

21 August 2020

Alfa-Bank Announces IFRS Results for the First Half of 2020

The Alfa Banking Group, which includes ABH Financial, AO «Alfa-Bank» and its subsidiaries, reported the IFRS financial results for the First Half of 2020.

- Net profit increased to USD 592 million. Total comprehensive income for the period (including net profit and other comprehensive income) amounted to USD 265 million including cumulative translation reserve in other comprehensive income due to the ruble depreciation
- Net interest income exceeded to USD 1.2 billion, demonstrating a 6.7% growth in dollar terms and 13.3% in ruble terms. Net interest margin (NIM) fell to 4.4% due to falling interest rates.
- Net fee and commission income grew by 12.5% in ruble terms and amounted to USD 497 million. The net fee and commission income share in operating profit amounted to 26.8%. The net fee and commission income coverage of the bank's operating expenses reached a record level of 84.8%
- Total equity increased to 8.2 billion USD from 8.1 billion in 2019
- The number of active small and medium-sized business customers grew to 576 thousand compared to 540 thousand at the beginning of the year, the number of active retail clients increased to 6.5 million
- The loan portfolio grew by 5.4% excluding FX revaluation effect to USD 38.3 billion. The growth in the retail segment amounted to 11.2% excluding FX revaluation effect to USD 10.3 billion
- Cost to income ratio including other comprehensive income amounted to 34.4%, showing a steady decline trend from 41.9% in 2019.

“The Group is consistently demonstrating strong financial performance, proving the sustainability of its business model even in the crisis. The key components of profit (net interest income, net fee and commission income) had stable upsurge, reflecting the high dynamics of the client base and the success of the deep digitalization model that we have followed over the past years. Alfa-Bank has provided its customers with continuous access to all banking products and services, due to the developed remote channels. We were also among the first institutions to offer support programs to individuals, small and medium-sized businesses. Simultaneously, Alfa-Bank's traditionally conservative risk policy and careful control over its implementation allowed maintaining the high quality of the loan portfolio. Following our strategy, we also opened the first new generation phygital office and launched several mutually beneficial partnerships, including Beeline and Yandex, that create additional value for our clients. Total equity increased to USD 8.2 billion”, said Alexei Tchoukhlov, Deputy Chairman of the Executive Board, Chief Financial Officer.

Financial results overview:

Total equity increased by 1.3% to USD 8.2 billion.

Net interest income exceeded to USD 1.2 billion, demonstrating a 6.7% growth in dollar terms and 13.3% in ruble terms. Net interest margin (NIM) fell to 4.4% due to falling interest rates

Due to continued growth of the customer base, net fee and commission income grew by 6.0% in dollar terms and amounted to USD 497 million (+12.5% in ruble terms). The net fee and commission income share in operating profit amounted to 26.8%. The net fee and commission income coverage of the bank's operating expenses reached a record level of 84.8%.

The ruble exchange rate volatility in the first half of 2020 had a significant impact on the balance sheet indicators dynamics. Total assets of the Alfa Banking Group amounted to USD 54.7 billion decreased by 7.9% against the end of 2019. The decrease of assets excluding FX revaluation effect amounted to 0.8%.

Loan portfolio before provisions fell by 3.8% to USD 38.3 billion compared with USD 39.8 billion at the end of 2019 (the 5.4% increase excluding FX revaluation effect). Corporate loan portfolio decreased by 4.5% to USD

28.1 billion (the increase 3.3% excluding FX revaluation effect). Retail loan portfolio fell by 1.5% and amounted to USD 10.3 billion (the 11.2% growth excluding FX revaluation effect).

The loan portfolio quality remains at a high level. According to IFRS 9, the share of "Stage 3" loans in corporate loan portfolio was at the level of 2019 and amounted to 4.0%. The share of "Stage 3" in retail loan portfolio was 5.2%, increased from 4.0% in 2019. The share of overdue loans (90+ days) amounted to 2.0%, grew from 1.4% in 2019. The coverage of overdue loans (90+ days) is conservatively high and amounted to 187.7%.

Liabilities of the Alfa Banking Group decreased by 9.4% to USD 46.5 billion (the 2.2% decline excluding FX revaluation). Customer accounts fell by 9.7% to USD 37.4 billion (-2.5% excluding FX revaluation). At the same time, current accounts grew by 5.7%, and their share in customer accounts increased to 61.7% from 52.7% in 2019. The retail demand accounts market share amounted to 8.6%, that confirms a high customer's confidence in the Banking Group as one of the largest financial institutions in Russia.

Capital adequacy ratios under Basel III are maintained at a high level: the total capital and Tier 1 capital adequacy ratios were 19.3% and 17.6%, 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 supported its positions on the market in all priority segments:

- The number of active retail clients increased to 6.5 million
- The number of active clients of small and medium-sized businesses increased to 576 thousand from 540 thousand at the beginning of the year
- Alfa-Bank supported its positions and took the 3rd place in the retail lending market with a share of 3.9% compared with 3.7% in 2019
- Credit cards market share amounted to 10.8%
- The retail accounts market share was 3.9%
- Corporate lending market share increased to 4.4%

The high level of creditworthiness of the Alfa Banking Group is confirmed by high credit ratings - the highest among Russian privately owned banks.

- On 28 April 2020, S&P Global Ratings affirmed the 'BB+/B' long- and short-term issuer credit ratings on Alfa-Bank with Stable outlook.
- On 07 April 2020 Fitch Ratings affirmed Alfa-Bank's Long-Term Issuer Default Rating (IDR) at 'BB+' and revised the Outlooks to Negative.
- 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 29 May 2020 Expert RA upgraded the Alfa-Bank's national-scale credit rating to ruAA+ from ruAA with Stable outlook.
- On 8 November 2019 Analytical Credit Rating Agency ACRA upgrades Alfa-Bank to AA+(RU), outlook Stable

The Alfa Banking Group's first half 2020 IFRS figures have been reviewed 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 568 thousand active corporate clients and 6.5 million active retail customers.

Alfa-Bank is developing according to the phygital model, combining digital innovation with an effective physical presence network, which has 498 retail 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.

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.

According to IFRS financial statements for the first half of 2020, the Alfa Banking Group, which comprises ABH Financial, AO «ALFA-BANK» as well as its subsidiary financial companies, had total assets of USD 54.7 bn, gross loans of USD 38.3 bn., total equity of USD 8.2 bn., net profit of USD 592 mln.