

**20 February 2020**

## **Alfa-Bank Announces IFRS Results for 2019**

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

- Total comprehensive income for the period (including net profit and other comprehensive income) increased by more than 1.5 times to USD 1.03 billion (compared with USD 697 million in 2018)
- Net interest income exceeded USD 2.2 billion, demonstrating an almost 15.5% growth in ruble terms
- Net fee and commission income grew by 10.2% in ruble terms and amounted to USD 1 044 million. The net fee and commission income share in operating profit increased to 35.1%. The net fee and commission income coverage of the bank's operating expenses reached 79.2%
- Total equity increased to 8.1 billion USD from 7.2 billion in 2018
- Around 1 million new retail customers and 96 thousand small and medium-sized business customers were attracted
- The loan portfolio grew by 30.3% to USD 39.8 billion. The growth in the retail segment amounted to 71.9% to USD 10.4 billion
- Cost to income ratio including other comprehensive income amounted to 41.9%, showing a steady decline trend from 45.3% in 2018.

“The Group is consistently demonstrating strong financial performance, proving the sustainability of its business model. Total comprehensive income increased by more than 1.5 times. The key components of profit (net interest income, net fee and commission income) had stable upsurge, reflecting the record dynamics of the client base and the business growth in key market segments along with effective risk control. Total equity increased by nearly 1 billion to USD 8.1 billion.

Increasing the bank's market share in general, we focused on the most marginal banking market segments in 2019 and significantly strengthened our positions in retail lending and small businesses servicing, that form the Alfa-Bank's long-term profitability basis. Due to the explosive dynamics in mortgage issuance, the bank has significantly expanded the core of a stable customer base, which will support the further growth of the retail business in the medium term.

At the same time, our priority is to manage the funding costs through a steady inflow of client funds, including current accounts, which confirms the clients trust to Alfa-Bank and the attractiveness of our daily banking services. Thus, we strongly revised our mobile application based on best market practices and improved its convenience in 2019, as evidenced by the established Markswebb Award, positive feedback from users and rating growth in application stores (4.9 and 4.8 in the AppStore and Google play).

The digital technologies widespread implementation in front- and back-office operations also allows the Group to manage the operating expenses effectively and reduce cost-to-income consistently, approaching the minimum market level”, said Alexei Tchoukhlov, Deputy Chairman of the Executive Board, Chief Financial Officer.

### **Financial and operating results overview:**

Net interest income increased to USD 2.25 billion, demonstrating the 11.9% growth in dollar terms or 15.5% in ruble terms in 2019. Net interest margin (NIM) was 4.6%.

Due to continued growth of the customer base, net fee and commission income grew by 6.7% in comparison with 2018 and amounted to USD 1 044 million (the 10.2% increase in ruble terms). The share of net fee and

commission income in operating profit before provisioning amounted to 35.1% and the net fee and commission income coverage of operating expenses reached 79.2%.

Total assets of the Alfa Banking Group grew by 26.0% against the end of 2018 and amounted to USD 59.47 billion in 2019. The increase of assets excluding FX revaluation effect amounted to 17%.

Loan portfolio before provisions increased by 30.3% to USD 39.8 billion compared with USD 30.6 billion at the end of 2018 (the 19.8% increase excluding FX revaluation effect). Corporate loan portfolio grew by 20.0% to USD 29.4 billion (the increase 11.5% excluding FX revaluation effect). Retail loan portfolio increased by 71.9% and amounted to USD 10.4 billion (the 53.1% growth excluding FX revaluation effect).

The loan portfolio quality remains at a high level. The share of overdue loans (90+ days) amounted to 1.4% in 2019. The coverage of overdue loans (90+ days) is conservatively high and amounted to 215.3%. According to IFRS 9, the share of "Stage 3" loans in total gross loan portfolio amounted to 4.1%. Provisioning rate was 3.0%.

Liabilities of the Alfa Banking Group increased by 28.3% to USD 51.3 billion in 2019 (the 18.4% growth excluding FX revaluation). Customer accounts grew by 29% to USD 41.4 billion (the 18.7% increase excluding FX revaluation). At the same time, current accounts grew by 35.0%, and their share in customer accounts amounted to 53%. The average market share of retail demand accounts amounted to 10%, 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, that allowed us to support further business growth and further strengthen our capital positions. In October and November 2019, Alfa-Bank issued USD 850 million subordinated Eurobonds.

Capital adequacy ratios under Basel III are maintained at a high level: the total capital and Tier 1 capital adequacy ratios were 16.3% and 18.3%, respectively, which guarantees stability and sustainability of the Banking Group.

Alfa-Banking Group became the largest privately owned financial institution in Russia in terms of total assets, total equity, deposit and loan portfolios. The Banking Group considerably strengthened its positions on the market in all priority segments in 2019:

- The number of active retail clients increased by 952 thousand to 5.7 million, there are more than 80% of the clients that use digital channels for banking operations regularly
- Alfa-Bank improved its positions and took the 3rd place in the retail lending market with a share of 3.77% compared with 3.05% in 2018
- Credit cards market share amounted to 10.88%
- Alfa-Bank took 3rd place in the retail accounts with a share of 3.9%, retail demand accounts average market share amounted to 10%
- Alfa-Bank became the 3rd in terms of the mortgage loans issued volume as of December 2019
- The number of active clients of small and medium-sized businesses increased to 538 thousand from 442 thousand at the beginning of the year
- Corporate lending market share increased to 4.2%

The high level of creditworthiness of the Alfa Banking Group is confirmed by high credit ratings - the highest among Russian privately owned banks, as well as by specialized awards:

- 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'.
- On 09 October 2019 Fitch Ratings affirmed Alfa-Bank's Long-Term Issuer Default Rating (IDR) at 'BB+' and revised the Outlook to Positive from Stable.
- On 8 November 2019 Analytical Credit Rating Agency ACRA upgrades Alfa-Bank to AA+(RU), outlook Stable
- Alfa-Bank became the Bank of the year in Russia 2019 according to The Banker magazine, Best Mortgage Bank 2019 by Global Finance magazine, Best Bank for Premium Clients by Frank Premium Banking Award.
- Alfa-Bank's mobile application became the best according to Markswebb.

The Alfa Banking Group's 2019 IFRS figures have been audited by PricewaterhouseCoopers.

Alfa-Bank is the largest universal privately owned bank in Russia. It has been leading in all banking business segments for 30 years. Alfa-Bank serves more than 543 thousand active corporate clients and 5.7 million active retail customers.

Alfa-Bank is developing according to the phygital model, combining digital innovation with an effective physical presence network, which has 525 offices in Moscow and Russian regions, 900 cities with courier delivery and 27,900 of its own and partner ATMs. The bank is developing "A New Generation Branch Network" with recognition based on biometrics and geolocation without refusing live communication with customers.

Simultaneously, Alfa-Bank is the creator of the best banking application in Russia (according to Markswebb), which is regularly used by 80% of customers (rating on the App Store - 4.9 out of 5; on Google Play - 4.8 out of 5). Our values: the best customer experience, technological leadership, the best employees.

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According to IFRS financial statements for 2019, the Alfa Banking Group, which comprises ABH Financial, AO «ALFA-BANK» as well as its subsidiary financial companies, had total assets of USD 59.47 bn, gross loans of USD 39.8 bn, and total equity of USD 8.1 bn. Total comprehensive income for 2019, including net profit and other comprehensive income, increased to USD 1.03 billion.