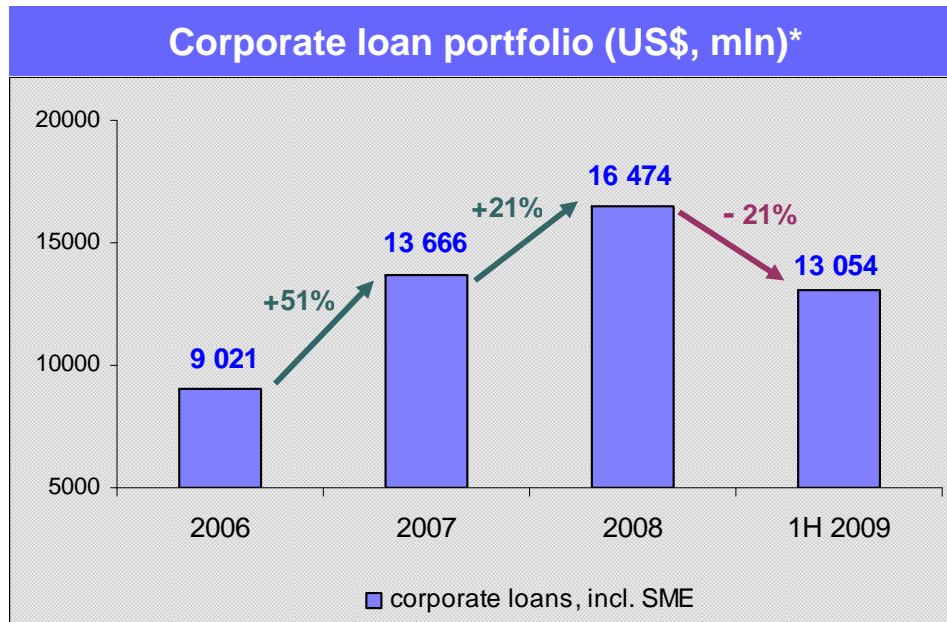
# Leading Russian private bank in most market segments



\* Source: [rating.rbc.ru](http://rating.rbc.ru). Figures as of July 1, 2009

\*\* Source: CBR, Alfa-Bank's management report July 2009

## Leading private bank in corporate segment...



- Largest private bank by corporate customer accounts
- Services 55,000 corporate clients\*\*, including leading Russian Blue Chip companies such as Russian Railways, Rosneft, Alrosa, TNK-BP
- 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

### Strategy

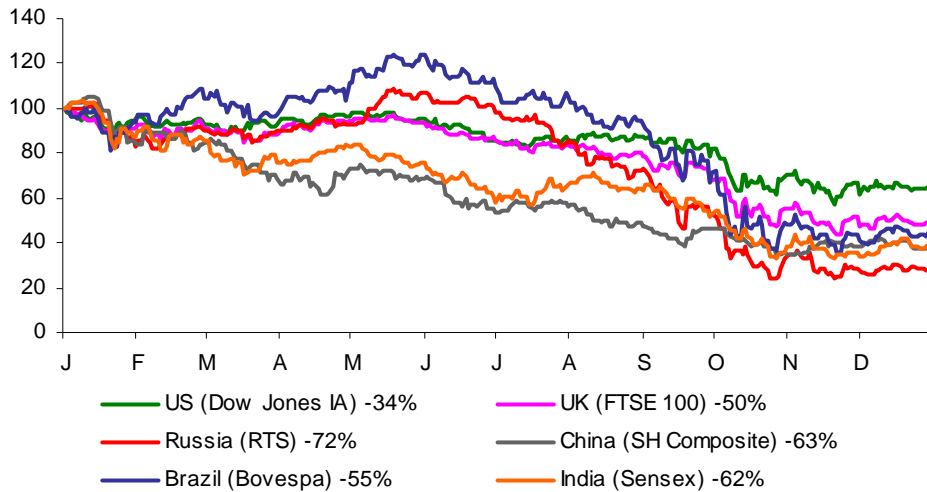
- Preserve quality of loan portfolio
  - Promotion of sales of corporate investment products
    - Focus on effective restructuring of problem loans and collections
  - Focus on commissions and other income, maximize client revenue potential
- Promoting high-margin products such as structured lending and trade finance
- Further develop settlement business and increase customer service quality

\* Source: IFRS audited financial results

\*\* Source: Alfa-Bank's management report September 2009

## ... and one of the top Russian investment banks...

Relative market performance 2008



Investment Bank revenues

	2007	2008	As of Sept 06, 2009*
Equities	\$123,899,000	-\$26,031,000	\$37,398,000
Fixed Income	\$34,639,000	\$132,150,000	\$186,868,000
Corporate Finance	\$42,300,000	\$45,022,000	\$3,528,000
<b>Total</b>	<b>\$200,838,000</b>	<b>\$151,141,000</b>	<b>\$227,794,000</b>

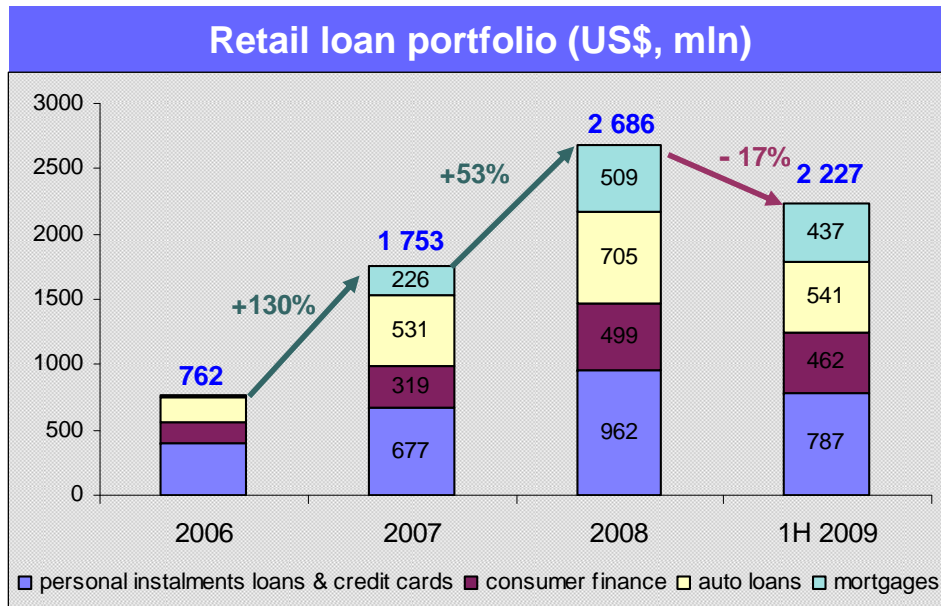
\* Source: Alfa-Bank's management report

- 2008 was a very difficult year in investment banking but Alfa-Bank was able to limit losses and build for the future
- Cost reduction completed in 2008
- Investment into fixed income in late 2008 is yielding excellent results in 2009
- Capital Markets and M&A fees are significantly reduced in 2009

### STRATEGIC GOALS OF THE CORPORATE-INVESTMENT BANK

- One team
- Better value proposition for clients:
  - service
  - products
- Increased profitability
- Become undisputed best universal bank in Russia

## ... with solid positions in retail sector



- 3.6 million retail customers served\*
- Full spectrum of retail banking products offered: credit cards, deposits, PILs, auto and mortgage loans
- One of the largest Russian privately owned banks by retail demand deposits (5.2% market share as of July 1, 2009)\*\*
- Top 10 Russian bank by total retail portfolio\*\*\*
- Large distribution network – by the end of August 2009 – 253 retail branches
- Retail branch banking and CF reached profitability by the end of 2008
- Rated number 1 in customer experience index in 2008 by PricewaterhouseCoopers

### Strategy

- Make retail business profitable
  - Optimization of branch network, integration of Severnaya Kazna's branches
    - Further develop remote distribution channels
- Cross-selling products of retail business, including to other Alfa Group companies – AlfaStrakhovanie, Alfa Capital, etc.
  - Attract term customer deposits
  - Increase efficiency of collections

\* Source: Alfa-Bank management reports June 2009

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

\*\*\* Source: rating.rbc.ru

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