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ОФИЦИАЛЬНЫЙ ЕВРОПЕЙСКИЙ БАНК

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Alfa-Bank Announces IFRS Results for the First Half of Year 2018

The Alfa Banking Group, which includes ABH Financial, AO «Alfa-Bank» and its subsidiaries, reported the IFRS financial results for the First Half of 2018. During this period the Group has demonstrated positive dynamics in key financial indicators, strengthened its position on the market, thus further proving sustainability of its business model.

Net profit of the Alfa Banking Group grew by 50.9% in comparison with the first half of 2017 year and amounted to USD 658 million (against USD 436 million for the first half of 2017 year).

“In the first half of 2018 Alfa-Bank again demonstrated a positive trend in key business lines – bank expanded its loan portfolio, customer accounts, net interest income and net fee and commission income as well as the bank’s customer base. We consistently implement our strategy, increasing our market share in key market segments and improving the level of operating efficiency and asset quality. The increase in business volumes is accompanied by a significant growth in profits, which confirms that Alfa-Bank business model is effective”, said Alexei Tchoukhlov, Deputy Chairman of the Executive Board, Chief Financial Officer.

In the first half of 2018 net interest income increased by 27.2% to USD 996 million due to interest income growth and simultaneous interest cost reduction along with decrease in interest rates during the first half the year. Net interest margin ratio amounted to 4.9% in comparison with 4.4%.

Thanks to continued growth of the customer base, net fee and commission income grew by 10.9% in comparison with the first half of 2017 and amounted to USD 439 million. The share of net fee and commission income in operating profit before provisioning amounted to 30.8%.

The weakening of Russian Ruble by 9.0% in the first half of 2018 had negative impact on the dynamics of balance sheet indicators during this period. Total assets of the Alfa Banking Group grew by 0.8% against the end of 2017 and amounted to USD 45,082 million as of June 30, 2018. The increase of assets excluding FX revaluation effect amounted to 6.4%.

Loan portfolio before provisions grew by 3.2% to USD 29,475 million against USD 28,562 million as of the end of 2017. Excluding FX revaluation effect the loan portfolio grew by 9.1%. Corporate loan portfolio increased by 1.1% to USD 24,409 million (excluding FX revaluation – by 6.1%), retail loan portfolio increased by 14.9% and amounted to 5,066 million (excluding FX revaluation – by 25.1%).

During the first half of 2018 there was a considerable improvement in loan portfolio quality. The share of overdue loans (90 days+) decreased from 2.3% to 1.7% by the end of the first half of 2018. The coverage of overdue loans (90+ days) by the provisions is conservatively high and amounts to 155.4%. Provisioning rate as of the end of the first half of 2018 was 2.6%.

According to IFRS9 the share of “Stage 3” loans in total gross loan portfolio amounted to 6.5%, however, 68.5% of them were not past due.

Liabilities of the Alfa Banking Group decreased by 1.0% and amounted to USD 37,974 million although excluding FX revaluation liabilities grew by 4.7%. Customer accounts increased by 0.9% to USD 29,806 million (excluding FX revaluation – by 7.0%). The share of current accounts in clients' funds amounted to 48.5%, which confirms high confidence of the customers in the Banking Group as one of the most reliable financial institutions in Russia.

Equity of the Alfa Banking Group in the reporting period grew by 11.4% to USD 7,108 million from USD 6,382 million in late 2017. The capital was supported by successful issuance of perpetual Eurobonds in the amount of USD 500 million in January 2018. Capital adequacy ratios under Basel III are maintained at a high level: the total capital and Tier 1 capital adequacy ratios were 18.8% and 17.6%, respectively, which guarantees stability and sustainability of the Banking Group.

By the end of the first half of 2018, Alfa-Banking Group became the largest privately-owned financial institution in Russia in terms of total assets, total equity, deposit and loan portfolios. In the first half of 2018 the Banking Group considerably strengthened its positions on the market in all priority segments:

- market share of corporate lending grew to 4.5% against 4.2% as of the beginning of 2018 year;
- market share of retail lending increased to 2.58% from 2.33%;
- market share of credit cards increased to 9.86% from 8.46%;
- number of clients in the mass corporate segment increased by 35.0% to 495 000 clients.

The high level of creditworthiness of the Alfa Banking Group is confirmed by high credit ratings. On 27th of February 2018, S&P Global Ratings international rating agency upgraded Alfa-Bank's long-term counterparty credit rating to «BB+» from «BB» with Stable outlook. According to the agency, despite the difficult economic situation, the Alfa Banking Group has strong business position in Russian market and as before maintains a high credit quality of risk profile. On 10 July 2018 RAEX (Expert RA) affirmed the Bank ruAA national scale rating with stable outlook.

The Alfa Banking Group's 1H2018 IFRS figures have been reviewed by PricewaterhouseCoopers.

Founded in 1990, Alfa-Bank is a full-service bank operating in most sectors of the financial market, including retail and corporate lending, investment banking, leasing, factoring and trade finance.

Alfa-Banking Group became the largest private bank in Russia in terms of total assets, total equity, deposit and loan portfolios.

According IFRS financial statements for 1H2018 year, the Alfa Banking Group, which comprises ABH Financial, Joint Stock Company «ALFA-BANK» as well as its subsidiary financial companies, had total assets of USD 45.1 bn, gross loans of USD 29.5 bn, and total equity of USD 7.1 bn. Net profit after tax for 1H2018 amounted to USD 658 mln.

As of June 30, 2018 Alfa-Bank serves more than 507,000 corporate and 15.8 mln retail customers, while the branch network consists of 774 offices in Moscow, across Russia and abroad, including a subsidiary bank in the Netherlands and financial subsidiaries in the United Kingdom and Cyprus.

Alfa-Bank is an official European bank of the FIFA 2018™ World Cup and 2017 FIFA Confederations Cup. Since its foundation in 1990, the Bank is known for supporting large-scale cultural events. Many world-famous foreign musicians. Alfa-Bank is also the organizer of the AlfaFuturePeople annual festival of contemporary music and technology.