

17 August 2021

Alfa-Bank Announces IFRS Results for the First Half of 2021

The Alfa Banking Group, which includes ABH Financial, AO «Alfa-Bank» and its subsidiaries, reported the IFRS financial results for the first half of 2021.

- Alfa-Bank earned record USD 905 million net profit. The growth was 53% vs.2020 (63.7% in ruble terms).
- Total comprehensive income for the period (including net profit and other comprehensive income) grew by 3.6 times to USD 942 million
- Modified return on equity including total comprehensive income reached the record level of 21%
- Total equity increased to USD 9.6 billion from 8.7 billion in 2020 due to total comprehensive income
- Net fee and commission income grew to USD 773 million – by 55.5% in dollar terms and 66.5% in ruble terms
- Net interest income increased to USD 1.2 billion, demonstrating 4.6% growth in dollar terms and 12% in ruble terms
- The loan portfolio grew by 8.5% excluding FX revaluation effect to USD 47.1 billion. According to IFRS 9, the share of “Stage 3” corporate loans in gross corporate loan portfolio decreased to 3.3% from 3.7% in 2020. Cost of risk declined to 0.2%
- Alfa-Bank confidently holds the third place in the retail lending market. The market share increased to 4.7% vs. 4.3% in 2020. The retail loan portfolio grew by 23.8% excluding FX revaluation effect to USD 14.8 billion
- The most impressive growth was in mortgage lending – 45.4% in ruble terms vs. 2020. Alfa-Bank took the 3rd place in Russia in terms of mortgage lending origination in June 2021.
- Customer accounts grew by 8.2% to USD 47.294 billion, current accounts increased by 15%
- Cost to income ratio was 36.9%

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

“The results are strong in all areas: we have almost USD 1 billion net profit in 1H 2021 and a record return on equity. The Group's capital is close to USD 10 billion. We took the 3rd place in Russia in terms of retail lending and the 3rd place in terms of retail customer accounts. The mortgage portfolio grew by 1.5 times.

Due to defined strategy, Alfa-Bank has been improving its performance from year to year. We are focused on building of Financial Super Service. Continuous investments in digitalization, scaling up the Phygital branch network, developing partnerships allow us to provide our clients with a new level of high quality service. Simultaneously, we continue to demonstrate profit-driven growth, without inflating costs. Our operating expenses are fully covered by net fee and commission income, that gives the bank additional steadiness and stability”.

Financial results overview

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 also significantly strengthened its market positions in all priority segments in 1H 2021:

- The number of active retail clients increased to 7.5 million
- The number of active clients of small and medium-sized businesses increased to 656 thousand
- The number of the Alfa-Direct platform clients grew by 2 times compared to the beginning of 2021 and by 5 times compared to the first half of 2020.

- Credit cards market share increased to 11.8% compared with 11.4% in 2020
- Retail lending market share grew to 4.7% vs. 4.3% in 2020
- Retail accounts market share expanded to 4.6% vs. 4.5% in 2020
- Corporate lending market share was stable - 4.7%

Net interest income increased to USD 1,158 billion, demonstrating 4.6% growth in dollar terms or 12.0% in ruble terms in 1H 2021. Net interest margin (NIM) decreased to 4.1% in the context of declining interest rates.

Due to continued growth of the customer base, net fee and commission income grew by 55.5% in comparison with 1H 2020 and amounted to USD 773 million (the 66.5% increase in ruble terms). The share of net fee and commission income in modified operating profit before provisioning amounted to 38.1% and the net fee and commission income coverage of operating expenses reached the record 103.1% level.

Net profit increased to USD 905 million in 1H 2021. Total comprehensive income for the period (including net profit and other comprehensive income) amounted to USD 942 million.

Total equity increased to 9.6 billion USD by 10.3% in 1H 2021.

Total assets of the Alfa Banking Group grew by 7.9% against the end of 2020 and amounted to USD 66.77 billion in 1H 2021. The increase of assets excluding FX revaluation effect amounted to 6.6%.

Loan portfolio before provisions increased by 10.2% to USD 47.079 billion compared with USD 42.714 billion at the end of 2020 (the 8.5% increase excluding FX revaluation effect).

Corporate loan portfolio grew by 4.1% to USD 32.286 billion (the increase 2.8% excluding FX revaluation effect).

Retail loan portfolio increased by 26.4% and amounted to USD 14.793 billion (the 23.8% growth excluding FX revaluation effect).

The loan portfolio quality improved. According to IFRS 9, the share of "Stage 3" corporate loans in gross corporate loan portfolio decreased to 3.1% from 3.7% in 2020. The share of "Stage 3" retail loans in gross retail loan portfolio increased to 3.7% from 5.0% in 2020.

Liabilities of the Alfa Banking Group increased by 7.6% to USD 57,201 billion in 1H 2021 (the 6.0% growth excluding FX revaluation).

Customer accounts grew by 8.2% to USD 47,294 billion (the 6.7% increase excluding FX revaluation). At the same time, current accounts grew by 15.0%, and their share in customer accounts grew to 69.6% from 65.5% in 2020.

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 18.7% and 17.0%, respectively, which guarantees stability and sustainability of the Banking Group.

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 01 April 2021 Fitch Ratings upgraded Alfa-Bank's Long-Term Issuer Default Rating (IDR) to 'BBB-' from 'BB+' with Stable outlook. Alfa-Bank is the only one Russian privately owned bank with the investment grade rating
- On 15 April 2021, S&P Global Ratings affirmed the 'BB+/B' long- and short-term issuer credit ratings on Alfa-Bank, revised the outlook to Positive from 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 April 2021 Expert RA affirmed the Alfa-Bank's national-scale credit rating at 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 first half 2021 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 870 thousand corporate clients and 19.8 million retail customers.

Alfa-Bank is developing according to the phygital model, combining digital innovation with an effective physical presence network, which has 491 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 the first half of 2021, the Alfa Banking Group, which comprises ABH Financial, AO «ALFA-BANK» as well as its subsidiary financial companies, had total assets of USD 66.8 bn, gross loans of USD 47.1 bn, and total equity of USD 9.6 bn. Net profit was USD 0.9 billion.