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Alfa-Bank Announces IFRS Results for the First Half of Year 2019

The Alfa Banking Group, which includes ABH Financial, AO «Alfa-Bank» and its subsidiaries, reported the IFRS financial results for the First Half of 2019.

- Total comprehensive income for the period increased to USD 435 million
- Net interest income exceeded USD 1 billion, demonstrating an almost 20% growth in ruble terms
- Net fee and commission income grew by 17.6% in ruble terms and amounted to USD 469 million. The net fee and commission income coverage of the bank's operating expenses reached 76.6%
- By the end of the first half of 2019, the customer base increased to 16.5 million individuals and more than 640,000 corporate clients

“The Group is consistently implementing its main strategic objective - increasing business volumes and share in the main market segments. The Group's stable and balanced liabilities structure facilitates the profitable asset growth. The effective cost of funding management remains at our focus: at the background of the client funds stable inflow, current accounts funds are the fastest growing, that indicates not only the clients trust, but also the high attractiveness of the banking services we created for the daily lives of our customers. Maintaining stable net interest income, the bank increases net commission income - this is the result of our client base growth and our constant focus on providing the best transactional banking services for individuals and small business. According to our strategy, active business growth is supported by effective management of operating expenses - due to the widespread introduction of digital technologies in front- and back-office operations, we control the growth of transaction costs. In general, improvement of the business efficiency, quality growth in our key segments and effective risk management remain our main priorities,” said Alexei Tchoukhlov, Deputy Chairman of the Executive Board, Chief Financial Officer.

In the first half of 2019 net interest income increased to USD 1.1 billion, demonstrating the 8.6% growth in dollar terms or 19.6% in ruble terms. The bank achieved a high lending growth and maintained a high margin: net interest margin (NIM) was 4.7%.

Due to continued growth of the customer base, net fee and commission income grew by 6.8% in comparison with the first half of 2018 and amounted to USD 469 million (the 17.6% increase in ruble terms).

The share of net fee and commission income in operating profit before provisioning amounted to 33.1% and the net fee and commission income coverage of operating expenses reached 76.6%.

Total assets of the Alfa Banking Group grew by 10.3% against the end of 2018 and amounted to USD 52,068 million as of June 30, 2019. The increase of assets excluding FX revaluation effect amounted to 4%.

Loan portfolio before provisions increased by 13.5% to USD 34.7 billion compared with USD 30.6 billion at the end of 2018 (the 5.7% increase excluding FX revaluation effect). Corporate loan portfolio grew by 8.3% to USD 26.5 billion (the increase 2.2% excluding FX revaluation effect). Retail loan portfolio increased by 34.3% and amounted to USD 8.1 billion (the 22.0% growth excluding FX revaluation effect).

The loan portfolio quality remains at a high level. The share of overdue loans (90+ days) amounted to 2.2% as of June 30, 2019. The coverage of overdue loans (90+ days) is conservatively high and amounted to 163.2%. According to IFRS 9, the share of “Stage 3” loans in total gross loan portfolio amounted to 5.1%. Provisioning rate was 3.7%.

Liabilities of the Alfa Banking Group increased by 11% to USD 44.4 billion as of June 30, 2019 (the 4.2% growth excluding FX revaluation). Customer accounts grew by 7% to USD 34.4 billion (the 0.4% increase excluding FX revaluation). At the same time, current accounts grew by 15.5%, and their share in customer accounts amounted to 54.4%. The average market share of retail demand accounts amounted to 10.1%, which confirms a high customer's confidence in the Banking Group as one of the largest financial institutions in Russia.

In June 2019, Alfa-Bank successfully issued RUB 5 billion perpetual subordinated bonds. Capital adequacy ratios under Basel III are maintained at a high level: the total capital and Tier 1 capital adequacy ratios were 17.8% and 17.3%, respectively, which guarantees stability and sustainability of the Banking Group.

By the end of the first half of 2019, 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 2019 the Banking Group considerably strengthened its positions on the market in all priority segments:

- retail lending market share increased to 3.22% from 2.96%
- credit cards market share amounted to 10.65%
- retail demand accounts average market share amounted to 10.1%
- corporate lending market share increased to 4.7%
- retail customer base reached 16.5 million clients and legal entities exceeded 640,000 companies

The high level of creditworthiness of the Alfa Banking Group is confirmed by high credit ratings - the highest among Russian privately owned banks. On 12 February 2019 Moody's Investors Service upgraded the Alfa-Bank's foreign-currency deposit rating to Ba1 from Ba2 with Stable outlook and long-term Counterparty Risk Rating (CRR) to Baa3 from Ba1. On 24 April 2019, S&P Global Ratings affirmed the 'BB+/B' long- and short-term issuer credit ratings on Alfa-Bank with Stable outlook and improved the assessment of Alfa Bank's stand-alone credit profile (SACP) to 'bb+' from 'bb'.

The Alfa Banking Group's 1H 2019 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 1H 2019 year, the Alfa Banking Group, which comprises ABH Financial, AO «ALFA-BANK» as well as its subsidiary financial companies, had total assets of USD 52.1 bn, gross loans of USD 34.7 bn, and total equity of USD 7.7 bn. Net profit after tax for 1H 2019 amounted to USD 249 mln.

As of June 30, 2019 Alfa-Bank serves more than 640,000 corporate and 16.5 mln retail customers, while the branch network consists of 791 offices in Moscow, across Russia and abroad, including a subsidiary bank in the Netherlands and financial companies in the United Kingdom and Cyprus.

Since its foundation in 1990, the Bank is known for supporting large-scale cultural events. Alfa-Bank is also the organizer of the AlfaFuturePeople annual festival of contemporary music and technology.