

18 February 2021

Alfa-Bank Announces IFRS Results for 2020

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

- Net interest income increased to USD 2.3 billion, demonstrating 0.8% growth in ruble terms
- Net fee and commission income grew by 32.5% in ruble terms and amounted to USD 1.2 billion
- Net profit increased to USD 1.3 billion. Total comprehensive income for the period (including net profit and other comprehensive income) amounted to USD 903 million
- Total equity increased to 8.7 billion USD from 8.1 billion in 2019
- The loan portfolio grew by 22% excluding FX revaluation effect to USD 42.7 billion. The growth in the retail segment amounted to 33.8% excluding FX revaluation effect to USD 11.7 billion
- Cost to income ratio including other comprehensive income improved to 36.7% from 41.9% in 2019
- The number of retail active clients grew by 1 million and reached 7.3 million
- Small and medium-sized business active customers made up 627 thousand compared to 540 thousand in 2019
- The number of Alfa-Direct clients increased by 3.5 times

Alfa-Bank Chief Executive Officer, Vladimir Verkhoshinskiy said:

“We dealt with the pandemic crisis, as we did with all previous crises before. Due to the culture of flexibility and proactivity, set by the shareholders, we were able to quickly rebuild our work, launched several creative anti-crisis solutions from the wheels, and cut costs without people dismissal.

We were ready when the self-isolation began. 83% of our customers used a mobile app on a regular basis even before the pandemic. Our offices are still open for everybody; we have not closed a single one. We launched our online mortgage in 2019, we finally removed the need to go somewhere in the spring of 2020. We expanded the credit cards delivery to 900 cities in the spring. The remote account opening for small businesses has been simplified. We immediately got involved in all state support programs, and also offered our own credit holidays.

Making sure that we were performing well in the coronavirus crisis, we did not postpone our strategic projects. As promised, we launched a network of phygital branches. We completely redesigned Alfa Mobile application, taking into account the needs of our clients, the result was the first line of the Marskwebb rating”.

Alexei Tchoukhlov, Deputy Chairman of the Executive Board, Chief Financial Officer, noted:

We again managed to attract about one million new active customers in retail business and about 100 thousand small business clients during the crisis year. This is the main indicator for us: the pandemic will pass, and the trust of customers will remain with the bank for many years. We were also able to take advantage of the growing interest in investments of Russian people: the number of the Alfa-Direct platform clients increased by 3.5 times.

We focused on controlling credit risks in the second quarter, however, as the situation improved, we resumed active lending and significantly increased our loan portfolio without decreasing its quality at the end of the year. The share of problem loans did not increase in 2020. In addition, the net fee and commission income coverage of operating expenses record high level provides the bank's sustainability. Our CIR was down to 36.7% due to our deliberate efforts to optimize costs while increasing operating income.”

Financial results overview

Net interest income increased to USD 2.269 billion, demonstrating 0.8% growth in dollar terms or 12.4% in ruble terms in 2020. Net interest margin (NIM) decreased to 4.2% in the context of declining interest rates.

Due to continued growth of the customer base, net fee and commission income grew by 18.9% in comparison with 2019 and amounted to USD 1 241 million (the 32.5% increase in ruble terms). The share of net fee and commission income in modified operating profit before provisioning amounted to 35.5% and the net fee and commission income coverage of operating expenses reached the record 96.8% level.

Net profit increased to USD 1.3 billion in 2020. Total comprehensive income for the period (including net profit and other comprehensive income) amounted to USD 903 million due to ruble depreciation.

Total equity increased to 8.7 billion USD by 5.6% in 2020.

The ruble exchange rate volatility during 2020 had a significant impact on the balance sheet indicators dynamics. Total assets of the Alfa Banking Group grew by 4.0% against the end of 2019 and amounted to USD 61.85 billion in 2020. The increase of assets excluding FX revaluation effect amounted to 16.5%.

Loan portfolio before provisions increased by 7.2% to USD 42.714 billion compared with USD 39.840 billion at the end of 2019 (the 22.0% increase excluding FX revaluation effect). Corporate loan portfolio grew by 5.5% to USD 31.008 billion (the increase 17.9% excluding FX revaluation effect). Retail loan portfolio increased by 12.1% and amounted to USD 11.706 billion (the 33.8% growth excluding FX revaluation effect).

The loan portfolio quality remains at a high level. According to IFRS 9, the share of "Stage 3" corporate loans in gross corporate loan portfolio decreased to 3.7% from 4.1% in 2019. The share of "Stage 3" retail loans in gross retail loan portfolio increased to 5.0% from 4.0% in 2019.

Liabilities of the Alfa Banking Group increased by 3.6% to USD 53.179 billion in 2020 (the 17.5% growth excluding FX revaluation). Customer accounts grew by 5.5% to USD 43.708 billion (the 19.9% increase excluding FX revaluation). At the same time, current accounts grew by 31.1%, and their share in customer accounts grew to 65.5% from 52.7% in 2019. The retail demand accounts market share amounted to 9.8%, which 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 17.8% and 16.4%, respectively, which guarantees stability and sustainability of the Banking Group.

Market positions

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 maintained its market positions in all priority segments in 2020:

- The number of active retail clients increased to 7.3 million
- The number of active clients of small and medium-sized businesses increased to 627 thousand from 540 thousand at the beginning of the year
- Alfa-Bank improved its positions and took the 3rd place in the retail lending market with a share of 4.3% compared with 3.7% in 2019
- Credit cards market share amounted to 11.4% compared with 10.9% in 2019
- Retail accounts market share was 4.4%
- Corporate lending market share increased to 4.7%

Credit ratings

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 15 September 2020 Fitch Ratings affirmed Alfa-Bank's Long-Term Issuer Default Rating (IDR) at 'BB+' and revised the Outlook to Stable
- 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 30 October 2020 Analytical Credit Rating Agency ACRA affirmed Alfa-Bank at AA+(RU), outlook Stable

The Alfa Banking Group's 2020 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 850 thousand corporate clients and 18.7 million retail customers.

Alfa-Bank is developing according to the phygital model, combining digital innovation with an effective physical presence network, which has 793 offices in Moscow, Russian regions and abroad, 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.

According to IFRS financial statements for 2020, the Alfa Banking Group, which comprises ABH Financial, AO «ALFA-BANK» as well as its subsidiary financial companies, had total assets of USD 61.9 bn, gross loans of USD 42.7 bn, and total equity of USD 8.7 bn. Net profit was USD 1.3 billion.