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Alfa-Bank Announces IFRS Results for 2018

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

Net profit of the Alfa Banking Group grew by 1.5 times in comparison with 2017 year and amounted to USD 1,321 million (against USD 798 million for 2016 year).

«In 2018 Alfa-Bank again demonstrated a qualitative growth in key financial indicators and confirmed the leading position of the country's largest private bank. We expanded our customer base, increased loans production, especially in the retail segment, while improving the quality of our assets. During the year we observed a significant inflow of client funds that confirms high consumer confidence in Alfa Banking Group. In the current year we are going on our development at even faster rates, strengthening our positions in priority segments and increasing our business efficiency,” said Alexei Tchoukhlov, Deputy Chairman of the Executive Board and Chief Financial Officer.

In 2018 net interest income increased by 15.6% to USD 2,011 million due to growth of interest income along with slight decrease in interest expenses. Net interest margin ratio increased to 4.8% comparing to 4.7% in 2017.

Thanks to continued growth of the customer base, net fee and commission income grew by 15.6% in comparison with 2017 and amounted to USD 978 million. The share of net fee and commission income in operating profit before provisioning amounted to 31.2%. The coverage of operating expenses by net fee and commission income reached a record high level of 79.1%.

Total assets of the Alfa Banking Group grew by 5.5% against the end of 2017 and amounted to USD 47,199 million as of December 31, 2018. The increase of assets excluding FX revaluation effect amounted to 18.7%.

Loan portfolio before provisions grew by 7.0% to USD 30,572 million against USD 28,562 million as of the end of 2017. The increase of gross loan portfolio excluding FX revaluation effect amounted to 22.4%. Corporate loan portfolio increased by 1.4% to USD 24,499 million (excluding FX revaluation effect – by 14.4%). Retail loan portfolio increased by 37.7% and amounted to 6,073 million (excluding FX revaluation effect – by 66.0%).

During 2018 there was a considerable improvement in loan portfolio quality. The share of overdue loans (90 days+) decreased from 2.3% by the end of 2017 to 1.4%. The coverage of overdue loans (90+ days) by the provisions is conservatively high and amounts to 208.5%. Provisioning rate remained at the level of the last year and amounted to 2.9%.

According to IFRS9 the share of “Stage 3” loans in total gross loan portfolio amounted to 3.4%, however, 30.4% of them were not past due. The provision coverage of “Stage 3” loans amounted to 51.1%.

Liabilities of the Alfa Banking Group grew by 4.3% and amounted to USD 40,001 million as of December 31, 2018. Customer accounts increased by 8.6% to USD 32,106 million (excluding FX revaluation effect – by 24.0%). At the same time, the volume of current accounts grew by 11.6%, and their share in clients' funds amounted to 50.4%. The Alfa Banking Group's market share of retail

demand accounts reached record high level of 10.04%, which testifies to the high confidence of 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 12.8% to USD 7,198 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 18.2% and 17.3%, respectively, which guarantees stability and sustainability of the Banking Group.

By the end of 2018, Alfa-Banking Group became the largest private bank in Russia in terms of total assets, total equity, deposit and loan portfolios. In 2017 the Banking Group considerably strengthened its positions on the market in all priority segments:

- market share of corporate lending grew to 4.60% against 4.20% as of the beginning of 2018 year;
- market share of retail lending increased to 2.96% from 2.33%;
- market share of credit cards increased to 11.17% from 8.46%;
- market share of retail demand accounts increased to 10.04% from 8.73%;
- Alfa Banking Group strengthened its market position in retail customer accounts and took the 3rd place among largest Russian banks, increased its market share to 3.75% from 3.11% at the beginning of the year.

The high level of creditworthiness of the Alfa Banking Group is confirmed by high credit ratings – the highest among Russian private banks. 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 12 February 2019 Moody's Investors Service upgraded the Alfa-Bank's foreign-currency deposit ratings to Ba1 from Ba2 as well as Alfa-Bank's long-term counterparty risk assessments and counterparty risk ratings to Baa3 from Ba1. In November 2018, FitchRatings affirmed Alfa-Bank's Long-Term Issuer Default Rating at BB+ with Stable outlook. The credit quality of the Alfa Banking Group is also highly appreciated by national rating agencies. On 13 November 2018 Analytical Credit Rating Agency (ACRA) affirmed the AA(RU) Bank's national scale rating with stable outlook. On 10 July 2018 RAEX (Expert RA) assigned the Bank ruAA national scale rating with stable outlook.

The Alfa Banking Group's 2018 IFRS figures have been audited 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.

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According IFRS financial statements for 2018 year, the Alfa Banking Group, which comprises ABH Financial, AO «ALFA-BANK» as well as its subsidiary financial companies, had total assets of USD 47.2 bn, gross loans of USD 30.6 bn, and total equity of USD 7.2 bn. Net profit after tax for FY2018 amounted to USD 1.3 bn.

As of December 31, 2018 Alfa-Bank serves more than 530,000 corporate and 16.1 mln retail customers, while the branch network consists of 752 offices in Moscow, across Russia and abroad, including a subsidiary bank in the Netherlands and financial subsidiaries in the United Kingdom and Cyprus.

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.