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**annual
report**

**Годовой
отчёт**

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The annual report was approved by the Annual Shareholders General Meeting of AO ALFA-BANK (Minutes No. 2-2021 of 30 July 2021).

Chairman of the Executive Board of AO ALFA-BANK

A handwritten signature in white ink, appearing to read 'А. Соколов', written in a cursive style.

Andrey Sokolov

Alfa-Bank

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Alfa-Bank 2020

26,008

• Employees

486

• Offices

7.3
million

• active retail
customers

631,000

• active corporate
customers

* According to the IFRS consolidated financial statements of ABH Financial Limited

\$8.67
billion

in equity*

\$1.35
billion

in net profit

\$42.7
billion

loan portfolio

\$61.85
billion

in assets

Alfa-Bank's awards and ratings in 2020

Awards

1.2020

A-Club received the Frank Private Banking Award 2019 in the Best Daily Banking in Private Banking in Russia category. The winners were selected based on Frank RG's extensive study, Private Banking in Russia 2019. The study entailed the analysis of private wealth management programmes at 11 Russian banks, interviews with private bankers, a survey of HNWIs, and benchmarking and analysis of tariffs for private banking products and services.

2.2020

For the first time ever, A-Club topped Euromoney's rankings in three categories. Euromoney recognised A-Club, Alfa-Bank's HNWI division, as the leading bank in three categories of its private banking rankings. A-Club was recognised as the absolute winner for Super Affluent Clients (USD 1 million to USD 5 million), Family Office Services and Research, and Asset Allocation Advice. Euromoney's rating is one of the most prestigious global financial services rankings.

2.2020

Alfa-Bank's mobile banking applications were once again recognised as the best in Russia. Alfa-Bank won the Golden App award in six categories. Alfa Mobile was recognised as the best in the Finance, Banking and Insurance category, while Alfa Business Mobile topped the Best Business App category and Alfa Direct (a mobile investment application) led in the Investment and Commerce category.

3.2020

Alfa-Bank received an award for the best ad campaign of the year. The ad campaign, featuring Vladimir Pozner, was recognised as the best at Banki.ru's annual Bank of the Year award. The jury praised Alfa-Bank's video clips featuring Vladimir Pozner, including the level of creativity, new brand positioning and active social media targeting.

Alfa-Bank won six prizes at the Crystal Headset Awards 2020, including the main prize in the Best Big Contact Centre category.

4.2020

Alfa-Bank was recognised as the best digital private bank by Marksw Webb. The panel of Marksw Webb experts gave high scores to the extended integration capabilities of Alfa-Bank services with clients' ERP systems, easy and functional payment and document log import systems, advanced online conversion and forex payments tracking features. Marksw Webb also highlighted the convenience of Alfa-Bank's systems for managing contracts and signing off on mass operations, as well as the Bank's powerful analytics and support chat.

5.2020

Global Finance recognised Alfa-Bank as Russia's best bank in 2019 at the World's Best Banks awards. "The high score from Global Finance experts confirms that Alfa-Bank is still the bank of choice for clients and investors in these challenging times", Vladimir Verkhoshinskiy, Chief Executive Officer, Alfa-Bank, commented. This year, Global Finance held the World's Best Banks award for the twenty-seventh time. Banks from over 150 countries took part in the contest.

7.2020

Alfa-Bank's mobile app was recognised as the most accessible for visually impaired users by USABILITYLAB. Fifteen Russian banks were ranked. USABILITYLAB's study showed that Alfa-Bank's mobile application had the most convenient design for visually impaired users. The rating's methodology used state standards and management recommendations on WCAG 2.1 web content management.

Alfa-Bank was ranked as a leading world bank for card payment processing. Alfa-Bank received the Visa Global Service Quality Award in the Highest Authorisation Approval Rate for individual debit cards and commercial debit cards categories in 2019. In these categories, Alfa-Bank ranked among the top six global banks. Visa also acknowledged Alfa-Bank in two CEMEA categories: Highest Authorization Approval Rate for Cross Border Consumer POS among Russian banks and Emerging Payment Adoption: Tokenization for high share of tokenised payments (Apple Pay, Google Pay, Samsung Pay, Garmin Pay) among CIS and SEE banks.

8.2020

Alfa-Bank received the prestigious Finaward from Bankovskoe Obozrenie (Banking Review) magazine for its 100 Day Interest-Free credit card. The jury appreciated the real 100-day commission-free period and the option to withdraw cash without commission. The card's other strengths include instant issuance in the mobile application (digital delivery) and same-day door-to-door delivery. Bankovskoe Obozrenie also awarded Alfa-Bank with a Blockchain Implementation in Finance award for a liquidity management project for a large corporate business enabled by the Waves Enterprise blockchain platform.

9.2020

For the second year in a row, the Russian Managers Association and Kommersant Publishers recognised Alfa-Bank CEO Vladimir Verkhoshinskiy as the best bank CEO in Russia, with Alexey Giyazov, Chief Marketing & Communications Officer, Alfa-Bank, and Ivan Pyatkov, Member of the Executive Board, Digital Business Director, Alfa-Bank, also ranking first. In total, Alfa-Bank's team won 11 awards.

10.2020

For the third year in a row, Alfa-Bank was ranked first by the Frank Premium Banking Award, outperforming such strong competitors as Tinkoff and Raiffeisen. Alfa-Bank was also recognised in the Best Investment Service Terms category. The Frank Premium Banking Award's ranking is driven by the premium banking market study performed by Frank RG analysts. Frank RG experts do extensive research, analysing the banks' premium service programmes in detail and polling thousands of clients across all major banks.

Vladimir Verkhoshinskiy, Chief Executive Officer, Alfa-Bank, was recognised as the best executive in Russia across all industries by the Russian Managers Association and Kommersant Publishers. The Top-1000 Russian Managers Award recognises best leaders across 21 industries and 12 functional areas ("Top Manager" is the main category). Vladimir Verkhoshinskiy has led Alfa-Bank since 2018. Under his leadership, Alfa-Bank has aggressively grown. During his time in office as the bank's CEO, Alfa-Bank acquired four million new private clients and almost doubled its corporate client base, onboarding 400,000 companies. Alfa-Bank has also launched a fully online mortgage issuance programme. The Bank has transformed its branch network under its new phygital concept.

11.2020

Alfa-Bank was named the 2020 Digital Leader, winning the Digital Leaders Award in two categories. The client facial recognition project in the Bank's phygital offices won in the Technology of the Year category. Phygital provides a brand-new customer experience: the new offices recognise clients' faces and assigns available managers or places them in a digital queue, and managers receive all required customer data on their laptops.

Alfa-Bank's new mobile application was acknowledged in the Transformation of the Year category. In less than a year, Alfa-Bank developers completely overhauled the app's design, interface, features. Alfa-Bank was the first to engage customers in the app development process: 6,000 customers discussed and tested each scenario and almost each feature.

12.2020

Alfa-Bank's mobile banking application was recognised as the best in Russia by Markswobb. This echoes Alfa Mobile's 2019 achievement, when it also came in first, well ahead of the runners-up. "In 2020, we completely redesigned our app. In doing so, we were the first in the country to engage more than 6,000 of our clients in the development process," Ivan Pyatkov, Member of the Executive Board, Digital Business Director, Alfa-Bank, noted. Markswobb has published the mobile bank rating since 2013 based on extensive research.

Credit ratings

4.2021

On 29 April 2021, Expert RA confirmed Alfa-Bank's rating of AA+(RU) with a stable outlook.

On 15 April 2021, S&P Global Ratings confirmed Alfa-Bank's long-term and short-term ratings of BB+/B, with outlook upgraded from stable to positive. According to the agency, Alfa-Bank continues to demonstrate high profitability, while capitalisation indicators with asset quality are expected to remain above market-average.

On 1 April 2021, Fitch Ratings promoted Alfa-Bank's long-term foreign and national currency default rating from BB+ to BBB- and the short-term foreign and national currency default rating to F3 from B with a stable outlook. Alfa-Bank is the only private Russian bank to have received an investment-level rating. Fitch notes stable asset quality, adequate liquidity and capital reserves, and strong financial and operational performance at the end of a challenging year.

10.2020

On 30 October 2020, AKRA confirmed Alfa-Bank's credit rating of AA+(RU) with a stable outlook.

2.2019

On 12 February 2019, Moody's Investors Service upgraded the long-term rating of Alfa-Bank foreign currency deposits from Ba2 to Ba1 with a stable outlook and the long-term rating of counterparty risk from Ba1 to Baa3. This rating is current.

Board of Directors



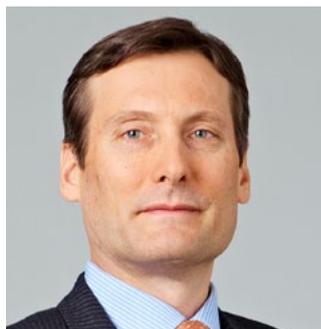
Petr Aven,
Chairman of the Board of Directors



Oleg Sysuev,
First Deputy Chairman of the Board of
Directors, President



Marat Atnashev,
Member of the Board of Directors



Andrew Baxter,
Member of the Board of Directors



Vladimir Verkhoshinskiy,
Member of the Board of Directors, Chief
Executive Officer, First Deputy Chairman
of the Executive Board, Member of the
Executive Board



Alexander Galitsky,
Member of the Board of Directors



Andrei Kosogov,
Member of the Board of Directors



Artem Leontev,
Member of the Board of Directors



Alexey Marey,
Member of the Board of Directors



Sergey Matsotsky,
Member of the Board of Directors



Mikhail Fridman,
Member of the Board of Directors



Oskar Hartmann,
Member of the Board of Directors

Executive Board



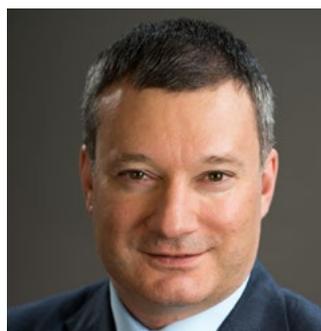
Andrey Sokolov,
Chairman of the Executive Board



Vladimir Verkhoshinskiy,
Member of the Board of Directors, Chief
Executive Officer, First Deputy Chairman
of the Executive Board, Member of the
Executive Board



Vladimir Voeykov,
Member of the Executive Board,
Medium Business Director



Mikhail Grishin,
Deputy Chairman of the Executive Board,
Legal Affairs and Distressed Asset
Management Director, Member of the
Executive Board



Denis Osin,
Member of the Executive Board,
Small and Microbusiness Director



Sergei Poliakov,
Member of the Executive Board,
Chief Information Officer



Ivan Pyatkov,
Member of the Executive Board,
Digital Business Director



Michael Tuch,
Deputy Chairman of the Executive Board,
Retail Business Director,
Member of the Executive Board



Andrew Chulak,
Deputy Chairman of the Executive Board,
Corporate and Investment Bank Director,
Member of the Executive Board



Alexey Tchouhklov,
Deputy Chairman of the Executive Board,
Chief Financial Officer, Member of the
Executive Board



THE TOTAL AMOUNT
OF GOVERNMENT
SUPPORT PROVIDED
IN RUSSIA WAS 6%
OF GDP OVER TWO
YEARS, WHICH IS
RATHER MODERATE
BY GLOBAL
STANDARDS

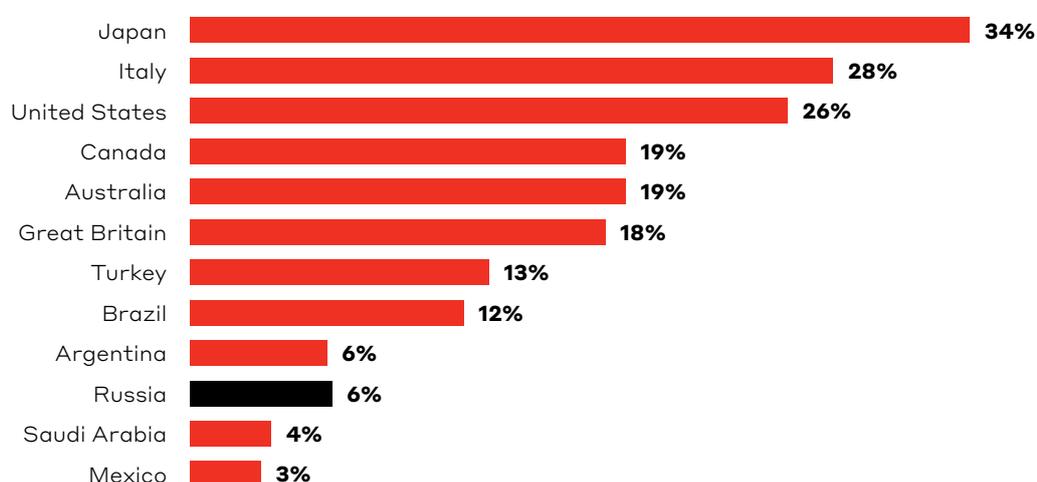
Review of the Russian banking sector in 2020

Economic environment in 2020

The decline in economic activity observed in 2020 due to the pandemic required strong economic support from the federal government. As in other countries, the Russian government announced a package of support measures, including tax holidays, support for employees in small and medium businesses, direct support to the most affected industries and a broad range of social support measures. The total amount of government aid provided in Russia amounted to 6% of GDP over two years, which is rather moderate by global standards (see Figure 1). This approach appears justified, taking into account the shock to the Russian budget from the drop in oil prices and oil-related income. Other leading oil exporters also provided moderate support to their economies. In 2020, the Russian federal budget ended with a deficit of 3.8% of GDP, while annual expenses from the federal budget increased by 25% year on year (vs. a planned budgeted increase of 6% year on year).

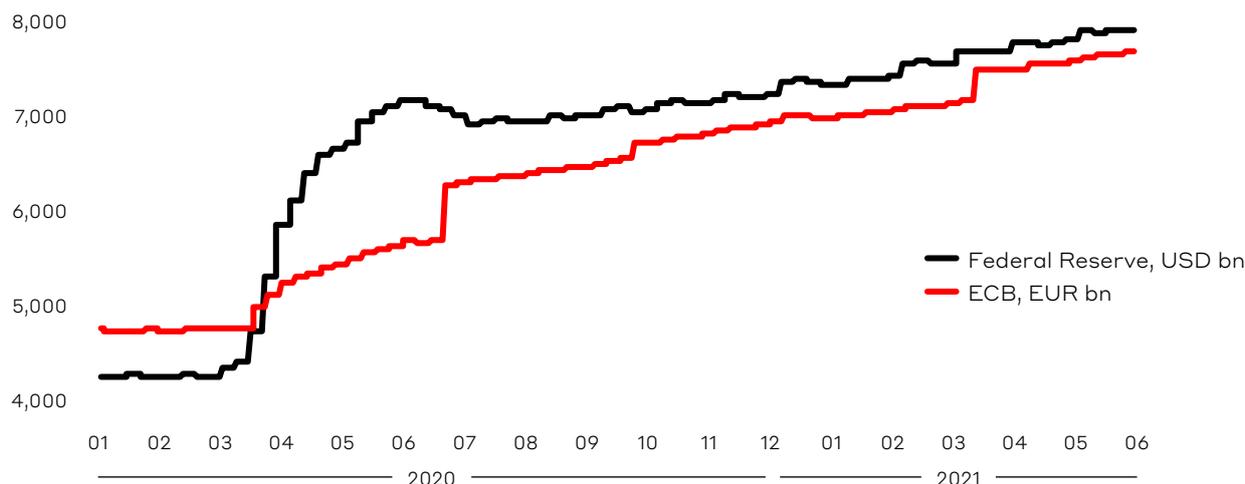
Along with the budget-related measures, monetary policy also played an important role in the economic environment in 2020. While the US Federal Reserve reduced interest rates and mature economies expanded the funds of their central banks using new programmes for direct asset buyout from the market (see Figure 2), the Russian Central Bank also eased its monetary policy. In early 2020, the Central Bank's key refinancing rate was 6.25%. By the end of 2020, it was at a historical minimum of 4.25% (see Figure 3), in alignment with the average decline of interest rates in emerging markets, to reflect the monetary authorities' underlying concern about stronger disinflationary risks during the pandemic.

Figure 1. Economic support packages, % of GDP



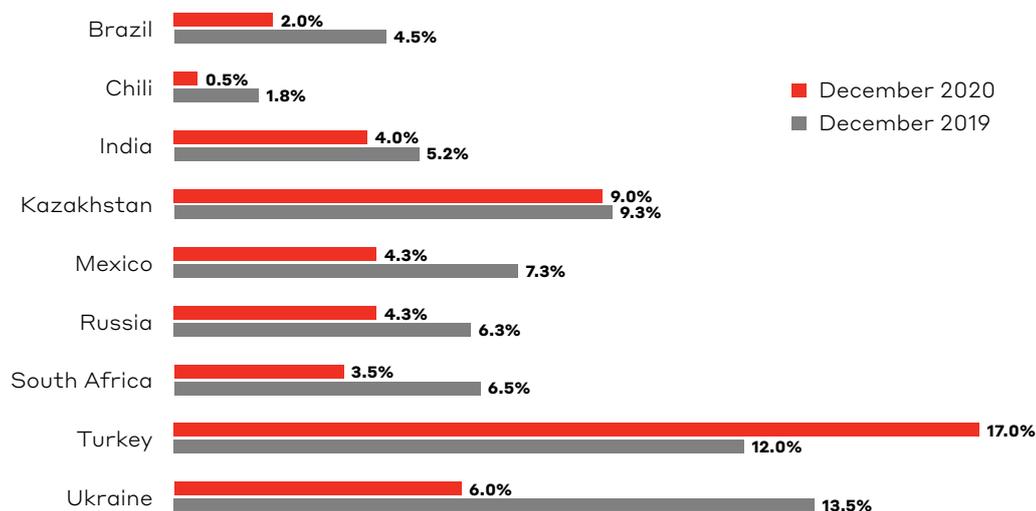
Sources: WEF, Bloomberg, Alfa-Bank

Figure 2. Balances of the Federal Reserve and European Central Bank, USD and EUR



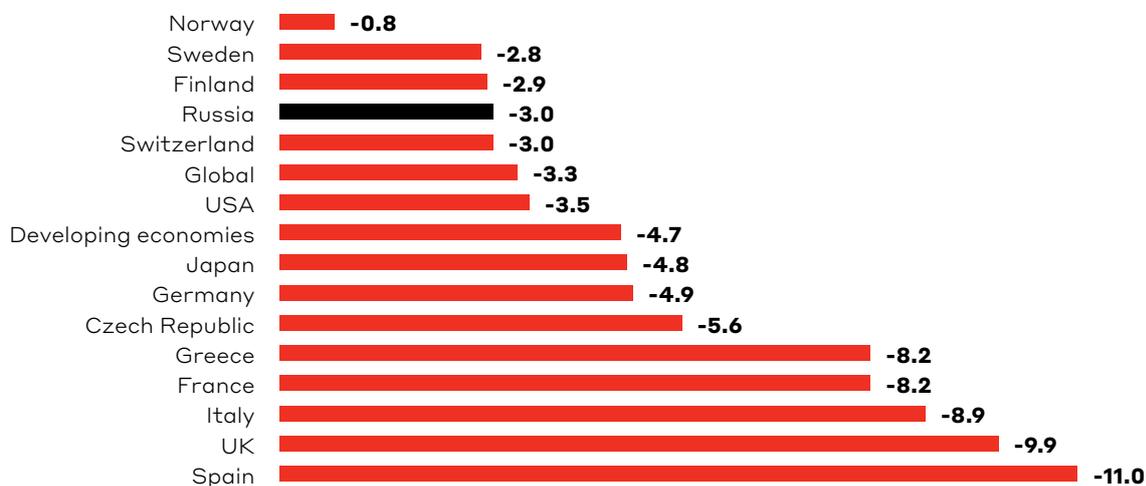
Источники: Bloomberg, Альфа-Банк

Figure 3. Central Bank's refinancing rate at the beginning and at the end of 2020, %



Sources: Bloomberg, Alfa-Bank

Figure 4. GDP in 2020, % year on year



Sources: IMF, Alfa-Bank

Economic indicators for 2020 suggest that the joint efforts of the Russian government and monetary authorities were not in vain. The Russian economy in 2020 contracted by only 3%, including a rather moderate decline in investments in equity of just 4.3% year on year.

The unemployment rate in 2020 was only 5.9%, although in the middle of last year it was between 6-6.5%. The population's actual disposable income shrank by 3.5%, which was better than the initial forecast. On the whole, despite the moderate size of the government support package, the drop in economic activity was one of the smallest among the world's major economies (see Figure 4), which once again showed that Russia was right to pursue a policy of floating exchange rates and budget consolidation.

Debt restructuring and movements in the loan portfolio

Along with direct government support measures and the efforts of the monetary authorities, economic measures included encouragement of debt restructuring for entities and individuals. In March 2020, the government announced state-funded debt restructuring programmes, and soon banks joined in with their own restructuring programmes based on a more detailed understanding of their clients' needs.

The priority target of debt restructuring programmes were small businesses that had suffered the most during the pandemic. The measures included concessional lending programmes developed by the Russian government, where the debt could be written off subject to certain conditions, and subsidised refinancing programmes with the Bank of Russia. By November 2020, RUB 75bn in loans were issued under this programme at an ultimate interest rate of 0%, while between April and November 2020, RUB 412bn in loans were issued at an ultimate interest rate of 2%. On the whole, in certain months during 2020, these programmes accounted for one-fifth of the total loans issued to SMEs. The Bank of Russia introduced a temporary mechanism to support lending to SMEs with a total limit of RUB 500bn. As at 1 October, this scheme helped to finance loans of RUB 475.4bn. Thanks to these measures, the portfolio of loans to SMEs grew by 23% year on year in 2020.

The government initiated a support programme for large entities as well. Under the programme, in April-September 2020, loans were issued for up to RUB 152bn. Along with the restructuring programme, the cost of debt servicing declined due to the larger share of financial instruments with floating interest rates. By the end of 2020, the share of rouble-denominated loans with a floating interest rate had reached about one-third of the total corporate loan portfolio.

The total amount of loans restructured by March 2021 since the beginning of the pandemic is estimated as 10% of total loan portfolio. This number includes loans of RUB 5.5tn to legal entities (or 15% of the corporate loan portfolio), RUB 0.9tn to SMEs (16% of the SME loan portfolio) and RUB 0.9tn to individuals (about 4% of the retail loan portfolio). In October 2020, about 27% of all restructured loans to large entities and SMEs were in the oil and gas or metals sector, and their financial positions improved with the recovery of global commodity prices. As a result, out of a total of RUB 7.3tn in restructured debt, only RUB 2.4tn were classified as credit products to borrowers in a vulnerable financial position. Hence, we can now say that about 70-80% of the total restructured loan portfolios will be serviced as usual.

Debt restructuring offered to borrowers affected by the pandemic caused the Russian banking sector to actively increase their loan portfolios in 2020, providing the economy with additional support and levelling out the risk of a credit crunch. In the retail lending segments in 2020, the loan portfolio shrank on a monthly basis only once, in April, after which growth continued, resulting in a 15% increase in retail lending in 2020 over 2019. The retail lending market grew to RUB 20tn or 19% of GDP, including mortgage loans amounting to 9% of GDP. In the corporate lending segment, the portfolio increased by 12% year on year, which is rather high on the back of the near zero credit growth recorded in 2019, showing that economic support measures via the banking segment were efficient.

Lower interest rates and inflow of cash from individual investors to the finance market

A significant and unexpected reduction in the Bank of Russia's key refinancing rate supported the lending business, leading to notable changes in retail funding through banks and reducing the appeal of long-term deposits. The effect was further amplified by the government's decision to introduce a tax on interest income from deposits of more than RUB 1m.

A valuable illustration of the changes is the continued growth in retail demand deposits. As at the end of 2019, the share of retail demand deposits and current accounts was 26%, the highest figure it had reached for the last 10 years. By the end of 2020, however, the share climbed to 37% (see Figure 5). The segment's nominal value increased by RUB 4.2tn in 2020. While demand deposits increased, term deposits shrank in volume. For example, rouble deposits with a maturity of more than one year declined in 2020 by 8% over 2019 or by RUB 0.9tn in nominal value. The share of deposits denominated in foreign currencies remained stable, at 20% of total retail deposits, representing fully justified expectations of high volatility in foreign exchange rates during 2020.

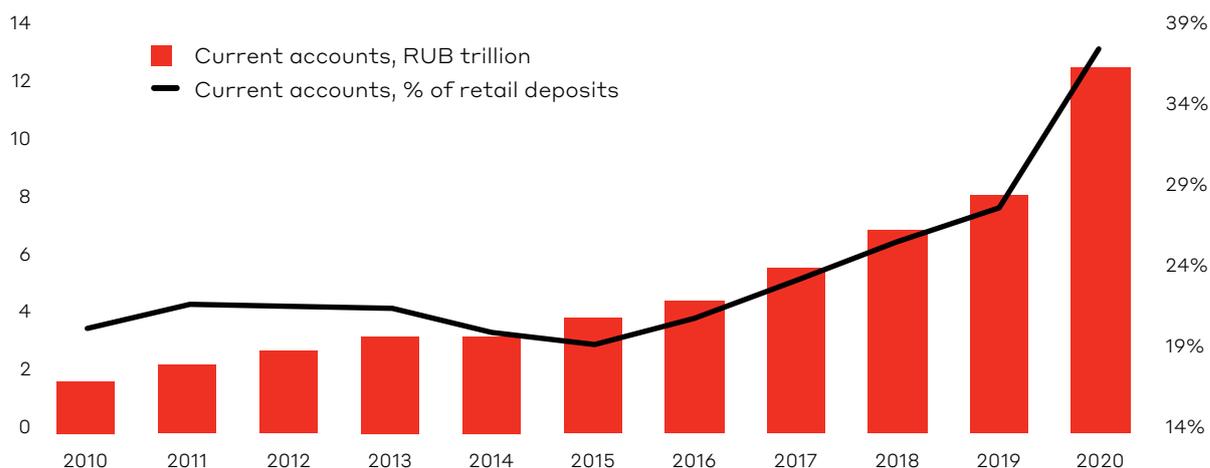
Shorter maturities for retail deposits and a shrinking deposit base were also accompanied by an increase of people's direct investments in financial instruments. The value of securities held by depositories on individual accounts reached RUB 5.3bn in 2020 (+45% year on year). The increase of investments less foreign currency and exchange rate revaluation according to the Bank of Russia accounted for RUB 1.3bn, which is comparable to an increase of RUB 1.6tn in rouble-denominated deposits in the banking system, and considerably larger than the RUB 0.8tn increase in investments in financial instruments in 2019.

The number of clients of brokerage services in 2020 increased 2.3-fold to 9.9m. According to the Bank of Russia, in 2020, 12% of the country's economically active population invested in financial instruments. According to surveys, this number could reach 17% in the next few years, while Western Europe and North America demonstrate that this segment has a further growth potential (see Figure 6). Two-thirds of the customers holding brokerage accounts are under 40.

The rise in institutional investments in financial markets can be considered a positive trend. With the dramatic increase in the number of individual investors, personal investment accounts constituted about 30% of total brokerage customers at the end of 2020, while accounts under trust management accounted for about 70%.

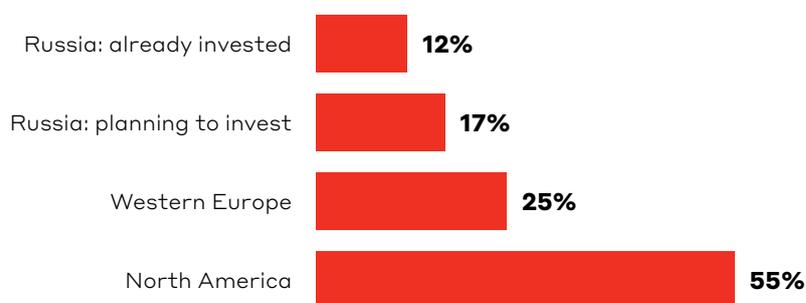
The share of personal investment accounts among new brokerage clients declined over the year from 47% to 21%, while accounts under trust management rose from 74% to 87%. The role of

Figure 5. Retail demand deposits and cash in current accounts, RUB trillion and % of retail deposits



Sources: Bank of Russia, Alfa-Bank

Figure 6. Share of the population investing in financial instruments



Sources: Bank of Russia, McKinsey, Alfa-Bank

personal investment accounts continues to decline. A year ago, every second brokerage account was opened as a personal investment account. By the end of 2020, this had fallen to every fifth account (this could be considered a positive trend). Data from the Bank of Russia also show continuing growth in the number of share account holders.

The pandemic and technological change

Obviously, the experience of 2020 will become an important milestone in the global banking industry transformation, including in Russia. The need to roll out financial support measures under force majeure circumstances intensified regulators' efforts to developing a concept for digital currencies across the world, including Russia. The main advantage of digital currencies is that they make it possible to transfer financial aid to digital wallets, which makes it more efficient to allocate budget support during a crisis. Moreover, digital technologies make it possible to provide financial help to groups of people that for various reasons have limited access to banking services. Therefore, digitalisation increases the potential coverage of social support measures. Digital wallets also enhance the efficiency of central bank policies, boosting the speed of monetary transmission.

For now, digital currency projects are in the early preparation stage. Among major economies, only two countries have launched major pilot projects (Sweden, driven by falling demand for cash, and China, which is considering the launch of digital yuans as an integration platform for numerous large projects, including foreign investments). Most of the world's central banks are still developing their policies on digital currency. According to Alfa-Bank's analysis of international settlements, digital currencies could account for as much as 20-40% of total cash in certain countries. On one hand, this suggests that the growth of digital currencies is inevitable. On the other hand, it means that the launch of such instruments should be gradual, in order to avoid undermining trust in traditional forms of payment and to protect financial intermediary institutions, i.e. banks.

The growth of digital currencies is part of the economic and technological transformation that was accelerated by the pandemic in 2020. For businesses, it may create significant savings in three areas:

1. decrease in office expenses as some personnel will continue working from home;
2. cost cutting as certain customer services will be provided online;
3. reduced cost of business travel.

In the meantime, competition for customers will involve larger investments in new technologies, leading to more consolidation in several economic segments. This is especially true for the banking sector. In recent years, the Bank of Russia has reduced the number of banking institutions, leaving 366 banks in Russia as of January 2021. Although the consolidation of the banking sector has slowed down, the downward trend in the number of banking institutions will primarily be driven by the technological challenges of the new epoch for the next few years.

Report of the Board of Directors on Alfa-Bank's development in priority business areas

As we present the Alfa-Bank 2020 Annual Report, we should note that this was a challenging year. Nevertheless, Alfa-Bank was able to maintain strong results and use the crisis to its benefit, as demonstrated by the Bank's key financial performance indicators. The Bank's capital increased by USD 600m, reaching USD 8.7bn. Net profit, meanwhile, was a record-breaking USD 1.35bn. The Bank's total assets and loan portfolio increased, as did interest, fee and commission income. For the third year in a row, Alfa-Bank was the fastest growing large bank in Russia.

The prestigious international journal, Global Finance, has highlighted our leadership in the Russian market, for good reason. Crises create opportunities to gather the best solutions from previous years and outpace competitors who were unprepared for rapid change.

In 2020, we launched a transformation of our office network based on the phygital model, deployed a client-friendly biometric system and completely redesigned the mobile app, all while maintaining a leading position in the Markswebb ranking.

Despite the pandemic, the Bank increased the volume of its loan portfolio to USD 42.7bn. We rank third in the retail lending market, while our share of the credit card market has grown to 11.4%. We narrowed the gap with the competition and became one of the three leading banks in terms of mortgage growth.

Alfa-Bank marked its 30-year anniversary in 2020. Our Bank is the same age as modern Russia. We have overcome multiple crises, emerging stronger every time, thanks to our culture of responsibility, years of risk assessment expertise, flexibility and speed of decision-making. For three decades, even during the good years, Alfa-Bank has been guided by the question "What if another crisis hits tomorrow?"

This year, Alfa-Bank rose to the task again, crafting effective responses to external challenges, bridging the gap with our competitors and gaining significant momentum to push us into 2021. Alfa-Bank remains true to its mission of being the country's best bank, bringing together innovations and human interactions with the customers. We are convinced that this momentum will help Alfa-Bank drive forward the entire Russian finance market, setting new service quality standards in digital channels and in the physical banking network.

STRONG
PERFORMANCE
IN 2020 — THE RESULT
OF RIGHT DECISIONS
DURING THE
PANDEMIC

Address of the Chief Executive Officer

Alfa-Bank's strong performance in 2020 was a direct result of the decisions we took during the pandemic. In spring, we quickly re-organised our operations, shifting our employees to remote work and reducing costs without resorting to employee terminations. We kept the entire team together while maintaining our efficiency. Certain processes were even accelerated, largely thanks to our flat management structure, mature communication system and absence of bureaucracy.

Today, Alfa-Bank's cost to income ratio is at a historic low, and our fee and commission income fully covers our operating expenses.

The crisis provided additional confirmation that we chose the right strategy. Alfa-Bank started to invest in digital infrastructure many years ago. When the lockdowns were announced, we were ready. Even before the pandemic, 85% of our clients regularly used our mobile app—for them, the lockdown hardly changed anything. As for other clients, our branches remained open and we did not close a single office.

Back in winter, we were delivering credit cards in 35 towns and cities, and in spring, with the help of our partners, we started delivering them to 900 more. Our online mortgage programme was launched half a year before the pandemic started. In spring 2020, clients could apply for and receive a mortgage without stepping into one of our offices. Using the concessions from the Central Bank, we enabled small and medium businesses to open accounts remotely. We quickly got involved in government support programmes and offered repayment holidays to our clients.

Given our performance during the COVID crisis, we decided not to postpone any of our strategic projects. As promised, we launched a phygital network of branches in Moscow and other regions. By increasing investments, Alfa-Bank was able to regain leadership in digital channels, with the highest rankings for mobile apps and internet banking for business clients. Alfa-Bank is number one among universal banks in terms of the share of retail customers active in the mobile app.

We also benefited from the quiet period in the labour market to strengthen our digital team. We wasted no time and continued working, digitalising more and more processes. Despite the crisis, the pace of product development at Alfa-Bank has only picked up.

Alfa-Bank's transformation into a phygital organisation is important not only for clients, but also for employees. We are opening co-working spaces in Moscow and in other regions. The new offices contain public areas, multi-level food courts, meeting rooms and free fitness clubs. Last year, we opened our corporate university, Alfa-Academy, which operates both offline and online.

We have adopted a radically new approach to organising our operations. Some of our staff continue to work in the office fulltime, some work remotely, while most employees do a mixture of both. Alfa-Bank was also one of the first to hire regional developers remotely. We open doors for the most talented experts in Russia and around the world: "It does not matter where you are. If you are the best, we want you at Alfa-Bank".

Strategic initiatives

In 2019, the Board of Directors approved Alfa-Bank's current three-year strategy. We focused on three key initiatives—best mobile bank, first paperless bank and next generation network—and set a goal to become a leader in each area.

We achieved our strategic goals ahead of schedule and approved a new strategy.

Below are the results from executing the current strategy.

1. Next generation network

In 2019, Alfa-Bank developed a concept for the Bank as a next generation network. By the first half of 2020, despite the pandemic, the Bank launched a network of phygital branches where clients receive personal contact and quality digital services.

When a client enters the bank, we identify them biometrically. Employees with tablets approach the client and help them with their questions.

What's new in our phygital offices:

- **Biometrics.** The office uses facial recognition to identify clients (if the client has provided their consent in advance). The client need not look into a camera. When the client enters the office, the system will provide the employee with all the relevant information, including the client's name, bank services used, problem they want to solve and what they may be interested in. The facial recognition programme is 98% accurate.
- **Visit planning.** The mobile app shows users how busy their local branch is and to choose the most suitable time for a visit.
- **No paper.** All documents are signed and kept on a smartphone. Each office will save up to 10 tonnes of paper per year.
- **No staff counters and no separate work zone.** Clients and employees can choose a convenient area in the office and discuss their questions in comfort.

"In recent years, banks have radically improved their digital channels, while their client offices have remained the same and become indistinguishable from one another. Each major bank has tried to open a branch of the future, a kind of showroom for innovation in the banking sector. In contrast, what we created demonstrates what bank offices will actually look like and how they will be operating very soon", noted Vladimir Verkhoshinskiy, Chief Executive Officer, Alfa-Bank.

In September 2020, we started rolling out the phygital format in the regions. "The phygital transformation of the bank's branches has moved beyond Moscow. This is a critical step, as our regional clients now also have access to the most advanced banking services. Soon, everyone will be able to appreciate the advantages of phygital, and I hope that our example will inspire other Russian banks to upgrade their offices. From the reactions of our clients, we can see that this is an incredible breakthrough for regional cities. We are setting the example for the entire market", said Yulia Mikhailova, Head of the Network Management Department, Alfa-Bank.

The next generation network is more efficient. Alfa-Bank has around the same number of offices as two or three years ago, while our customer base has doubled. Every day, 30,000 to 50,000 people walk into our offices. That's a million or a million and a half people per month—the population of a large city. There is still strong demand for our physical network. Even during the pandemic, despite the risk of infection, people wanted to come to our offices. We expect the Alfa-Bank network to become even more efficient as we expand the phygital network.

2. Best mobile bank

In 2019, the Alfa-Bank mobile app was recognised as the best in Russia by Marksw Webb in 2019. Despite being on top, we completely redesigned the app and were the first bank in the country to engage 6,000 of our clients in the development process. We conducted 50 in-depth interviews, seven design sprints and 17 usability studies, producing more than 340 ideas. Each scenario and interface was tested with our clients.

In 2020, Alfa-Bank's app was again recognised as the best by Marksw Webb. This time, we left the competition even further behind.

One of our main priorities has been to make the app accessible for people with impaired vision. In 2020, we were rated number one for vision-impaired users.

3. First paperless bank

Today, 60% of all lending transactions at Alfa-Bank are paperless. We sign fewer physical documents whenever it is allowed by Russian law and convenient for our clients. Our mobile app uses electronic signatures, while our banking for business platform uses qualified electronic signatures. By using facial biometrics and digital signatures, we are saving 70 tonnes of paper per year.

Prompts and settings in the mobile app nudge clients to use virtual payment systems instead of plastic cards. Millions of Alfa-Bank clients are already making payments just from their smartphones. It takes just a few seconds for clients to register in our biometric voice recognition service, making even more banking services available to the clients without the need to visit the bank.

Even in a branch office, our employees can work with clients to resolve any type of issue using just a phone and a tablet. Each Alfa-Bank phygital office saves up to 10 tonnes of paper per year. At the moment, we have 20 phygital offices, and we will transform more than 400 over the next two years (our entire network).

We use eco-friendly packaging for delivering cards to clients. We use eco-materials and soy ink instead of petroleum-based ink, reducing the amount of unnecessary paper. This enables us to save 29 tonnes of paper every year.

- The envelope is made from eco-materials. The paper for the envelope is certified by the Forest Stewardship Council, meaning that no trees were cut down in the manufacturing process.

- The ink contains no petroleum product. Instead, we use soy ink, which emits no harmful substances and evaporates completely within a year. No ink is used on the face of the envelope.
- Banks usually send a whole stack of paper along with new banking cards. We cut out unnecessary text whenever possible. As a result, we send only three sheets of paper. As soon as the law will allow us to forgo paper documents, we will stop using packaging completely. Nothing is more eco-friendly than a complete lack of packaging.

We have launched several other eco-friendly consumption initiatives. For example, we started producing pens from processed plastic cards. They appeared in our new merchandise collection that was issued just before the New Year. We recycle not only our cards, but other banks' cards, too.

Full-year financial results

In 2020, Alfa Banking Group again demonstrated strong financial results, confirming the sustainability of its business model.

The key results reported in the Bank's IFRS financial statements were as follows:

- Net interest income increased to USD 2.27bn, demonstrating 0.8% growth in USD or 12.4% in RUB.
- Net fee and commission income increased to USD 1.24bn, up 18.9% in USD or 32.5% in RUB.
- Net profit reached USD 1.35bn. Total comprehensive income amounted to USD 903m.
- The Group's equity increased from USD 8.1bn in 2019 to USD 8.7bn in 2020.
- The loan portfolio increased by 22% (unadjusted for foreign currency revaluation) and totalled USD 42.7bn. The retail segment increased by 33.8% (unadjusted for foreign currency revaluation), reaching USD 11.7bn.
- CIR improved from 41.9% in 2019 to 36.7% in 2020.
- The number of active individual customers increased by 1m to 7.3m.
- The number of active SME customers increased to 627,000 from 540,000 at the beginning of the year.
- The number of customers on the Alfa-Direct platform increased 3.5 times, reaching 450,000 customers.

Alexey Tchoukhlov, Deputy Chairman of the Executive Board and Chief Financial Officer, noted: *"Over the crisis year, we attracted about 1 million new active individual customers and 100,000 SME customers. This is a key metric for us. The pandemic will end, but customers' trust will stay with the bank for years to come. The share of bad debt did not increase in 2020. Moreover, the bank's sustainability is supported by a highest-ever level of coverage of operating expenses with net fee and commission income. CIR is consistently improving. In 2020, it dropped to 36.7%, thanks to our conscientious approach to cost optimisation on the back of a simultaneous increase in operating income"*.

Review of key financial indicators

In 2020, net interest income increased to USD 2.27bn, an 0.8% increase in USD or 12.4% in RUB. With interest rates declining, net interest margin (NIM) shrank to 4.2%.

Due to continued growth in the customer base, net fee and commission income grew by 18.9% over the previous year to USD 1.24bn. In RUB, growth was 32.5%. At the end of 2020, the share of net fee and commission income in operating income before provisioning (including comprehensive income) was 35.5%. We are traditionally a leader in this indicator. Coverage of the bank's operating expenses by net fee and commission income at the end of 2020 was an unprecedented 96.8%.

The Banking Group's net profit reached USD 1.35bn in 2020. Total comprehensive income amounted to USD 903m, including translation differences within other comprehensive income caused by the weakening of the rouble.

Alfa Banking Group's equity increased during the reporting period by 6.5% to USD 8.67bn.

The volatility of the rouble exchange rate observed in 2020 had a significant impact on movements in balance sheet metrics. As at 31 December 2020, Alfa Banking Group's total assets increased by 4% over the previous year to USD 61.85bn (asset growth unadjusted for foreign currency revaluation was 16.5%).

The loan portfolio before provisioning grew by 7.2% to USD 42.71bn, from USD 39.84bn at the end of 2019 (a 22% increase unadjusted for foreign currency revaluation). The corporate loan portfolio grew by 5.5% to USD 31.01bn (a 17.9% increase unadjusted for foreign currency revaluation). The retail loan portfolio went up by 12.1% to USD 11.71bn (a 33.8% increase unadjusted for foreign currency revaluation).

The quality of the loan portfolio remains high. At the end of the year, Stage 3 corporate loans accounted for 3.7% of all loans in the portfolio, dropping from 4.1% at the beginning of the year, while bad retail loans increased from 4% of the total at the beginning of the year to 5% at the end.

As at 31 December 2020, Alfa Banking Group's liabilities increased by 3.6% to USD 53.18bn (17.5% growth unadjusted for foreign currency revaluation). Customer accounts increased by 5.5% to USD 43.71bn (19.9% growth unadjusted for foreign currency revaluation). Current accounts increased by 31.1% in USD. Current accounts' share of customer accounts increased from 52.7% at the end of 2019 to 65.5%. Retail demand deposits had a market share of 9.8%, evidence of the high degree of customer confidence in the Banking Group as one of the largest financial institutions in Russia.

Basel III capital indicators are maintained at a high level. Total capital and tier 1 capital adequacy ratios were 17.8% and 16.4%, respectively, which provides stability and sustainability for the Banking Group.

Situation in the industry and full-year results by business line

The Alfa-Bank Group remained the largest Russian private bank in terms of total assets, total equity, loan portfolio and deposit portfolio. In 2020, the Banking Group maintained its market positions in all key lines of business:

- The number of active individual customers increased to 7.3m.
- The number of active SME customers increased to 627,000 from 540,000 at the beginning of the year.
- Alfa-Bank remained third in the retail lending market, expanding its market share to 4.3% from 3.7% in 2019.
- The Bank's share of the credit card market reached 11.4% (vs. 10.9% in 2019).
- The Bank's market share of retail customer accounts was 4.4%.
- The Bank's market share in corporate lending increased to 4.7%.

The Alfa-Bank team focused on maintaining the profitability and efficiency of each business line, leading to impressive results.

Retail business

The past year was a resilience test for all business lines, but especially for retail. It was essential to react quickly and offer solutions that would enable the customers to survive the pandemic with confidence. We successfully addressed the challenges and enjoyed active growth in key business areas.

In April, Alfa-Bank launched an assistance programme for customers affected by the coronavirus pandemic. Several million of our customers were given the opportunity to not repay the principal on their credit card loans. They would pay only the interest, reducing the amount of payments to 75%.

During the pandemic, the Bank improved its daily banking conditions and made the flagship debit Alfa-Card completely free-of-charge. Clients no longer need to pay for issuance and service.

Alfa-Bank's credit card "100 days without %" received a FINAWARD for its 100-day grace period with the option to withdraw cash without commission. The card's other strengths include instant issue in the mobile application (digital delivery) and same-day delivery.

The Bank extended the validity periods of expired cards and started delivering consumer loans in more than 40 of Russia's largest cities. Bank representative visited the customer's home address, helped sign documents and install the bank's mobile app, and issue and help activate their debit cards. In the fourth quarter of 2020, cash loans reached a historic high of RUB 113bn, an increase of 35% over 2019.

In the second quarter of 2020, we focused on credit risk control due to the pandemic. However, as the situation improved, the Bank recovered active lending and significantly increased its loan portfolio by the end of the year. According to the IFRS consolidated financial statements of ABH Financial of December 2020, the Banking Group's retail portfolio was RUB 865bn in the rouble equivalent, following an increase of 33.4%. The quality of the loan portfolio remains high.

The number of active individual customers increased by 1.1m to 7.3m as at the end of 2020. Alfa-Bank remained third in the retail lending market, expanding its market share to 4.3% from 3.7% in 2019. Alfa-Bank's share of the credit card market was 11.4% vs. 10.9% in 2019, and 4.4% of the market in retail customer accounts.

The mortgage business was one of the most successful areas of the Bank's retail business. During the crisis, Alfa-Bank bridged the gap with its competitors and had one of the three fastest growing mortgage portfolios among major mortgage banks. In 2020, Alfa-Bank also had the fastest growing mortgage sales among the 10 leading commercial banks.

At the end of 2020, the Bank's mortgage portfolio was RUB 227bn with monthly sales of RUB 165bn. Thanks to the repayment holidays that we launched during the pandemic, the level of overdue debt under mortgage contracts fell to just 0.3% of the portfolio, a historic low.

In spring 2020, Alfa-Bank closed its first digital mortgage transaction. The clients were able not only to submit the application but also sign the loan agreement from home. The launch of digital transactions has helped to strengthen the bank's leadership positions and increase the customer portfolio base, despite the pandemic. Digital transactions in 2020 reached RUB 4.5bn, which is equal to 15% of partners' sales.

Alfa-Bank was the only bank in the market that did not close any branch offices during the pandemic. The development and rollout of hybrid processes allowed us to restore customer flows in no time.

The first Alfa-Bank phygital office opened for business in summer, giving customers a combination of personal contact and quality digital services. The Bank uses a biometric facial recognition system whereby a digital panel reads the client's biometrics (with the client's consent), passes the results on to the managers and organises the queue automatically for speed and convenience. Clients and employees can choose a suitable area in the office to discuss their questions in comfort. The transformation to phygital was launched in 2020, including in the regions.

In 2020, Alfa-Bank strengthened its position as a paperless bank by adopting digital signatures. Three out of four documents are now signed with digital signatures, saving our clients' time and maintaining our commitment to sustainability.

Several operations, such as account or card closure and change of address, were shifted online, improving the customer experience, especially during the pandemic. Now there is no need for customers to visit the office for many everyday operations. We also introduced several breakthrough solutions in organising office operations. For example, our Employee One-Stop Shop helped to increase the speed of operations almost by 50%.

In 2020, Alfa-Bank strengthened its position among the top three leaders in the payroll market, according to Frank Research Group. The Bank's has more than 2 million active payroll clients. This was achieved thanks to the launch of a new sales model in synergy with corporate business lines. Alfa-Bank was the first among Russian banks to introduce daily salary accrual (which can be activated directly from the mobile app) for its payroll customers.

We put a great deal of effort into coordinating with government offices to bring ministries and government agencies in payroll projects. We signed agreements with the Governors of

Leningrad, Perm, Rostov-on-Don, Irkutsk, Kemerovo and Kaluga regions, the Education Department of Moscow, the Russian Ministry of Energy and the All-Russian State University of Justice.

The Bank has also made it a priority to develop new partnerships. In spring 2020, Alfa-Bank and Beeline announced a long-term partnership on technological integration, launching a series of co-branded bank cards with unique offerings (for example, new clients receive a generous credit limit with such cards).

Thanks to the partnership programme, we now have a presence in more than 900 cities, covering the main regions with our own branches (106 cities) and partner outlets.

The bank's achievements with premium clients are worthy of mention, as well.

In 2020, the Affluent customer base increased by 28% to 450,000. Over 170,000 are already members of the Premium programme.

Alfa Premium was recognised as the best in the country for the third year running and received the prestigious Frank Premium Banking Award 2020. It also received its first Best Investment Proposal nomination. Over the past year, we reorganised how we work with our partners. Our portfolio investment proposal led to a more than 80% increase in customer investment volumes.

The number of customers who use the Alfa-Investments app increased 3.5 times over the year to 450,000, which ensured growth potential in the investment market. One of our priorities for 2021 will be developing the bank as the best investment house with advanced expertise.

Our key focus in 2021 is the development of financial super services. We will seek the highest recognition from our customers in all lines of business.

We believe that the optimal combination of digital and physical experience is essential for success in modern business. That is why Alfa-Bank will continue to deploy its next generation phygital network.

We are focusing on meeting the needs of our clients and on expanding our customer base, including through partnerships. We are developing new ways to attract customers, preparing pre-approved offers for the maximum number of creditworthy Russians.

We are prioritising our next generation model and improving decision-making based on all client data available to us. We are coming up with new ways to issue loans, offering several credit products as a package, taking into account the client's wishes and the benefits to the Bank (e.g. mortgage + credit card). A new credit product for car loans will be added to existing range.

A-Club

A-Club is Alfa-Bank's private banking service that works with high net worth customers. In 2020, A-Club demonstrated significant growth and was showered with several prestigious global awards for its development of client services.

The international journal Euromoney recognised A-Club as the winner in three areas of private banking. A-Club was named the leading bank in the super affluent customers (USD 1 million to USD 5 million), family office services, and research and asset allocation advice categories. Euromoney's rating is one of the most prestigious global rankings in the financial services segment.

Alfa-Bank received ZA'S Russia Wealth Management Awards in two categories. A-Club was named the most dynamically developing private bank in the country, and A-Club's Head of Investment Consulting, Evgeny Kochemazov, was recognised as the year's best investment consultant.

A-Club increased its asset holdings by 38% to RUB 613bn (or by 15% to USD 8.4bn). The investment business demonstrated explosive growth. The penetration of investment products among A-Club customers reached 51%, and the total investment portfolio increased by 59% to RUB 277bn (or by 33% to USD 3.7bn). Despite some decline in client activity, net profit reached RUB 2.1bn (35% growth over 2019). A-Club's customer base also increased, thanks to the high level of engagement with the retail customer base.

The year was marked by a record number of joint transactions in the corporate investment division in Alfa-Bank and Alfa-Capital. For example, the CIB-structured product group offered A-Club customers an innovative investment product, with structured notes deals closed within one banking day (daily notes). As a result, about 300 structured notes were placed on individual terms. This approach is unique in the Russian market and enables the Bank's customers to receive the fastest and most lucrative investment offers.

Despite the uncertainty that characterised 2020, the A-Club team mobilised and delivered on its client strategy to drive growth.

In March 2020, A-Club gave new clients a year of free service as part of a special offer. It was enough to join A-Club before 1 July 2020 and keep at least USD 500,000 under the Bank's management (in Moscow), which is half of the usually required amount. A similar campaign was launched in the regions.

Thanks to the digitalisation of services and new remote services in the high net worth segment led by A-Club, the Alfa-Bank team attracted 20% more new target customers with a net worth above USD 1m in 2020.

Practically all of the Bank's services are available online, regardless of the client's location. More than nine out of ten customers use digital services.

In 2020, A-Club launched a private Telegram channel for clients devoted to discussions of current investment trends, international news digests and a series of live streams on YouTube. Global events in 2020 influenced customers' preferences for industries to invest in. Investors are primarily interested in the technology, telecom, environmental and healthcare segments. A-Club shared its expertise with clients and conducted a course on venture investments presented by experts from

Silicon Valley, including Stanford University professor Ilya Strebulaev. One of the strategic objectives of A-Club for 2021 is to add venture investment solutions to its product range.

A-Club also expanded its geographical footprint. In December 2020, A-Club opened a new dedicated office in Kazan, increasing its total number of offices to 16.

In 2020, A-Club received the prestigious Frank Private Banking Award 2019 for best daily banking in the Russian private banking market. The winners were selected based on an extensive study of private banking in Russia 2019 by Frank RG. The study analysed private equity service programmes at 11 Russian banks, conducted expert interviews with private bankers and online surveys of high net worth individuals, and benchmarked and analysed fees for private banking products and services.

A-Club is planning to continue developing investment services to become the most popular investment platform for high net worth individuals in Russia. We are also planning to expand our regional presence.

Large corporate and investment business

Traditionally, Alfa-Bank has been among the leaders in corporate lending, and the Bank continues to improve its performance in this segment. In 2020, the corporate loan portfolio increased by 5.5% to USD 31bn (17.9% growth unadjusted for foreign currency revaluation), while the Bank's share of the corporate lending market increased to 4.7%.

Alfa-Bank's strong capital positions, flexibility, speed, client focus and sectoral expertise have enabled the Bank to beat out state-run banks in the competition for major borrowers. We work with the leading names in the Russian economy, and our portfolio is one of the best in the market in terms of quality and diversification.

One of the key advantages of Alfa-Bank for corporate clients is its historical focus on unique structured financial solutions that extend the range of objectives and ensure maximum customisation.

Last year, Alfa-Bank broadened the options for its corporate customers, offering them unique solutions for venture and M&A financing. The Bank's portfolio of complex structured transactions more than doubled in 2020 to USD 3.6bn.

- In July 2020, Alfa-Bank issued a six-year venture loan of RUB 3.7bn to IVI to support the company's further development and to solidify its market-leading position. The funding will help IVI continue to invest in its business and strengthen its leadership in the rapidly growing video-on-demand market in Russia.

"Alfa-Bank and IVI found an optimal, mutually beneficial transaction structure that fully meets the interests of both parties", said Andrew Chulak, Deputy Chairman of the Board and Director of Corporate and Investment Business, Alfa-Bank.

As a major creditor in the Russian economy, Alfa-Bank plays an important role in supporting government programmes.

- In November 2020, Alfa-Bank signed an agreement for a five-year loan with Russian Post for RUB 2.6bn at less than 3% interest under the Russian Ministry of Digital Development, Communications and Mass Media's concessional financing programme. The funding will be used for digital transformation projects at the Russian Post in 2020-2024.

"This is Alfa-Bank's first transaction under the concessional lending programme of the Russian Ministry of Digital Development, Communications and Mass Media. We always make our best effort to use every opportunity offered by government programmes to provide our clients with optimal terms of financing while supporting the special-purpose projects", says Andrew Chulak, Deputy Chairman of the Board and Director of Corporate and Investment Business, Alfa-Bank.

- In November 2020, Alfa-Bank and EFKO Group, one of the largest food companies in Russia, signed a loan agreement for a two-year revolving credit facility of USD 70m. This cash will be used to maintain the exporter's working capital.

Funding was provided with insurance coverage by the Russian Export Insurance Agency (EX-IAR) to support exports of non-commodities. *"The credit facility issued by Alfa-Bank will provide the company with the necessary amount of liquidity and will support the delivery of its export contracts",* said Andrew Chulak, Deputy Chairman of the Board and Director of Corporate and Investment Business, Alfa-Bank.

Last year, Alfa-Bank drastically expanded its digital services for large corporate businesses, including by issuing international letters of credit through internet banking, launching the cross-border payment tracking service SWIFT GPI and ensuring access to import-export support functions through direct integration with the client's ERP.

In April 2020, Alfa-Bank was ranked among the top providers of digital banking services for large businesses by Marksw Webb. The agency's analysts assigned a high score to the extended integration capabilities of Alfa-Bank services with clients' ERP systems, easy payment and document log imports, and advanced online conversion and forex payments tracking features. Marksw Webb also highlighted the convenience of signing off on contract management and mass operations, as well as powerful analytics and support chat. Alfa-Bank was ranked second overall, which was the best result among Russian private banks.

Alfa-Bank has been a leader in adopting blockchain technology, which it runs across several different platforms, including Ethereum, Hyperledger Fabric and R3 Corda.

- In October 2020, Alfa-Bank connected to Contour, the international trade finance platform that links trade companies and banks and provides quick, reliable and transparent settlements against letters of credit. Issuing letters of credit is normally a time-consuming process with a lot of paperwork (it can take more than a week). The Contour service helps to reduce this process to one day and cuts the operating expenses of all parties involved by 20-30%.
- In December 2020, Alfa-Bank launched a blockchain-based service for corporate customers to help with all aspects of payments to freelancers. The amounts are automatically credited to the freelancer's card, no matter the bank. The service checks the status of each freelancer and then registers their income with the tax authorities.

The advantage of this service is that the payments to freelancers can be transferred to any bank (based on card or account details). This is convenient both for the company and for the freelancer. *"We created a fully digital experience for contacts between freelancers and the Bank"*, said Denis Dodon, Head of Alfa-Bank's Centre of Innovation.

- In March 2021, Alfa-Bank automated operations with freelancers for X5 Retail Group, a leading Russian retailer. Workers and couriers at the Okolo express delivery network and online hypermarket Perekrestok Vprok are now paid via Alfa-Bank's app.

Alfa-Bank also offers corporate clients a full range of settlement products, including factoring, trade finance and support of import/export.

In 2020, Alfa-Bank ranked second among Russian factoring companies. The Bank's portfolio increased by more than 80%, surpassing RUB 196bn. According to the Association of Factoring Organisations, the Bank holds an 18% market share.

In 2020, thanks to its strong momentum, Alfa-Bank secured more than a third of the growth in the entire Russian factoring market. The Bank has also taken a leading position (over 70% share) in international factoring. Alfa-Bank was able to double its factoring portfolio again in 2020. We quickly adapted to the new reality and were the first to enter the niches that opened up.

In December 2020, Alfa-Bank, Otkritie Factoring and Magnitogorsk Iron and Steel Works introduced a solution for the early payment of shipments via the KPMG marketplace. Using funds from factor banks, the solution helps companies get a discount from suppliers in exchange for early payments for goods or services. In turn, contractors and suppliers are assured that they will receive payment right away, which provides incentives for them to bid more actively and execute contracts more quickly.

Traditionally, the Investment Bank offers a wide range of services for all types of clients, including retail, corporate and institutional investors. Alfa-Bank provides investment consultations and arranges M&A transactions, public offerings on the debt market, syndicated lending, REPO transactions and risk hedging using various instruments, including complex structured ones.

Alfa-Bank's DCM team has extensive experience in organising local bond and Eurobond offerings for Russian and international companies. The Bank provides a full range of services in the debt market, including borrower analysis and transaction structuring, preparation and updating of issuing documentation, rating advice, and provision of technical agent services for offerings.

Our competitive advantages include specialisation in organising first issues (vanilla bonds, structured, subordinated), team expertise and collaboration with Alfa-Capital.

In 2020, Alfa-Bank increased its presence as an organiser of bond transactions. We have built an extensive dialogue with issuers. Six transactions were made in the Eurobond market (Sovcombank, TMK, KOKS, VEON, two Alfa-Bank placements), versus three in 2019. Out of 23 deals in the local market, 13 were underwritten through the trading book. Six of the deals were first issues, thanks to our team's work in seeking out new issuers. In 2020, several joint deals with Alfa-Capital were closed.

The bond market has seen growing interest from retail investors. Thanks to the launch of an on-line sales channel via the Alfa-Direct mobile app, we were among the leaders of organised retail demand for a number of transactions.

Despite a 50-60% contraction in the syndicated lending market in 2020, Alfa-Bank arranged several landmark deals.

- In March 2020, Alfa-Bank acted as the organiser, bookrunner, documentation agent and facility manager of a syndicated loan for Asaka Bank (Uzbekistan) worth EUR 100m. Investor demand has far outpaced the borrower's current need for financing and reached EUR 135m.

"Thanks to Alfa-Bank's experience in public offerings and established relationships with partners, we were able to attract a large pool of 19 lenders from the CIS, Western Europe and Asia to the syndicate, which is an all-time high for syndicated lending transactions banks in the CIS", stressed Andrew Chulak, Deputy Chairman of the Executive Board and Corporate and Investment Bank Director, Alfa-Bank.

- In July 2020, Alfa-Bank acted as the bookrunner, authorised lead organiser and facility manager of a syndicated loan for Belarusbank worth EUR 60m.

Participants included banks from Azerbaijan, Kazakhstan, Russia and the UK, as well as subsidiary financial institutions at international banking groups.

"Each transaction in the syndicated lending market was unique for our bank. In the current situation of high volatility in external markets caused by the COVID-19 pandemic and the widespread shift to remote work, we are grateful to our partner banks for their support and fruitful cooperation", said Alexander Polivko, Deputy Chairman of the Board, Belarusbank.

Alfa-Bank is well known in Russia and among major international banks as a leading player in the Forex market. A repeat winner at the best desk in the Russian Federation, Alfa-Bank is the largest in terms of business volume. Alfa-Bank's forex dealing offers corporate customers off-exchange inter-bank market quotes via its in-house trading platform, Alfa-Business Online and Alfa-Business Mobile, thus attracting many new customers. Alfa-Bank efficiently fulfils its customers' orders via the Alfa-Direct stock exchange terminal for operations with a wide range of stock and forward market assets of both Russian and foreign origin.

- In 2020, Alfa-Bank ranked first in Russia, Central and Eastern Europe and twenty-fourth globally in terms of trading volume in the foreign exchange market. In the 2020 Euromoney FX Survey, Alfa-Bank was the only Russian bank in the top 25, outperforming all the major banks and liquidity professionals in the region. Alfa-Bank is also a global leader in terms of growth, rising by 14 positions in the rankings.

"These results confirm that Alfa-Bank is a market maker in currency pairs involving the Russian rouble. Our price stream is taken by the largest banks in the world. At the same time, we compete with them in terms of liquidity as well. This allows Alfa-Bank to narrow the spread as much as possible and offer the best exchange rates not only in the interbank market, but also to our corporate and retail customers in Russia", says Alexander Krasny, Head of Foreign Exchange Department, Alfa-Bank.

Alfa-Leasing

Alfa-Leasing Group is a subsidiary of Alfa-Bank. Alfa-Leasing specialises in financial leasing services to large corporate clients, small and medium-sized businesses and individual entrepreneurs. The company leases railroad equipment, trucks and cars, special-purpose machinery and equipment. Alfa-Leasing is present in all major Russian cities and currently has 71 branches.

Alfa-Leasing operates in two main segments: corporate leasing, specialising in transactions from RUB 250 million, and car leasing, working with small and medium-sized businesses.

In March 2020, ACRA upgraded OOO Alfa-Leasing's credit rating to A+(RU), with a stable outlook.

Alfa-Leasing Group's net profit under IFRS in 2020 increased by 55.7% over 2019, reaching RUB 4.7bn. The volume of new business increased by 20% to RUB 71.6bn. Based on the Expert RA ranking, Alfa-Leasing ranked sixth in new business and fifth in leasing portfolio among major leasing companies in Russia in 2020.

The group's leasing portfolio reached RUB 168bn, representing 7% growth over 2019. The main share of property in the Bank's leasing portfolio is accounted for by railway equipment (37%), freight vehicles (30%), passenger cars (18.5%), specialised machinery (9.2%) and equipment (2.6%).

The Bank completed 22,700 leasing deals in 2020 with more than 14,000 customers.

Car leasing accounted for 89.5% of the group's new business, thanks to the active development of the retail segment and the launch of new products and services. Government and commercial subsidies also contributed to growth.

Thanks to Alfa-Leasing, Alfa-Bank customers can quickly and comfortably develop their businesses and upgrade their production assets by leasing various types of vehicles, special machinery, equipment and other types of property.

The deal between Alfa-Bank, Alfa-Leasing and GK Volga was recognised as the best by the Leasing Deal of the Year Award for 2020. The amount of funding provided to the client was USD 4.8m for 10 years.

GK Volga is involved in sea and river cargo shipping. The Group requested a foreign currency line of credit in order to increase its cargo tonnage and volumes. Alfa-Bank came up with an ideal structure for the deal: a leaseback for the buy-out of the group-owned Sv. Nikolay vessel. The project required painstaking work, as the vessel was originally registered in Malta. In the course of the deal, the vessel had to be transferred to Russia and registered with the Russian Maritime Register of Shipping. The encumbrance of a Latvian bank was removed during the pandemic.

Alfa-Leasing is moving forward with the development of digital services. In early 2020, the company launched a personal account service that can be used by every customer to obtain documents such as invoices, reconciliation statements, invoices for payment, payment schedules, etc. Over the course of the year, the service has become a full-fledged channel for communicating with customers and resolving their questions.

Eighty-five percent of customers have already registered with the personal account service, including 74% of lessees who actively use the service. Customers have provided feedback on the

simplicity and convenience of the service. Alfa-Bank customers have mentioned that the similarity of the interface and algorithm to the Bank's online platform have been a plus.

Alfa-Leasing focuses on niche products. The company has the best expertise in the leasing segment for taxi fleets. In 2020, the portfolio in this segment grew by 33%. The next step will be the launch of equipment leasing, for which there is already demand from SMEs.

In 2020, Alfa-Leasing launched commercial subsidies from truck and special equipment manufacturers FUSO, Mercedes-Benz Trucks, and SDLG. Maximum discounts on passenger cars from major dealers and manufacturers are available to the group's customers.

The company has developed and launched additional services, including service contracts for servicing trucks during the leasing agreement, financial guarantees to insure payments if the leased asset is lost and roadside assistance.

The COVID crisis prompted Alfa-Leasing to develop additional customer support programmes. The company launched a lease payment restructuring programme for existing lessees and three-month lease holidays for buyers of DAF machinery. Between 1 April and 1 September, Alfa-Leasing carried out the restructuring of almost 9,000 leasing contracts worth RUB 15bn.

The group did not apply for additional financing or debt restructuring.

According to Expert RA analysts, the corporate leasing market will start to recover by 2022. The decline in new business in 2020 was the result of the slump in the corporate segment due to a 25% drop in demand for air carrier services and a 35% drop for rail carrier services.

Car leasing remains the main growth driver in the leasing market. At the same time, the market is directly affected by equipment shortages. In the passenger car segment, sales depend on the availability of vehicles at dealers. The growth of the freight segment will be influenced by the volume of state subsidies and the volatility of the rouble. The company expects vehicle sales in both the passenger car and truck segments to recover to 2019 levels in 2021.

Alfa-Leasing is changing its approach to business and plans to grow through new sales channels. The company is shifting its focus to developing digital services and transparency in leasing services.

We are continuing to develop personal account services, digitise traditional sales channels with dealers and automate internal processes to reduce the time it takes to make a decision and close a deal.

The company is launching a pool of additional services (fuel programme, financial guarantee, service contracts) and a customer loyalty programme aimed at creating an independent leasing sales channel.

Small and Micro Business

In 2020, Alfa-Bank's Small and Micro Business Department celebrated its ten-year anniversary. We have a lot to be proud of. Alfa-Bank has become the new standard for banking services in this segment, including full banking functionality on mobile devices, enabling 24/7 business management from across the world, protection from unreliable counterparties, and secure and

technology-driven infrastructure for making settlements and deals. Extensive use of digital technology has enabled us to develop best-in-the-market customer services available in two clicks, whether you want to open an account or apply for a loan.

Today, Alfa-Bank has the second-largest customer base in the small and micro business sector in Russia. In 2020, the number of customers in the small and micro business segment increased 19% to 568,000 (from 479,000 as at the beginning of the year), resulting in RUB 341bn in customer accounts. The risk portfolio increased 41% to RUB 75bn.

The past year was challenging due to the impact of the pandemic on small businesses. During lockdown, Alfa-Bank implemented a package of measures to support existing customers and attract new ones. Alfa-Bank was one of the first to launch a fully remote process for opening an account, enabling customers to make socially important payments. In 2020, Alfa-Bank automated the account opening process at an accelerated pace. By the end of the year, 46% of new accounts for legal entities and 59% of new accounts for individual entrepreneurs were opened using automated processes without any involvement from the back office. More than four times as many customers who opened new businesses in 2020 chose Alfa-Bank's services to register their businesses than in 2019.

In March, Alfa-Bank offered small businesses a Free Forever package of services for settlement accounts. At the same time, we reconstructed our sales model, having additionally recruited 180 employees and stepped up the pace of customer acquisition to 25,000 new customers a month.

In April, together with Beeline Business, we offered small businesses a free set of services for making settlements and communications under the slogan "We do not leave our own behind!". Alfa-Bank reduced to zero the cost of the most popular settlement and cash services to ease the financial burden on businesses and help them to continue operations and go through difficult times. This package of services helped our customers to keep in touch with their partners at no additional cost.

From the perspective of lending, the Bank implemented such measures as extension of payments, repayment holidays, refinancing and government programmes with favourable terms.

In April 2020, Alfa-Bank signed agreements with the Russian Central Bank, Ministry of Economic Development and VEB on participating in government lending programme to finance wages and salaries of small and micro business employees and individual entrepreneurs. Alfa-Bank was the first Russian private bank to join the programme and extend loans where speed was of critical importance. Joining the effort with the government, Alfa-Bank did whatever it took to support small businesses as quickly as possible and help them to deal with the impact of the crisis, retain jobs and continue stable operations.

In July 2020, Alfa-Bank joined the lending programme to ensure the resumption of operations and encourage employers to retain their employees. The programme provided that, if a borrower retained at least 90% of their staff by 1 March 2021, the loan and interest charged would be fully repaid from the government subsidy. It is especially important that these measures were aimed not only at companies but at their employees, too.

In Q3 2020, Alfa-Bank's lending factory launched a faster and more convenient scoring solution for new and existing customers to make preliminary lending decisions based on taxpayer identification numbers. A request is scored in two minutes using information from external and internal sources, and the customer receives a preliminary decision on their application with a credit limit already

calculated in 30% of cases. The final decision takes up to 15 minutes. The customer receives an offer to cover six products: loan, revolving credit facility, overdraft, two pledge offers and a credit card.

In October 2020, TIN-based scoring was launched for Internet banking and customers could obtain a preliminary decision on their own.

In addition, this technology enabled a proficient new approach to our partner lending programmes. TIN-based scoring was integrated into our partners' client areas. This enabled them to obtain quick decisions on non-recurrent applications for credit products and assess their customer bases to put together pre-approved lending offers. In Q4 2020, the first pilots were launched. And in early 2021, Alfa-Bank partnered with Ozon.Invest's B2B finance platform. The Bank has begun issuing quick loans to entrepreneurs selling goods on the Ozon marketplace.

Alfa-Bank's lending factory has also developed a corporate credit card with an initial maximum limit of RUB 1m and grace period of 60 days. This product is also offered as part of the automated lending process. The card is available in two formats: virtual and plastic. It is unique because it is available even to customers who have just registered their business and have no turnover with the Bank. Alfa-Bank's credit card is a convenient solution for free coverage of cash gaps and current business expenses. For starting entrepreneurs, it is a unique opportunity to build a positive credit history to subsequently obtain the Bank's approval for larger loans and more complex forms of financing.

In October 2020, customers who continued experiencing difficulties caused by the pandemic but were ready to work with the Bank and had the potential to repay their loans were granted recurrent repayment holidays with deferral of payments.

In addition, we implemented a new technique for assessing borrowers' financial standing based on internal methods for evaluating solvency. For borrowers with a quality risk profile, a lending process line (excluding credit analysis) was introduced, speeding up the application process and decision-making to one day.

In December 2020, a system was launched to coordinate current overdraft debt repayments by the end of the banking day from cash inflows. The system is beneficial for customers (the cost of debt is reduced), while the Bank mitigates its risk of debt loss and improves the quality of its loan portfolio.

During the year, we managed to maintain a high quality loan portfolio, keep the pre-crisis level of our rates and avoid significant margin reductions. We retained our customers who were affected by the crisis by promptly getting engaged in government support programmes and by developing our own solutions.

Alfa-Bank also continued its aggressive growth in all areas of cash services to small businesses.

Our growth rates in the credit card market were nearly double the average in the market (25% vs 14%), thanks to several successful new product launches. In summer 2020, Alfa-Bank was the first bank in Russia to launch a card for business both digitally and on a physical carrier. The card can be issued instantly without the customer visiting a branch and can be used immediately. Today, the Alfa-Business card with cashback is one of the most popular card products for small businesses.

At the end of 2020, we launched a new Alfa-Business credit card to help companies cover cash gaps with a 60-day interest-free period. The card is unique because it is issued without

confirmation of a company's financial position (taxpayer ID is sufficient). The card is available even to customers that have just registered their business and have no turnover with the bank.

Our foreign economic activity (FEA) service line continued to grow rapidly, despite the decline in the market. Foreign trade turnover dropped 15% in 2020, while Alfa-Bank's turnover and income increased 18%. It is widely recognised that Alfa-Bank's FEA services are the best in the market. Another sign of our achievements is being ranked in the first tier in Markswest's rating of FEA Internet banks.

The past year was also marked by significant growth in transaction activity among small and micro business customers. The number of payments made by our customers increased 12.5% over 2019. As our customer base expanded, the cumulative increase in commission income from services provided to small business was 26%. One of the fastest growing services during the crisis was our Counterparty Selection Service (50% growth in the number of users).

From April 2020, we have seen increasing interest among legal entities in deposits. Alfa-Bank was the first bank in Russia to launch online deposits for all legal entities and individual entrepreneurs. The service makes it possible to place free cash and earn income without opening an account at Alfa-Bank. As at December 2020, the portfolio of customer accounts exceeded the targets and reached RUB 267bn despite the downward trend in the key rate.

The pandemic was a powerful stimulus for developing Internet acquiring. In 2020, Alfa-Bank's customer base in the small and micro business segment grew 61%, while operating profit increased 30% despite the tariff reduction required by the Central Bank.

Merchant acquiring turnover almost doubled and reached RUB 137bn, while with an increase in active customers to 54,000. Today Alfa-Bank provides one of the most cutting-edge products in the market. A customer can connect to merchant acquiring with an electronic signature. Additional points and terminals can be added remotely and the bank will inform the customer about the application status using push and SMS notifications.

The launch of our phygital branches was among the most important initiatives in 2020. They provide services not only to individuals but also to small and micro business customers. Alfa-Bank has the most efficient branch network in the Russian market. We are the only bank that has scaled up its next generation network. For us, branches are also a part of digital transformation: they are an online entry point and provide customers with personal contact. The Smart Branch expansion will help to make phygital branches Alfa's brand identity in key cities across the country.

Medium Corporate Business

In 2020, Alfa-Bank's medium corporate business customer base increased by 21,000 to reach 83,000 customers. This figure includes both legal entities and groups of companies with annual earnings between RUB 350m and RUB 10bn. Today, one in three customers in this segment has an account with Alfa-Bank.

Net profit in medium corporate business increased 1.4 times. Alfa-Bank continues to ramp up its risk-free commission income through quality high-tech products that add value for our customers. Currently, our average commission income per medium business customer is 6% higher than the market average, adding sustainability and profitability to our business model.

One of our priority business lines is serving companies engaged in foreign economic activity (FEA). This is a complex and demanding customer segment that requires deep expertise. However, it is also highly profitable. Over the years, Alfa-Bank has maintained its leadership in serving FEA participants. And we continue to enhance our presence in this segment.

In 2020, Alfa-Bank was confidently ranked second to Sberbank in the volume of foreign trade transactions served (more than USD 10.5bn). The Bank's share of the FEA services market increased 1 p.p. and reached 10.6%.

Our customers value that Alfa-Bank offers comprehensive solutions in addition to standard banking products that help to develop business and reduce costs, including hedging and trade finance instruments, international factoring, foreign trade contract management and exchange control, as well as assistance in finding foreign partners and in coordinating with tax and customs authorities and even logistics. We convert currencies at the best rate, simplify document flow and provide legal and tax advice.

This strategy—to be our customers' assistant—has fully proven its value.

Currently, more than 42% of all FEA participants in Russia who belong to the medium business segment have accounts with Alfa-Bank. In other words, one in two companies in this segment is an Alfa-Bank customer.

Alfa-Bank's Internet bank is ranked as the best for FEA according to Marksw Webb Business Internet Banking Rank 2020. The Bank rose three points over the previous year.

Among Alfa-Bank's advantages for FEA, analysts highlighted our streamlined scenarios for dealing with currencies—e.g. real-time conversion transactions at the market rates. Accounting for exchange control and currency movement documentation is developed to the fullest extent. Marksw Webb analysts also noted broad functionality of the Internet bank for issuing invoices, tracking the exchange control calendar and tracing the status of currency payments inside and outside the Bank.

Alfa-Bank regularly monitors international best practices, collects feedbacks from customers and partners, and invests in new technology. Our in-demand services include our online tracker of international currency payments and flexible solution for currency conversion that enables a deferred order to be filed at the preferred rate. Orders operate based on the stock exchange model: the system monitors the best exchange rates on the Moscow Exchange and interbank market 24/7.

In 2020, we gave our medium business customers a new opportunity to process high-income investment products—dual currency deposits with full document flow automation and forward transactions—through the Internet bank.

In March 2021, Alfa-Bank was the first in Russia to launch an international currency payment tracing tool in its Internet bank for exporters. This service was developed in partnership with SWIFT. Customers can see all incoming payments at once and can optimise their business processes, e.g. shipments and dealings with counterparties, and loyalty programmes for end consumers.

In 2020, Alfa-Bank continued to build up its lending operations while retaining a high quality portfolio. During the year, the amount of financing provided by Alfa-Bank to the medium business

segment rose 26% to reach RUB 307bn, more than 2.5 times above the market average. Alfa-Bank's share increased 1 p.p. to 8% in the target market. The number of borrowers surpassed 4,400. In 2020, COR was 0.7% and the share of loans overdue more than one day was below 1.3%, indicating the high quality of credit expertise at the Bank.

Medium business finance is a relatively new line of business at Alfa-Bank. We have learned how to work with this segment by assessing the lending risks and monitoring development trends. We have learned how to live together with the customer, staying close to them and providing the required support. This generates even more interest and commission income for the Bank. The Bank's stronger positions in the regions is another achievement of recent years. While Alfa-Bank was primarily associated with retail and small businesses in the past, today we are noticeable almost in all regions.

During the pandemic, Alfa-Bank promptly joined all government anti-crisis programmes (including financing of wages and salaries at 0%, lending to enable resumption of operations at 2% and government repayment holidays under Federal Law No. 106-FZ). Over 550 borrowers used the government support measures. At the end of the year, Alfa-Bank's aggregate portfolio linked to these programmes amounted to RUB 5.1bn.

Alfa-Bank also launched its own restructuring programmes for the affected economic segments. We provided principal and interest repayment holidays for three to six months. We restructured around 6% of the portfolio for a total of RUB 17bn. Thanks to this measure, most borrowers successfully returned to the original repayment schedule. The second restructuring measure covered RUB 2bn. It was primarily used in industries that were the slowest to recover after the pandemic (tourism, restaurant and hospitality).

The Bank continues to develop soft financing for exporters. To help our customers to reduce their costs during the crisis, we decreased our rates for VAT refund guarantees on exports and simplified the procedure for their issuance based on two documents. In addition, Alfa-Bank has provided customers with free access to the Opportunity Network international B2B platform, which helps them to find trusted partners across the world. It encompasses around 30,000 owners and senior managers of companies with revenue above USD 2.5m from more than 130 countries.

In 2020, Alfa-Bank continued to develop its operations in the housing project financing segment. By the end of 2020, the total floor area of residential buildings financed by the Bank was more than 470,000 square meters. We implemented 23 projects in nine cities across Russia. The value of credit lines opened by the Bank increased 3.3 times to RUB 14bn. Development project financing began to grow at a fast pace after the legislative adoption of a new model for dealing with developers using escrow accounts in July 2019. Over a short period of time, we tuned up our business processes to enable a new product that led to a seven-times increase in escrow account balances.

In April 2021, Alfa-Bank began to perform its own technical audits of construction work. Today, this service is provided by a few leading financial institutions. Our technical audit capability enables the Bank to thoroughly trace the construction process and control risks associated with expense increases and delays. Thanks to our deep dive into the project, the Bank is able to build longer term partner relationships with its customers in the project finance segment. Moreover, this product generates additional commission income to the Bank.

At the end of 2020, we launched a project for focused development of factoring for SMEs. Despite the fast growth of the factoring portfolio in 2020 (by 36%), we set an ambitious goal—to increase the factoring portfolio for SMEs and the number of supplier customers by five and nine times, respectively, and to implement a fully digital E2E process by 2024.

Digital business

Our excellence in developing digital platform solutions prepared the foundation for growth in the crisis year. Many of our achievements in other areas of the business would have been impossible without that.

Alfa-Bank began investing in FinTech long before the pandemic. As a result, we were fully prepared when the crisis began. According to independent research, we have had the highest share of customers active in digital channels among universal banks globally for two years in a row. Our customers are used to addressing their financial issues remotely. Alfa-Bank's competitive advantage is technology leadership in combination with the reliability, creativity and strength of our team.

Despite the crisis, the Bank did not suspend any strategic projects. The key product launch of the year was our updated mobile application for individuals. Our customers played an active role in its development. We see a new trend: people want to take decisions. That is why we have adopted a new approach: we do not decide in-house what the product will be like. It is decided by our customers and we just do it.

To develop the new mobile application, the Alfa Digital team performed 50 in-depth interviews, seven design sprints and 17 usability studies, producing 340 ideas. Each scenario and interface were tested with our clients. At the final stage, we also used artificial intelligence. Customers performed tasks on the application and a neuro bot traced micro movements in their expressions, allowing us to assess the emotional response from interacting with the application. Ten out of 12 new scenarios turned out to be the best and the rest were revised.

This year, Alfa-Bank's mobile app was ranked number one in Markswebb's prime rating. The review panel noted that Alfa-Bank has implemented the majority of the most important user scenarios and become the best mobile bank in Russia in the Digital Office concept. This time, we left our competitors even further behind than in 2019.

Alfa-Bank also continued to develop applications for business. The Bank was the first in Russia to launch a unique service for GPI tracking of foreign currency payments. Complex products such as letters of credit and factoring have become fully digital. The number of factoring customers attracted online increased 14% during the year. Today, Alfa-Business Mobile is a sound banking service channel. The application's customer base grew 30% in 2020, and the number of those who only use the application (without using the Internet bank) doubled. One of four Alfa-Bank's corporate cards is issued through the application.

In the crisis environment, Alfa-Bank enhanced its lines of business related to customer support. Despite the increased workload of the call centre, the Bank continued to respond quickly to customer requests and expanded the range of issues addressed remotely. Sales efficiency on incoming service requests from customers rose 45%. We also launched voice biometrics to securely authenticate customers. Today, 1.7m Alfa-Bank customers can use voice for authentication via the call centre.

The Bank has developed other channels to engage with customers as well. In 2020, our chatbot resolved 4.8m customer requests without the involvement of an employee.

Another achievement was increasing traffic and improving load performance on our website via a new technology platform. The Alfa-Bank website loads in 1.1 seconds, which is faster than those of many Russian and foreign IT giants. Our website audience grew 60% and reached 8m unique users a month by the end of 2020.

Alfa-Bank not only confidently dealt with growing demand for digital services but also managed to use this window of opportunity to increase sales and expand the customer base.

In H2 2020, online channels accounted for 69% of primary sales of credit cards, 55% of cash loans and 47% of mortgage loans. The number of transactions per customer in remote channels and transactionally active customers rose by 64% and 33%, respectively.

Alfa-Bank has also become an undisputed leader in the secondary sales of cards, investment products and cash loans, and showed cumulative results one and a half times above the market average.

The Bank has also enhanced the personalisation of financial products. Our customers receive flexible individual offers. In 2020, we were the first to launch pre-approved mortgage loans. Alfa-Bank has also developed pre-approved products and services for small businesses, which represents a breakthrough for the banking industry. Alfa-Bank's Internal Startup strategic programme engages creative teams to develop technology solutions within the Bank. One of the first noticeable projects was Alfa Message—a "bank" in popular messengers (Telegram, WhatsApp, Facebook, Viber). This banking bot helps people to instantly sign up as Alfa-Bank customers and receive a virtual card. Alfa Message can be used to transfer money using a telephone number, pay for purchases online and file an application for a loan. The team has big plans: e.g. to develop a product line for children, young people and cyber sports.

We understand that the demand for digital solutions will continue to grow. As such, we will continue to focus on the development of Alfa Digital team. In May-June 2020, Alfa-Bank, Beeline and X5 Retail Group held the first Alfa Battle, an application programming competition. Around 1,500 unique specialists took part. The winners received job offers from Alfa-Bank or Beeline. At the end of the year, we held the Alfa Digital Open stream conference with Alfa-Bank's senior managers, which has received more than a quarter of a million views on YouTube.

Our goal for 2021 is to maintain our leading positions in the key ratings and stretch the lead over our competitors. The Bank is planning wide-scale launches of a new Internet bank and voice assistant on its mobile application for individuals. We will continue to develop the Internal Startup programme and Alfa Message project.

Another area for development will be creation of new convenient services based on the instant payment system (IPS). They include payments for goods and services using QR codes, transfers from accounts opened with other banks and new B2C and B2B services. The Bank will continue participating in piloting new transfer technology as part the Bank of Russia's and NPSC's initiatives.

We also intend to implement partner programmes with telecommunications companies. With all that in mind, Alfa-Bank will maintain its focus on improving the customer experience and developing customer transactional profiles.

Alfa Bank's development prospects

In 2021, Alfa-Bank, the largest among private players, has updated its strategy, having achieved the previous strategy goals ahead of schedule. We implemented all infrastructure projects that were announced. The Bank has doubled its active customer base in retail banking, small and micro business segments and reclaimed leadership in digital channels.

Alfa-Bank's Board of Directors adopted a new strategy for 2021-2024. As part of this strategy, the Bank intends to enhance its positions in the market and grow in almost all segments faster than the market. However, as opposed to our competitors, we do not intend to build an ecosystem and curtail our branch network. Alfa-Bank is following the path of building a financial Super-service, not diverting attention to non-core business lines.

According to the new strategy, Alfa-Bank will have 13 million active retail customers (borrowers, depositors, brokerage business customers) by the end of 2024. The Bank intends to increase the number of its corporate customers to 1 million legal entities, with the majority of them—around 900,000—represented by small businesses. Increasing the customer base will enable us to accelerate the pace of attracting customer accounts and significantly expand our lending business line.

The growth of our customer base should, in turn, be facilitated by expanding our high-tech, new generation Phygital network.

We want our customers to get the best services through digital and offline channels, be maximally satisfied and enjoy working with our Bank. We are confident that the best combination of digital and physical experience is a key to success in the modern business and in dealing with individuals and legal entities. Alfa-Bank was the first in Russia to introduce the phygital concept, which has since been embraced by the market. On the horizon of our new strategy, we will take the next step in developing and adjusting our physical branch network and digital channels to all business segments.

In addition, we will continue to invest in the development of a flexible digital selling platform that will include a website, questionnaire services, web analytics, messengers and pre-authorisation of applications. Our Internet-based customer acquisition channel will make key contributions to our growing number of retail, small and micro business customers.

In executing our strategy, Alfa-Bank intends to increase its total comprehensive income 1.5 times in 2021. The Bank's ROE considering other comprehensive income will be consistently above 13%. Despite significant investments, the Bank expects to maintain its CIR generally at the current level.

Another important element of Alfa-Bank's new strategy is ESG. Concerns over social and environmental issues have become more widespread in Russia. Alfa-Bank has always invested in philanthropy, health care, education and culture but our new strategy puts sustainability issues front and centre. We intend to manage our ESG agenda on a comprehensive basis in accordance with international best practices. Alfa-Bank seeks to set an example as a responsible player committed to ESG principles.

THE BANK ATTACHES
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OPERATIONS.

Key risk factors in the Bank's business

The Bank attaches great importance to following the best risk management practices. Our primary risk management objective is an optimal return-to-risk ratio in our operations, including the provision of acceptable risk levels within the established risk appetite and limits. The Bank continues to improve risk management as a key element of implementing its strategic plan.

The Bank bases its risk management system on principles consistent with Russian law, international standards, and best practices in risk management. The Bank implemented the Internal Capital Adequacy Assessment Process (ICAAP) on Stand-alone and Alfa Banking Group levels. The Bank performs stress testing of capital adequacy subject to the significant risk stress test outcome and considers this outcome in capital adequacy planning. The Bank uses its capacities to meet its targets of increasing profitability and business expansion, continuously monitoring risk levels to minimise and cut losses that may occur in the course of its business.

The Bank's risk management relies on improving internal methodology and risk management processes to maintain and strengthen our positions in the banking services market. The Bank develops and improves risk and capital management approaches based on its internal credit risk models, providing for relevant infrastructure and IT system development. Credit risk assessment based on internal ratings will enable the Bank to manage its business more efficiently, subject to the consumed capital and accepted risk level. With the transition to such assessment, the Bank will be able to assess its credit risks more precisely based on customer specificity.

The Bank's major risks are non-retail credit risk, counterparty credit risk, retail credit risk, market risk, operational risk, liquidity risk, interest-rate risk in the banking book and risk of non-retail credit risk concentration.

Information on the structure of all significant Bank-specific risks is disclosed regularly, as required by the Central Bank, on the Bank's website: alfabank.ru/about/annual_report/riskinfo/.

Risk management includes risk assessment, establishment of risk limits, monitoring, control and reporting, and internal risk management processes and procedures. The Bank's risk management is based on the existence of three independent lines of defence and the prevention of conflicts of interest.

General principles of risk and capital management:

- Principle of accountability and involvement of executive management bodies and senior managers: a coherent and efficient risk management organisational structure, responsibility for maintaining requisite capital adequacy, awareness of the level of accepted risks and of incompliance with the established risk management procedures and established limits.
- Principle of risk culture development: involvement and proactive attitude of all employees towards risk identification, assessment, control and monitoring, efficient communication and interaction with relevant functions within the risk management system, understanding and awareness by each employee of their responsibility in risk management within their competencies.

- Principle of continuous risk management: risk management is an ongoing and continuous process, including risk identification, analysis, decision-making and compliance control—all these are continuous processes implemented to ensure competitive advantages and sustainable functioning in the strategic perspective, being an integral part of the Bank's development process.
- Principle of independent risk assessment and control: risk management is based on the concept of three independent lines of defence. The principles and other elements of the concept are set forth in detail in Section 4 hereof.
- Principle of risk limits: the Bank establishes a system of limits and indicators limiting the risk exposure.
- Principle of multi-risk treatment: continuous improvement of risk management subject to changes in the environment, new lines of business, etc.
- Principle of transparency and full disclosure: as part of regular reporting, objective information is provided in due time and in full to executive officers, collective bodies and investors, including for informed decision-making.
- Principle of efficient payroll system: identification of risk owners and risks exposure levels and risk occurrence horizons in determining remuneration.
- Prudence concept: transactions made with due regard to available capital and comprehensive analysis of risks resulting from transactions.

Risk management: organisational structure

The Bank's collective risk management bodies include the Board of Directors, the Board of Directors' Audit Committee, the Board of Directors' Staff and Remuneration Committee, the Board of Directors' Risk Committee, the Executive Board, the Asset and Liability Management Committee (ALMC), the Credit Committees, including the Chief Credit Committee (CCC), the Non-Retail Credit Committee (NRCC) and the Retail and Mass Business Lending Risk Committee (RMBLRC), the Default Committee (DC) and the Operational Risk Steering Committee (ORSC).

The Bank has a Board of Directors' Risk Committee, which is responsible for preliminary examination, analysis and preparation of proposals for the Board of Directors on the following key matters:

- Implementation of internal credit risk quantitative assessment models;
- Risk appetite establishment in accordance with the strategic plan and long-term goals based on stress testing results;
- Risk reporting review, control of implementation of internal capital adequacy assessment procedures;
- Development of positive risk culture and implementation of three lines of defence;
- Efficient corporate risk and other management at the Bank.

Basic provisions of the Bank's Risk and Capital Management Strategy

ICAAP development and implementation approaches are incorporated in the Bank's risk and capital management strategy. The purpose of the strategy is to establish the fundamental principles of the Bank's system of management of significant risks and capital by implementing ICAAP, which is imperative for efficient risk-based management, implementation of the Bank development plans (development strategy) approved by the Board of Directors, and protection of interests of the Bank's customers and shareholders.

The Bank's risk and capital management system provides for the following procedures:

- Determination of approaches to ICAAP development and implementation and principles of management of significant risks and capital;
- Determination of risk appetite;
- Determination of significant risks;
- Determination of planned structure of required capital and risks;
- Aggregation of capital requirements and establishment of relevant methods;
- Stress testing organisation;
- Monitoring of ICAAP implementation as part of regular reporting process;
- Audit of ICAAP implementation efficiency.

Credit risk

The Bank identifies and assumes credit risk as the principal risk, that is, the risk of the borrower's/counterparty's failure to repay the debt in full when due. Credit risk is divided into non-retail credit risk, retail credit risk and counterparty credit risk.

The Bank's credit risk management process provides for the following procedures:

- Loan provision and relevant decision-making procedures;
- Default defining;
- Limits establishment;
- Collateral requirements and assessment methods;
- Credit risk assessment considering all types of credit risk;
- Credit risk monitoring and control procedures;
- Stress testing;
- Validation;
- Reporting.

The Bank develops and implements internal non-retail and retail credit risk measurement models.

Non-retail credit risk

The credit risk assessment framework covers all types of transactions with inherent credit risk, concentration risk and residual risk.

Non-retail credit risk management is described in the Bank's lending policy.

Credit risk limits for corporate borrowers include:

- Limits on credit risk concentration to the Bank's capital (credit risk concentration limit for borrowers/groups of related borrowers, credit risk concentration limits for shareholders and insiders, limit of gross large credit exposure);
- Limits on credit risk concentration in the loan portfolio (based on borrower ratings, securitisation level subject to rating, economic sectors, etc.);
- Lending limits for particular borrowers/groups of related borrowers are established based on the credit score of such borrowers and form the basis for lending to particular borrowers and management of the main terms of loan transactions, such as credit transaction maximum term and amount, and type and amount of collateral;
- Administrative limits restrict the authority of functions and authorised bodies/officers of the Bank to make decisions on lending to borrowers.

The established limits are regularly monitored, controlled and revised. The Bank uses control mechanisms that promote efficient risk management, including:

- Regular preparation and submission of portfolio reports for relevant committees;
- Determination of the basic principles regulating credit policy at the department level;
- Regular analysis of the need to revise policy principles;
- Development of lending principles providing for a disciplined and focused approach to decision-making;
- Statistics-based decisions;
- Continuous monitoring of the current lending process by the Risk Management Department and Internal Audit Department to assess efficiency and make changes, as appropriate.

Approaches used in corporate lending are based on a standard underwriting procedure (subject to the borrower's segment), including by verification of the credit score of the potential borrower, assessing the quality of the collateral and reviewing compliance of the transaction structure with the Bank's policy and limits. Internal default probability assessment models have been developed for the core segments of the corporate portfolio.

The Bank uses a wide range of techniques to reduce the credit risk of lending transactions by managing loss factors of particular transactions, such as probability of default, loss given default and exposure at default, and systemic risk factors at the portfolio level. The borrower's ability to service the estimated debt is assessed at the transaction level. To reduce the risk, the Bank accepts different types of collateral, sureties of legal entities and individuals, and bank guarantees.

The Bank's IT systems are regularly upgraded to support the implementation of risk management practices consistent with Basel II (including internal rating calculation support, data quality, collateral and default recognition management).

Management of concentration risk arising due to the Bank's exposure to large risks, which may cause substantial losses that threaten the Bank's solvency and ability to continue operations,

includes identification and measurement of concentration risk and establishment of concentration limits. Credit risks concentration limits in the Bank's loan portfolio are based on borrower ratings, securitisation levels, economic sector, type of company, etc.

Counterparty credit risk

Counterparty credit risk management is consistent with the non-retail credit risk management processes defined in the lending policy.

Counterparty credit risk is managed with due regard to the related market, operational and liquidity risks.

Counterparty credit risk management process includes a number of procedures and methods for risk identification, assessment, monitoring and control, and reporting.

Counterparty credit risk management procedures include:

- ensuring that transactions with counterparties are exercised only subject to preliminary assessment of the counterparty's financial standing and probability of occurrence of counterparty credit risk both before and during settlements under the transaction;
- considering lending limits and trade limits for counterparties in the counterparty credit risk limits;
- determining the current and potential credit risk for derivatives based on the existing netting agreement (in connection with available collateral) and without existing netting agreement (in connection with available collateral);
- assessing counterparty credit risk based on concentration risk by type of transaction in respect of groups of related counterparties, markets, country risk, etc.;
- regularly monitoring counterparty quality and credit risk levels.

Counterparty credit risk limits include:

- upper level counterparty risk limits, such as portfolio concentration limits that limit risks for counterparty (group of related counterparties), position on transactions with high risk counterparties, position in transactions with counterparties incorporated in high risk countries;
- individual limits for a particular counterparty or group of counterparties.

Retail credit risk

Retail credit risk management is based on risk assessment in decision-making on loan products, and loan portfolio management aimed at building a portfolio least sensitive to volatility and maintaining the target risk-to-return ratio.

The system of limits is based on the Bank's retail lending policy and mass business lending policy. Credit risk limits for retail borrowers include loan transaction maximum size limit, loan loss limit for a calendar year and other limits determined in accordance with the Bank's procedure. Limits are monitored and controlled on a regular basis.

Automated risk assessment is made using statistical models (scoring) based on the analysis of the existing loan portfolio and borrowers' features. Scoring is based on questionnaire

information, history of client-Bank relations and external information, i.e., from the Credit History Bureau and performance results of entities (to assess mass business credit risk associated with individual entrepreneurs and legal entities established under Russian law with annual earnings according to statutory reporting of no more than RUB 350m, and individuals who are owners of entities). Credit risk is assessed using internal models developed based on the internal rating approach and other types of scoring models (such as the borrower fraud prediction model, etc.).

Monitoring includes tracing of the following indicators: approval/rejection rates by product/customer segment; delinquency (long-term or accidental); migration (past due balance roll rates into various delinquency buckets); contactability and promises made to monitor collection efficiency; actual historical losses by product and vintage; special pilot programmes; write-off for each product portfolio; recoveries for each of product portfolios; stability of risk assessment procedures; results by products based on such assessments and efficiency/efficacy of segmentation procedures. In performing such monitoring, the Bank focuses on risk-adjusted margin to optimise the profitability of the mass business and retail portfolios.

To increase the efficiency of retail loan repayment, statistical models are used that allow to detect loan transactions with high risk of deterioration of the borrower's payment behaviour and use the optimal debt collection procedures in due time. Debt collection procedures are applied to mass business borrowers, if information on the deterioration of the financial standing of such mass business entity is received from external and/or internal sources (borrower/surety/turnovers on the borrower's settlement accounts with the Bank), or in case of any delinquency under the loan agreement.

Market risk

The Bank assumes market risks, i.e., risks associated with changing the value of the Bank's positions due to changes in market indicators: value of issue-grade securities, stock indexes, currency exchange rates, book prices of precious metals and commodities, and interest rates.

Market risk management procedures include:

- Determination of trading portfolio composition;
- Preliminary analysis for availability of the relevant market risk management methodology before commencing transactions with new types of financial instruments or entry into new markets;
- Pricing of trading portfolio instruments, determination of nature and types of transactions;
- Methods of market risk measurement and determination of capital requirements in respect of market risk;
- Pricing of trading portfolio instruments;
- Establishment of the system of limits and their establishment procedure;
- Limit compliance control and monitoring;
- Market risk stress testing;
- Validation of models of market risk losses assessment in a stress scenario;
- Market risk reporting.

The Bank's market risk management is based on the principles set forth in the Bank's internal documents, in particular, the market risk management policy approved by the Executive Board of the Bank.

The exposure of the Bank's trading book to market risk is managed by limits on risk metrics used in the Bank and on the list of permitted instruments established by the Asset and Liability Management Committee (ALMC).

Market risk is managed in compliance with the system of limits on risk metrics used in the Bank:

- market risk limit in compliance with the Bank of Russia Regulation No. 511-P;
- limits on open position in securities and derivatives;
- open forex position limits;
- limits based on risk measure (VaR metrics);
- other limits and limitations (metrics of assessment of losses in a stress scenario).

Stock (quotation) risk management. Stock risk is the risk of losses due to unfavourable changes in quotations of securities (including those with attached management rights) in the trading portfolio and derivatives caused by factors related to the issuer of securities and derivatives (special stock issuer risk) and general fluctuations of market prices of financial instruments (general stock risk).

To measure the risk to the Bank's financial instruments in the trading position of the investment business, the Bank imposes limits on open positions and risk exposure in accordance with Regulation No. 511-P and VaR limits. Stock risk is included in the list of risks taken into account in calculation of the above metrics.

Forex risk management

Forex risk is the risk of losses due to unfavourable changes in foreign exchange rates and/or precious metal prices in positions denominated in foreign currencies and/or precious metals.

To limit forex risk, in accordance with Bank of Russia Order No. 178-I "On Establishing Limits of Open Foreign Currency Positions, their Calculation Methods and Specific Features of Supervision over their Compliance by Credit Institutions" of 28 December 2016, the Bank established limits on open foreign exchange positions of 20% of the Bank's equity capital in each foreign currency and a balancing position in RUB of 10% of the Bank's equity capital. Calculation and control of open foreign exchange positions are made and exercised by the Treasury and daily monitored by the Risk Management Department in accordance with the Regulation on control of the Bank's open foreign exchange positions, and preparation and submission of a report on open foreign exchange positions according to Form No. 0409634.

The Asset and Liability Management Committee established the following internal limits directly or indirectly constraining the Bank's foreign exchange position:

- limits and signal values for market risk VaR metrics (1-day horizon, level of confidence 99%) calculated based on the Bank's foreign exchange position;
- limits and signal values for market risk metrics Risk Exposure in accordance with Regulation No. 511-P calculated based on the Bank's foreign exchange position.

Interest-rate risk of the bank portfolio

Interest-rate risk of the bank portfolio is the risk of financial losses and/or reduction of equity capital of a credit institution due to decrease of net interest income (interest margin) and/or adverse change in the value of assets and liabilities, and off-balance sheet assets and liabilities of the credit institution due to changes in interest rates on financial markets. This risk is reflected both in the Bank's income and the value of its assets, liabilities and off-balance-sheet instruments. Interest-rate risk of the bank portfolio is categorised as follows: revaluation risk, risk of change in the form and slope of yield curve, and basis risk.

Management of interest-rate risk of the bank portfolio includes the following procedures:

- Review of the list of assets and liabilities sensitive to changes in interest rates;
- Identification of types (sources) of interest-rate risk;
- Development and implementation of quantification metrics for interest-rate risk;
- Establishment of limits (signal values) and metrics of interest-rate risk;
- Calculation of limits (signal values) and metrics of interest-rate risk;
- Control and monitoring of limits (signal values) of interest-rate risk;
- Stress testing of interest-rate risk;
- Validation (assessment of ability to adequately assess risk) of the metrics of interest-rate risk;
- Development of internal documents on interest-rate risk management;
- Reporting on interest-rate risk.

The system of limits is based on internal approaches to assessment of change in the economic value of capital and interest margin sensitivity to change in market rates. The particular type and value of limits, and the frequency with which the limits are revised, are established by the Asset and Liability Management Committee.

Liquidity risk

Liquidity risk is the risk of the Bank's inability to finance its operations, including to ensure the growth of its assets and to meet its liabilities at maturity without incurring losses that would threaten its financial stability. Liquidity risk management is the responsibility of the Treasury and Risk Management Department, and liquidity risk control is the responsibility of ALMC.

Liquidity risk management addresses different risk forms, including liquidity gap risk, contingent claim risk, market liquidity risk, funding risk, compliance risk and concentration risk.

The Bank maintains a stable funding ratio, including amounts payable on corporate and retail deposits, debt securities in issue, payments due to other banks and adequate diversified portfolios of liquid assets, in order to be able promptly to respond to contingent claims for liquidity.

The Bank's regular liquidity management includes:

- Analysis of liquid assets necessary for the settlement of obligations when due;
- Maintenance of access to various financing sources;
- Control of concentration of raised funds;
- Control of compliance of limits (metrics) with statutory and interbank requirements;

- Control of compliance with liquidity criteria in accordance with the Central Bank requirements, including the instant liquidity ratio (N2), current liquidity ratio of credit institutions (N3), short-term liquidity ratio (N26) and net stable funding ratio (N28);
- Maintenance of an adequate portfolio of short-term liquid assets, including liquid trading securities from the Lombard list of the Central Bank, banks deposits and other interbank instruments;
- Regular liquidity stress testing in different scenarios under standard and crisis market conditions.

Operational risk

Operational risk is the risk of losses caused to the Bank due to unreliable or deficient internal management procedures, employee negligence, failures of information or other systems, or as a result of external events. Operational risk includes legal risk and regulatory risk but excludes strategic and reputation risk.

Operational risk management is a set of procedures for identifying and assessing, monitoring and reporting, controlling and minimising operational risk.

To identify and assess operational risks, the following instruments are used:

- Analysis of new processes;
- Collection and analysis of the Bank's operational risk events;
- Collection and analysis of other credit institutions' operational risk events;
- Risk control self-assessment (RCSA);
- Key risk indicators (KRI);
- Operational risk scenario analysis (stress testing).

The analysis of new processes includes the identification and assessment of new potential operational risks in the Bank's processes, products and systems at the development or implementation stage.

The owners of operational risks at the Bank (to the extent within the functions of their units) are the heads of the relevant units. The Operational Risk Division in the Risk Management Department analyses and assesses the performance of the operational risk management system in the Bank's units, organises and oversees the operational risk management system in the Bank, provides expert assistance at various stages of operational risk management, provides support to units and operational risk-related training for personnel, and provides comprehensive consultations in the analysis of process risks, in the assessment of materiality and probability, and in the assessment of existing controls.

The key methods for minimising operational risk at the Bank level include:

- Development of transaction procedures, division of powers and accountability for transactions that rule out operational risk;
- Control of compliance with established procedures;
- Development of banking technology and automated information security systems.

The Bank has effective Bankers Blanket Bond (BBB).

Principles for managing other types of risk

Reputation risk is the risk of losses incurred from a negative image of the Bank in the eyes of its shareholders, counterparties, regulatory authorities and other stakeholders and which may have a negative effect on the Bank's ability to maintain current and/or establish new business relations and maintain continuous access to funding sources.

The Bank has a Code of Corporate Ethics, which defines the Bank's mission and corporate values, and follows the principle of timely and efficient performance of its obligations to its clients and partners, as well as strict compliance with the law and business ethics. The Bank places special emphasis on establishing an efficient and reliable system of public disclosure of information in the mass media and on the Bank's website.

Strategic risk is the risk of adverse changes in various internal and external factors that may prevent the Bank from executing its strategy.

The Bank's strategic risk is controlled through managerial decisions based on the analysis of the current situation in the banking sector and forecasts, risk levels, actions of the Bank's competitors, customer needs, and the ability to provide personnel, financial and technical support for planned changes. This type of analysis enables the Bank to take decisions in respect of the product range, fee policy, branch network, and asset and liability management, including interest rates, budgets, and qualitative and quantitative development parameters. The strategic planning process includes the development of the Bank's three-year strategic plan, which covers the Bank's development targets, a detailed plan of strategic initiatives for achieving the strategic targets, and an explicit financial model. The Bank's Board of Directors has approved the strategic plan for 2019-2021.

Stress testing

Within the Bank's internal capital adequacy assessment process, the Bank assesses the capital adequacy for significant types of risk under stress at least once a year. The purpose of stress testing is to assess the potential impact of stressful changes in external or internal factors on the Bank's financial stability. As a result, the Bank tests its ability to maintain financial stability in periods of economic crisis and under stress, i.e., occurrence of significant risks that may harm the financial stability of the Bank. This assessment reviews the capital required to cover all types of significant risks and determines the adequacy of available capital.

For each type of significant risk, the Bank develops a stress testing approach specific to the Bank's operations, calculates the capital to cover potential losses, etc. Stress testing of capital adequacy is based on the aggregated results of stress testing of significant risks, after which the Bank determines the measures to potentially apply in stress scenarios.

The Bank develops an internal macroeconomic scenario of exceptional but probable events that may harm or destroy the Bank's business reputation. These scenarios take into account the Bank's key features and business lines. The stress scenario is based on the historical crisis behaviour of macrovariables and hypothetical scenarios. Key external macroeconomic factors of the stress scenario are Russia's GDP, USD/RUB exchange rate, the oil price, and the key Central Bank rate, with some additional external factors.

The Bank regularly modifies, revises and amends the existing risk management approaches, including approaches to the stress testing of capital adequacy. Stress testing scenarios and results are approved by the Board of Directors. According to the results of stress testing conducted at the end of 2020 (with a horizon through 1 January 2022), the Bank is resilient to stress.

THE BANK APPLIES
THE PRINCIPLES
OF CORPORATE
GOVERNANCE
SET FORTH
IN THE CORPORATE
GOVERNANCE CODE
RECOMMENDED
FOR USE BY THE BANK
OF RUSSIA

Information on the Bank's compliance with the Corporate Governance Code

The Bank applies the principles of corporate governance set forth in the Corporate Governance Code recommended for use by the Bank of Russia (Bank of Russia Letter No. 06-52/2463 of 10 April 2014 "On the Corporate Governance Code") to ensure efficient management subject to the Bank's ownership structure and scope of business.

To maintain corporate governance standards and improve the corporate governance system, in 2013, the Extraordinary Meeting of the Bank's Shareholders approved the Corporate Governance Code (Minutes No. 02-2013 of 2 December 2013) in accordance with the provisions of Russian law, Central Bank regulations and the Corporate Governance Code recommended by the Central Bank.

Alfa-Bank's Corporate Governance Code is an internal regulation that defines the guidelines, rules and standards of corporate governance on which the Bank relies in its business. The Code regulates the following areas: protection of the rights and legal interests of the Bank's shareholders, the organisation of the work of the Board of Directors, the remuneration system for members of the Board of Directors, executive bodies and other key managers of the Bank, strategic management, risk management coordination and internal control, information disclosure and material corporate actions.

In accordance with the Code, the Bank commits itself to apply the following general principles of corporate governance in its business:

- Compliance with statutory requirements, requirements of the Bank's charter, regulations and internal documents;
- Maintenance and protection of the rights of the Bank's shareholders;
- Equal treatment (in compliance with regulatory requirements) of the Bank's shareholders;
- Accountability of the Board of Directors to the Bank's shareholders;
- Strategic management of the Bank's business by the Board of Directors;
- Efficient control of the Bank's executive bodies by the Board of Directors;
- Efficient management by the Bank's executive bodies of the Bank's current activity in a reasonable and good faith way exclusively in the Bank's interests, and accountability of the executive bodies to the Board of Directors and the Bank's shareholders;
- Establishment and efficient functioning of the Bank's risk management and internal control system;
- Timely disclosure of complete and reliable information on the Bank;
- Openness and transparency of material corporate actions subject to the observance and protection of the rights of the Bank's shareholders.

Shareholders' rights and equality in exercising their rights

The Bank ensures the rights of its shareholders and equal conditions in how they exercise those rights. The procedure for convening, preparing and holding the General Meeting of the Shareholders is stipulated in the Bank's internal regulations on the General Meeting of Shareholders. In 2018, a new version of the regulations was approved. The amendments primarily concerned the redistribution of some decision-making power of the Bank's management bodies, bringing its provisions in line with relevant legislation and improving the procedure for holding meetings.

Shareholders enjoy equal and fair rights to participate in the distribution of the Bank's profits through dividend payments. The Bank may abstain from paying dividends if such payment is economically inadvisable and may create a poor impression of the Bank (even if doing so would not formally violate any statutory restrictions).

The protection of shareholders' property rights and the guaranteed free disposal of their shares are secured by the Bank's choice of a reputable registrar that applies streamlined and reliable technologies that efficiently account for and ensure shareholders' property rights. The Bank's registrar is AO IRC-ROST, a professional securities market organisation that, in accordance with Russian law, carries out the maintenance of register activity under Central Bank Licence No. 045-13976-000001 of 3 December 2002.

Board of Directors

The Board of Directors is responsible for strategic management, risk management, internal control, oversight of the Bank's executive bodies and other key functions. The Board of Directors is accountable to the General Meeting of Shareholders.

The internal regulations on the Board of Directors define the rights and responsibilities of members of the Board of Directors, the procedure for preparing and holding board meetings and the qualification requirements for members of the Board of Directors (excellent professional and business reputation, skills and expertise enabling them to assess information on the Bank's business and market environment to make professional judgements in banking).

In 2018, a new version of the internal regulations on the Board of Directors and amendments to the Bank's charter were approved.

As at the end of 2020, the Board of Directors had 12 members, one of whom (Mr Vladimir Verkhoshinskiy) is also a member of the Executive Board. Three members (Mr Mikhail Fridman, Mr Petr Aven and Mr Andrei Kosogov) are the ultimate beneficiaries of the Bank, while the other three members (Mr Oskar Hartmann, Mr Alexander Galitsky and Mr Sergey Matsotsky) are independent members of the Board of Directors based on the criteria set forth in Bank of Russia Letter No. 06-52/2463 of 10 April 2014 "On Corporate Governance Code". This balance helps prevent conflicts of interest between the Bank, its shareholders and clients.

The performance of the Board of Directors is overseen by the Chairman of the Board of Directors, who organises its work, convenes and chairs board meetings, establishes the agenda and format for board meetings, signs minutes of board meetings, chairs the General Meeting of Shareholders, signs agreements with the Chairman of the Executive Board and performs other

functions provided for by the Federal Law on Joint Stock Companies and the Bank's charter and internal regulations. In the absence of the Chairman of the Board of Directors, these functions are performed by the First Deputy Chairman of the Board of Directors, and in the absence of the latter, by a designated member of the Board of Directors.

For preliminary examination of crucial business issues, the Board of Directors has three committees: the Audit Committee (to support the Board of Directors' oversight of the Bank's business and financial operations), the Staff and Remuneration Committee (to engage competent personnel to manage the Bank and provide incentives for successful performance) and the Risk Committee (to preliminarily examine, analyse and prepare proposals for the Board of Directors on developing the Bank's risk and capital management strategy, establishing the Bank's risk appetite, overseeing the risk management system, developing the Bank's risk culture, applying the model of three lines of defence, and developing the Bank's risk management methods and risk measurement models to calculate the capital adequacy ratio).

The Board of Directors establishes the guidelines for the Bank's long-term activity, including approving the Bank's strategy and overseeing its implementation. In June 2019, the strategic plan for 2019-2021 was approved (Minutes of Voting in Absentia of the Board of Directors No. 08-2019 of 19 June 2019).

The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Bank's management bodies, shareholders and employees. The Board of Directors approved a procedure for preventing conflicts of interest in the course of the Bank's business. The Board of Directors approved the Code of Corporate Ethics of AO ALFA-BANK (Minutes of the Board of Directors' Meeting No. 21-2015 of 15 December 2015) to lay down the standards of the Bank's performance and conduct of its employees aimed at maintaining ethical standards, quality of service and customer convenience, increasing profitability and improving the financial stability and efficiency of the Bank, its subsidiaries and affiliates. The Code is disclosed on the Bank's website for the general public. The Bank's employees and members of its management bodies have been personally informed about the Code. The Compliance Department monitors compliance with the Code. The Bank has also developed and approved internal regulations on the terms of and procedure for interested-party transactions by employees of AO ALFA-BANK and/or their Affiliates (Appendix No. 1 to Bank Order No. 1206 of 3 December 2010), Bank Order No. 980 on the participation of employees of AO ALFA-BANK in the management bodies of legal entities unaffiliated with the Alfa Banking Group of 24 August 2012, and the anticorruption policy of AO ALFA-BANK (Minutes of the Board of Directors No. 18-2019 of 18 December 2019). The Board of Directors assesses its own performance, as well as the performance of its committees and members. In 2019, the Board of Directors prepared a self-assessment report that was reviewed at the Annual General Meeting of Shareholders.

Remuneration of members of the Board of Directors, executive bodies and other key managers

The Bank's principles on short- and long-term remuneration are based on the Bank's profitability and on the rate of remuneration required to recruit and retain skilled personnel.

In 2018, the Board of Directors approved new versions of the Bank's personnel policy (a system of principles and norms aimed at developing human capital in compliance with the Bank's strategy

and mission) and remuneration policy (regulates the terms of and procedure for remunerating the Bank's employees). Before receiving approval, the documents were considered by the Board of Directors' Staff and Remuneration Committee (Minutes of Voting in Absentia of the Board of Directors No. 11-2018 of 22 August 2018).

The regulations on the terms of remuneration and reimbursement of expenses related to the performance of functions of the members of the Board of Directors were approved at the General Meeting of Shareholders in January 2020.

Risk management and internal control system

The Bank has developed an efficient risk management and internal control system aimed at maintaining an acceptable level of risk and achieving the Bank's goals.

Risk management: organisational structure

The Bank's collective risk management bodies include the Board of Directors, the Board of Directors' Audit Committee, the Board of Directors' Staff and Remuneration Committee, the Board of Directors' Risk Committee, the Executive Board, the Asset and Liability Management Committee (ALMC), the Credit Committees, including the Chief Credit Committee (CCC), the Non-Retail Credit Committee (NRCC) and the Retail and Mass Business Lending Risk Committee (RMBLRC), the Default Committee (DC), the Operational Risk Steering Committee (ORSC) and others. The Executive Board, the Board of Directors' Audit Committee, the Board of Directors' Staff and Remuneration Committee and the Board of Directors' Risk Committee are accountable to the Board of Directors, while the risk management committees are subordinate to the Executive Board.

Corporate governance structure

The Board of Directors is generally responsible for organising the risk and capital management system, overseeing the implementation of the ICAAP by examining regular ICAAP reports, capital planning and stress testing reports and auditor reports, defining the strategic plan, approving the Bank's risk and capital management strategy, risk appetite, procedure for management of most significant risks, procedure for applying the Bank's risk management methods and risk measurement models, and other documents within its powers, and overseeing the proper use of the Bank's rating systems.

The Board of Directors' Audit Committee is responsible for assessing existing risk management and internal control procedures, overseeing the reliability of control management and formulating proposals for improving controls to be considered by the Board of Directors.

The Board of Directors' Staff and Remuneration Committee is responsible for the preliminary examination, analysis and formulation of proposals on the remuneration and recruitment of employees essential to the risk management system, and for the development and improvement of the Bank's internal remuneration documents.

The Board of Directors' Risk Committee is responsible for examining, analysing and preparing proposals for the Board of Directors on developing the Bank's risk and capital management

strategy, establishing the Bank's risk appetite, overseeing the risk management system, developing the Bank's risk culture, applying the model of three lines of defence, and developing the Bank's risk management methods and risk measurement models to calculate the capital adequacy ratio.

The Executive Board defines the Bank's risk management policy based on the risk and capital management strategy, approves risk and capital management and stress testing procedures, is responsible for monitoring measures to reduce risk based on the optimal balance of the Bank's goals, the return on capital required by shareholders and the Bank's risk appetite, provides for compliance with the ICAAP and the maintenance of capital adequacy at above the minimal level, and examines ICAAP reports.

The Chief Credit Committee (CCC) considers and amends the credit policy principles before it is approved by the Executive Board, is responsible for establishing limits and assuming non-retail credit risk within the powers established by the Executive Board and oversees the consistency of the loan portfolio quality with the approved policy.

The Non-Retail Credit Committee (NRCC) establishes limits for non-retail customers for particular types of transactions within the limits established for NRCC.

The Default Committee (DC) was established in accordance with Bank of Russia Regulation No. 483-P of 6 August 2015 "On the Procedure for Credit Risk Calculation Based on Internal Ratings" to consider the issues of default recognition according to the established process set forth in internal documents ("Default Determination and Recovery for Non-Retail Borrowers").

The Retail and Mass Business Risk Committee (RMBLRC) considers changes to the retail lending policy and mass business lending policy before they are approved by the Executive Board, approves the principles for lending decision-making in retail and mass business lending, takes decisions related to launching or extending pilot or new projects bearing credit risk, reviews the results of pilot projects and discusses whether to scale them up, and takes decisions on assigning rights of claim under loan commitments of retail borrowers to third parties.

The Asset and Liability Management Committee (ALMC) is responsible for managing market risk, interest-rate risk in the banking book, and liquidity risk, optimising the Bank's balance structure to maximise profitability with limited risk, establishing aggregated limits on market risk, interest-rate risk in the banking book and liquidity risk, and approving risk assessment models and methods.

The Operational Risk Steering Committee (ORSC) ensures the management of operational risks, makes a preliminary examination of operational risk appetite, considers operational risks within the limits established by the Executive Board, monitors the operational risk level and approves measures, procedures and techniques for identifying, assessing, monitoring, controlling, preventing and minimising operational risks.

The Data Quality Management Commission (DQMC) assesses the efficiency of the data quality management system, takes decisions on launching new initiatives to improve data quality, approves documents regulating the data quality management processes and reviews the results of data quality monitoring.

The Risk Management Department is subordinate to the chief risk officer and is responsible for operating the risk management system and for general risk management, ensuring the application of uniform principles and methods for identifying, assessing, and managing risk, notifying the Bank's management, analysing the efficiency of key control procedures and monitoring key controls. The Risk Management Department includes the Integrated Risk Management Directorate (the Validation Division, the Integrated Risk Management Division, the Risk Reporting and Control Department and the Operational Risk Department), the Corporate, Market and Counterparty Risks Directorate (the Division for Analysis of Sectoral and Regional Projects Risks, the Division for Analysis of Sectoral and Moscow Region Projects Risks, the Counterparties Division, the Methodology, Modelling and Risk Reporting Division, the Market Risk Management Division) and the Retail and Small Business Risk Directorate (the RB Portfolio Analysis Department, Lending Development and Support Department, the SME Risk Management Department, the Department for Statistical Analysis, Predictive Modelling and Forecasting).

The chief risk officer is responsible for organising and overseeing the Bank's risk management process, designing and developing the Bank's risk management system, overseeing the existing risk profile and assessing the adequacy of risk management resources in consideration of the complexity, interconnection and scope of the Bank's risks, risk appetite and strategy.

Retail credit risk management is the responsibility of the Retail and Small Business Directorate and Business Development Committee (BDC). Non-retail credit risk management is the responsibility of the Corporate, Market and Counterparty Risks Directorate (the Methodology, Modelling and Risk Reporting Division; the Division for Analysis of Sectoral and Regional Projects Risks, Division for Analysis of Sectoral and Moscow Region Projects Risks; the Counterparties Division) and Non-Retail Credit Committees (CCC/NRCC), with the CCC having the upper hand. Market risk management is the responsibility of the Corporate, Market Risk and Counterparties Risks Directorate (the Market Risk Management Division), the Treasury, and the Asset and Liability Management Committee (ALMC). Operational risk management is carried out via the Operational Risks Division and the Operational Risk Steering Committee (ORSC). Risk control (middle office) functions are also performed by the Risk Management Department (within the Risk Reporting and Control Department). Liquidity and interest-rate risk management and control are the responsibility of the Treasury, Risk Management Department and ALMC.

The Corporate Debt Collection Department (CDCD) is fully independent of the Risk Management Department. The CDCD formulates proposals on debt administration, including collection strategies, and offers and presents solutions for the CCC's consideration on collecting corporate distressed debts. The CDCD implements the approved strategy. It is overseen by the Deputy Chairman of the Executive Board and is accountable to the CCC. The CCC takes decisions on recognising bad debts.

Retail distressed debt management (development of decision rules) is the responsibility of the Retail and Small Business Directorate. The Client Collection Division of the Distressed Debt Collection Department is responsible for measures aimed at resuming debt servicing and collecting past due loan amounts. The Retail Service Division (and, as appropriate, the Distressed Debt Collection Department) identifies transactions to be written off as bad debts. The default criteria for retail borrowers are set forth in the default and recovery procedure for retail borrowers of AO ALFA-BANK.

In accordance with the powers outlined in the Bank's constituent and internal documents, internal control is the responsibility of:

- Management bodies (General Meeting of Shareholders, Board of Directors, Executive Board, Chairman of the Executive Board);
- Collective bodies established by the Board of Directors and Executive Board;
- Heads (deputy heads) of operating divisions established within the organisational structure of the Bank in accordance with decisions of the Executive Board and orders of the Chairman of the Executive Board;
- Chief Accountant (Deputy Chief Accountants);
- Units and employees exercising internal control in accordance with the powers determined by internal documents of the Bank, including the Internal Audit Service and Internal Control Service, the Bank's business units operating pursuant to the charter, regulations on the internal audit service and Chapter 4 and 4.1, respectively, of the Bank of Russia Regulation No. 242-P of 16 December 2003 "On the Organisation of Internal Control in Credit Institutions and Banking Groups";
- Executive officer (business unit) responsible for countering money laundering, financing of terrorism and the spread of weapons of mass destruction, designated and operating pursuant to Article 7.2 of Federal Law No. 115-FZ of 7 August 2001 "On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Financing of Terrorism";
- Stock market professional controller, i.e. the executive officer designated to control compliance of the Bank's professional activity on the stock market with Russian stock market laws, including regulations of the Bank of Russia, regulations of the federal stock market executive authority, Russian laws on the protection of the rights and legal interests of stock market investors, Russian advertising laws and internal documents related to professional activity on the stock market;
- Business unit in charge of control of compliance with Federal Law No. 224-FZ of 27 July 2010 "On Countering the Illegal Use of Insider Information and Market Manipulation and on Amending Certain Legislative Acts of the Russian Federation";
- Other units and employees acting within their office duties and powers established by the Bank's internal documents.

For the purposes of systematically conducting an independent assessment of the reliability and efficiency of the Bank's risk management and internal control system and corporate governance practice, the Bank conducts an internal audit, which is the responsibility of the Internal Audit Department.

The Internal Audit Department operates in accordance with para. 4 of Central Bank Regulation No. 242-P, Russian law, Bank of Russia regulations, accepted internal audit standards set by the International Standards for the Professional Practice of Internal Auditing and the Ethics Code of the Institute of Internal Auditors. The Department operates on the principles of independence, objectivity, professional competence, ongoing activity and impartiality. The head of the Internal Audit Department is appointed, dismissed and reassigned to other duties by the Chairman of the Executive Board, pursuant to decisions of the Board of Directors. The Board of Directors approves action plans and performance review reports of the Internal Audit Department.

Administratively, the Internal Audit Department is subordinated to the Chairman of the Executive Board, who is responsible for allocating the necessary funds within the approved budget of the Internal Audit Department, reviewing the performance reports of the Internal Audit Department and overseeing administration of the Internal Audit Department's processes.

The Internal Control Directorate is responsible for identifying, accounting and monitoring of regular (compliance) risk in the Bank, i.e., the risk of incurring losses due to non-compliance with Russian law and internal documents, and the imposition of sanctions and/or other measures by the relevant regulatory authorities. A detailed description of internal control functions is presented in the internal regulations on the Internal Control Directorate.

Information disclosure and policy

The Bank discloses information about its business in accordance with Russian law based on the principles of reliability, regularity and efficiency, as well as to maintain a balance between transparency and the safeguarding of the Bank's legal interests.

To ensure the transparency, timeliness and completeness of information disclosure, easy shareholder access to the Bank's documents, and designation of employees responsible for information disclosure, the Bank has adopted the following internal documents:

- Information policy;
- Internal regulations on the coordination of business units in the information disclosure of AO ALFA-BANK as an issuer of issue-grade securities;
- List of insider information of AO ALFA-BANK;
- Procedure and timing for disclosure of insider information (particular types of insider information) that is not included in the list of insider information approved by the Bank of Russia;
- Internal regulations on the coordination of business units in the disclosure of insider information of AO ALFA-BANK;
- Internal regulations on commercial and banking secrets, and the Bank's proprietary information;
- List of information that is classified as commercial or banking secrets and the Bank's proprietary information consistent with relevant legislation.

In December 2019, the Bank approved an information policy, established a procedure for the disclosure of information to shareholders and members of the Board of Directors, investors and other stakeholders, and adopted a procedure on the use and protection of confidential information.

The Bank discloses information on the website <http://wwwalfabank.ru>, as well as on <http://www.e-disclosure.ru/portal/company.aspx?id=1389>.

The Bank discloses information on the risks of the Alfa Banking Group in compliance with Federal Law No. 395-1 of 2 December 1990 "On Banks and Banking Activity", Bank of Russia Order No. 4481-U of 7 August 2017 "On Rules and Time of Information Disclosure by Parent Credit Institutions of Banking Groups on Accepted Risks, Risk Assessment Procedures, Risk and Capital Management", and on Financial Instruments in the Banking Group Equity Capital Calculation", and Alfa Banking Group's internal regulations on the consolidated disclosure of risk information.

The Bank provides information and documents at the request of shareholders on the principle of equal and unhindered access.

Material corporate actions

As provided for by the Corporate Governance Code, the Bank qualifies the following as material corporate actions:

- Reorganisation of the Bank;
- Changes (reduction or increase) in the share capital of the Bank;
- Material changes to the Bank's charter;
- Major transactions;
- Listing and delisting of the Bank's shares.

The segregation of duties of the Bank's management bodies in decision-making on material corporate actions, a key element of the corporate governance system, is aimed at protecting the legal interests and rights of the Bank's shareholders and securing the Bank's assets.

The Bank's management bodies ensure that the Bank's shareholders participate in decision-making on material corporate actions in accordance with Russian law and the Bank's charter.

The Bank has established a system to coordinate its business units in material corporate actions. The Bank's business units take all reasonable actions to ensure compliance with the transaction procedure and duly present transactions for approval by the Bank's relevant management bodies.

Information on material corporate actions in the course of the Bank's operations is disclosed in accordance with Russian law.

As part of assessing the internal control system, the Internal Audit Service may conduct spot checks of compliance with the established decision-making procedures for transactions defined as material corporate actions.

Appendix

Report on the Payment of Stated (Accrued) Dividends on the Bank Shares

On 30 June 2020, the Annual General Shareholders Meeting (Minutes No.02-2020 of 30 June 2020) resolved to abstain from paying dividends on the Bank's shares based on the 2019 reporting year results.

List of transactions recognised as major transactions under the Federal Law on Joint-Stock Companies and other transactions to which the major transaction approval procedure applies pursuant to the Bank's Charter effected by the Bank in the reporting year, with an indication for each transaction of its material terms and the management body of the joint-stock company that made a decision on its approval

In 2020, no major transactions were made by AO ALFA-BANK.

List of transactions recognised as interested-party transactions under the Federal Law on Joint-Stock Companies and required to be approved by the authorised management body of the joint-stock company as provided for by Chapter XI of the Federal Law on Joint-Stock Companies effected by the joint-stock company in the reporting year, with indication for each transaction of the interested person (persons), material terms and the management body of the joint-stock company that made a decision on its approval

The Bank's charter (para. 1.17.) establishes that, in accordance with Article 83.8 of the Federal Law on Joint-Stock Companies, as amended by Federal Law No. 343-FZ of 3 July 2016, effective from 1 January 2017, Chapter XI "Interest in the Conclusion of a Transaction by a Joint Stock Company" of the Federal Law on Joint-Stock Companies shall not apply to the Bank.

Members of the Board of Directors as at 31 December 2020

- | | |
|--|----------------------|
| 1. Petr Aven (Chairman) | 7. Andrei Kosogov |
| 2. Oleg Sysuev (First Deputy Chairman) | 8. Artem Leontev |
| 3. Marat Atnashev | 9. Alexey Marey |
| 4. Andrew John Baxter | 10. Sergey Matsotsky |
| 5. Vladimir Verkhoshinskiy | 11. Mikhail Fridman |
| 6. Alexander Galitsky | 12. Oskar Hartmann |

Information on changes in the Board of Directors in 2020:

On 15 January 2020, the Extraordinary General Shareholders Meeting of AO ALFA-BANK (Minutes No. 01-2020 of 15 January 2020) elected the following members of the Board of Directors:

- | | |
|----------------------------|--------------------|
| 1. Petr Aven | 6. Andrei Kosogov |
| 2. Oleg Sysuev | 7. Artem Leontev |
| 3. Marat Atnashev | 8. Alexey Marey |
| 4. Andrew John Baxter | 9. Mikhail Fridman |
| 5. Vladimir Verkhoshinskiy | 10. Oskar Hartmann |

On 22 January 2020, the Board of Directors appointed Petr Aven as Chairman of the Board of Directors and Oleg Sysuev as First Deputy Chairman of the Board of Directors (Minutes No. 01-2020 of 22 January 2020).

On 30 June 2020, the Annual General Shareholders Meeting of AO ALFA-BANK (Minutes No. 02-2020 of 30 June 2020) elected the following members of the Board of Directors:

- | | |
|----------------------------|----------------------|
| 1. Petr Aven | 7. Andrei Kosogov |
| 2. Oleg Sysuev | 8. Artem Leontev |
| 3. Marat Atnashev | 9. Alexey Marey |
| 4. Andrew John Baxter | 10. Sergey Matsotsky |
| 5. Vladimir Verkhoshinskiy | 11. Mikhail Fridman |
| 6. Alexander Galitsky | 12. Oskar Hartmann |

On 8 July 2020, the Board of Directors appointed Petr Aven as Chairman of the Board of Directors and Oleg Sysuev as First Deputy Chairman of the Board of Directors (Minutes No. 08-2020 of 8 July 2020).

Information on Members of the Board of Directors, including background profile and shareholding in AO ALFA-BANK

1. Petr Aven

Year of birth: 1955

Education: Tertiary

- **Graduated from:** Lomonosov Moscow State University
- **Graduated in:** 1977
- **Specialisation:** Mathematical economist
- **Major:** Economic cybernetics
- **Academic degree:** PhD (Economics)
- **Conferred in:** 1980
- **Principal place of employment:** Member of corporate management bodies, no principal place of employment under an employment agreement

2. Oleg Sysuev

Year of birth: 1953

Education: Tertiary

- **Graduated from:** Korolev Kuibyshev Aviation Institute
- **Graduated in:** 1976
- **Specialisation:** Mechanical engineer
- **Major:** Aircraft and engine operation
- **Principal place of employment:** AO ALFA-BANK (President)

3. Marat Atnashev

Year of birth: 1977

Education: Tertiary

- **Graduated from:** State University of Management
- **Graduated in:** 1999
- **Qualification:** Highly qualified manager
- **Major:** Management
- **Academic degree:** PhD (Economics)
- **Conferred in:** 2003
- **Principal place of employment:** CTF Consultancy Limited (Asset Management Officer)

4. Andrew John Baxter

Year of birth: 1966

Education: Tertiary

- **Graduated from:** University of the Witwatersrand, Johannesburg, RSA
- **Graduated in:** 1988
- **Degree:** Bachelor's Degree in Accounting
- **Graduated from:** University of the Witwatersrand, Johannesburg, RSA
- **Graduated in:** 1987
- **Degree:** Bachelor's Degree in Commerce
- **Graduated from:** Institute of Chartered Accountants, South Africa
- **Graduated in:** 1991
- **Qualification:** Chartered Accountant (South Africa)
- **Principal place of employment:** Member of corporate management bodies, no principal place of employment under an employment agreement

5. Vladimir Verkhoshinskiy

Year of birth: 1981

Education: Tertiary

- **Graduated from:** Finance Academy under the Government of the Russian Federation
- **Graduated in:** 2003
- **Qualification:** Economist
- **Major:** Finance and credit

Additional professional education:

- **Graduated from:** Stanford University
- **Conferred:** 15 June 2008
- **Degree:** Master of Business Administration
- **Principal place of employment:** AO ALFA-BANK (First Deputy Chairman of the Executive Board, Member of the Executive Board, Chief Executive Officer)

6. Alexander Galitsky

Year of birth: 1955

Education: Tertiary

- **Graduated from:** Moscow Institute of Electronic Engineering
- **Graduated in:** 1978
- **Qualification:** Engineer physicist
- **Major:** Technical Cybernetics
- **Degree:** PhD (Engineering)
- **Academic degree:** 1983
- **Principal place of employment:** AO ELVIS-PLUS (President)

7. Andrei Kosogov

Year of birth: 1961

Education: Tertiary

- **Graduated from:** Moscow Power Engineering Institute
- **Graduated in:** 1987
- **Qualification:** Thermophysics Engineer
- **Major:** Thermophysics
- **Principal place of employment:** AO AB Holding (Advisor)

8. Artem Leontev

Year of birth: 1974

Education: Tertiary

- **Graduated from:** Perm State University
- **Graduated in:** 1995
- **Qualification:** Economist
- **Major:** Accounting and audit
- **Graduated from:** Perm State University
- **Graduated in:** 1998
- **Qualification:** Lawyer
- **Major:** Law

Additional professional education:

- **Brighton University (1996):** BA (Hons) Business Administration
- **University of Durham (1997):** Master of Business Administration
- **Principal place of employment:** MC PAO OK RUSAL (Internal Audit Director)

9. Alexey Marey

Year of birth: 1977

Education: Tertiary

- **Graduated from:** Moscow State Aviation Institute (Technical University)
- **Graduated in:** 1999
- **Qualification:** Engineer/Economist with foreign language skills
- **Major:** Economics and company management
- **Principal place of employment:** Member of corporate management bodies, no principal place of employment under an employment agreement

10. Sergey Matsotsky

Year of birth: 1962

Education: Tertiary

- **Graduated from:** Gubkin Moscow Oil and Gas University
- **Graduated in:** 1974
- **Qualification:** Engineer
- **Major:** Applied mathematics
- **Principal place of employment:** Member of corporate management bodies, no principal place of employment under an employment agreement

11. Mikhail Fridman

Year of birth: 1964

Education: Tertiary

- **Graduated from:** Moscow Institute of Steel and Alloys
- **Graduated in:** 1986
- **Qualification:** Metallurgical engineer
- **Major:** Non-Ferrous Metallurgy
- **Principal place of employment:** Member of corporate management bodies, no principal place of employment under an employment agreement

12. Oskar Hartmann

Year of birth: 1982

Education: Tertiary

- **Graduated from:** Otto Beisheim School of Management (WHU)
- **Graduated in:** 2007
- **Qualification:** Economics and trade
- **Major:** International management and international economics
- **Graduated from:** University of Hawaii
- **Graduated in:** 2008
- **Qualification:** Economist
- **Major:** Entrepreneurship (MBA)
- **Principal place of employment:** OOO AKTIVO (President, Development)

Information on shareholding in AO ALFA-BANK

Members of the Board of Directors do not own any shares in the Bank.

In 2020, members of the Board of Directors made no Bank share acquisition or disposal transactions.

Members of the Executive Board as at 31 December 2020

1. Andrey Sokolov (Chairman)
2. Vladimir Verkhoshinskiy
3. Alexey Tchoukhlov
4. Mikhail Grishin
5. Michael Boris Tuch
6. Andrew Chulak
7. Denis Osin
8. Vladimir Voeykov
9. Ivan Pyatkov
10. Sergei Poliakoff

Information on changes in the Executive Board in 2020:

No changes in the Executive Board were made in 2020.

Information on members of the Executive Board, including background profile and shareholding in AO ALFA-BANK

1. Andrey Sokolov
Year of birth: 1955
Education: Tertiary
 - **Graduated from:** Lomonosov Moscow State University
 - **Graduated in:** 1977
 - **Major:** Applied mathematics
 - **Qualification:** Mathematician
 - **Graduated from:** Maurice Thorez Moscow State Pedagogical Institute of Foreign Languages
 - **Graduated in:** 1981
 - **Major:** English language
 - **Principal place of employment:** AO ALFA-BANK (Chairman of the Executive Board)
2. Vladimir Verkhoshinskiy
Year of birth: 1981
Education: Tertiary
 - **Graduated from:** Finance Academy under the Government of the Russian Federation
 - **Graduated in:** 2003
 - **Major:** Finance and credit
 - **Qualification:** Economist
 - **Graduated from:** Stanford University
 - **Graduated in:** 2008
 - **Degree:** Master of Business Administration
 - **Principal place of employment:** AO ALFA-BANK (First Deputy Chairman of the Executive Board, Member of the Executive Board, Chief Executive Officer)

3. Alexey Tchoukhlov

Year of birth: 1975

Education: Tertiary

- **Graduated from:** Paris Institute of Political Studies, Paris, France
- **Graduated in:** 1999
- **Degree:** Bachelor in Economics
- **Principal place of employment:** AO ALFA-BANK (Deputy Chairman of the Executive Board, Chief Financial Officer, Member of the Executive Board)

4. Mikhail Grishin

Year of birth: 1970

Education: Tertiary

- **Graduated from:** Moscow Institute of Radio Engineering, Electronics and Automation
- **Graduated in:** 1993
- **Major:** Electronic data processing machines
- **Qualification:** Systems engineer
- **Graduated from:** Moscow State Law Academy
- **Graduated in:** 1997
- **Qualification:** Lawyer
- **Principal place of employment:** , AO ALFA-BANK (Deputy Chairman of the Executive Board, Legal Affairs and Distressed Asset Management Director, Member of the Executive Board)

5. Michael Boris Tuch

Year of birth: 1975

Education: Tertiary

- **Graduated from:** University of Maryland
- **Graduated in:** 1998
- **Degree:** Bachelor in Finance
- **Major:** Finance
- **Principal place of employment:** AO ALFA-BANK (Deputy Chairman of the Executive Board, Retail Business Director, Member of the Executive Board)

6. Andrew Chulak

Year of birth: 1970

Education: Tertiary

- **Graduated from:** Moscow Institute of Physics and Technology
- **Graduated in:** 1993
- **Qualification:** Engineer physicist
- **Major:** Applied mathematics and physics
- **Principal place of employment:** AO ALFA-BANK (Deputy Chairman of the Executive Board, Corporate and Investment Bank Director, Member of the Executive Board)

7. Denis Osin

Year of birth: 1972

Education: Tertiary

- **Graduated from:** Moscow State University of Printing Arts
- **Graduated in:** 1999
- **Degree:** Bachelor in Economics
- **Principal place of employment:** AO ALFA-BANK (Small and Micro Business Director, Member of the Executive Board)

8. Vladimir Voeykov

Year of birth: 1969

Education: Tertiary

- **Graduated from:** Khabarovsk State Academy of Economics and Law
- **Graduated in:** 1995
- **Qualification:** Economist
- **Major:** Finance and Credit
- **Principal place of employment:** AO ALFA-BANK (Medium Business Director, Member of the Executive Board)

9. Ivan Pyatkov

Year of birth: 1977

Education: Tertiary

- **Graduated from:** Moscow State University of Commerce
- **Graduated in:** 1999
- **Qualification:** Economist
- **Major:** Accounting and Audit

Professional retraining:

- **Graduated from:** International Institute of Management LINK
- **Program:** Management
- **Graduated on:** 17 June 2002
- **Principal place of employment:** AO ALFA-BANK (Digital Business Director, Member of the Executive Board)

10. Sergei Poliakov

Year of birth: 1960

Education: Tertiary

- **Graduated from:** New York University
- **Graduated in:** 1991
- **Degree:** Master of Science
- **Principal place of employment:** AO ALFA-BANK (Chief Information Officer, Member of the Executive Board)

Information on shareholding in AO ALFA-BANK

Members of the Executive Board and Chairman of the Executive Board do not own any shares in the Bank.

In 2020, members of the Executive Board made no acquisition or disposal transactions of Bank shares.

Key provisions of the Bank's remuneration and/or reimbursement policies, and information on each of the Bank's management bodies (except for the Chairman of the Executive Board), with an indication of all types of remuneration, including salary of the Bank's management body members, including those holding more than one office, bonuses, commission and remuneration separately paid for working in the relevant management body and other types of remuneration paid by the Bank in the reporting year, indicating expenses related to the performance of functions of members of the Bank's management bodies reimbursed by the Bank in the reporting year

The Bank's internal regulations on the terms of remuneration and reimbursement of expenses related to the performance of functions of members of the Board of Directors was approved at the General Shareholders Meeting in January 2020.

These internal regulations are a core document used at the General Shareholders Meeting to take decisions on payments and compensation to members of the Board of Directors, in accordance with Article 64.2 of the Federal Law on Joint-Stock Companies.

The remuneration system at AO ALFA-BANK is based on the Bank's strategic plan, performance standards and corporate values, Russian employment law, and Bank of Russia Order No. 154-I of 17 June 2014.

On 16 March 2015, the Board of Directors (Minutes of the Board of Directors' Meeting No. 02-2015 of 16 March 2015) approved the following documents regulating the terms and procedure for employee remuneration at AO ALFA-BANK:

- Personnel policy of AO ALFA-BANK (new version approved by the Board of Directors, Minutes No. 12-2020 of 23 December 2020);
- Remuneration policy of AO ALFA-BANK (new version approved by the Board of Directors, Minutes No. 22-2015 of 28 December 2015, No. 13-2016 of 6 October 2016 and No. 11-2018 of 22 August 2018, respectively).

According to Alfa-Bank's personnel and remuneration policies, the remuneration of the Bank's employees, as a rule, includes set (fixed) and variable (bonuses) remuneration.

Fixed remuneration for the Chairman of the Executive Board and members of the Executive Board is determined by the Board of Directors upon the recommendation of the Staff and Remuneration Committee.

Bonuses for the Chairman of the Executive Board and members of the Executive Board depend on their individual results in achieving their goals and objectives for the year, the performance of the units (functions) that they supervise and of the Bank generally, and risk exposure indicators. The Bank's policy on bonus payments to the Bank's Employees, in accordance with Order No. 154-I, sets the requirements on the proportion between the fixed and variable components of remuneration of the Chairman of the Executive Board and members of the Executive Board

and to the bonus payment procedure (payment of 40% of the bonuses is to be deferred/spread over three calendar years). Payment of the deferred portion of the bonus is subject to the Bank's meeting its acceptable risk targets in the relevant reporting period.

The total remuneration paid to members of the Executive Board of the Bank in 2020 was RUB 2,211,922,210.21.

The total remuneration paid to members of the Board of Directors of the Bank in 2020 was RUB 670,793,096.59.

Information on each type of energy resource used by the company in the reporting year

The principal types of energy resources used by the Bank are electricity, heat energy and petroleum, oil and lubricants (POL).

The Bank places special emphasis on energy efficiency and sustainable energy sources. In times of economic instability and subsequent economic recovery, the rational use of energy is even more important.

In 2020, total POL expenses for all the Bank's business units amounted to RUB 34.2m (749.5 tonnes), including RUB 13.5m (291 tonnes) for the head office and other offices in Moscow and Moscow Region.

Electricity and heating costs are not often singled out from total payments for utility services. Another common practice is the reimbursement of utilities expenses, including electricity costs, under lease agreements. All the above precludes the presentation of detailed information on electricity and heating costs at the Bank's offices in Russia.

Electricity and heating costs account for a considerable portion of the Bank's total utilities expenses.

In 2020, electricity, heating and cold and hot water costs under the Bank's direct agreements related to premises in Moscow amounted to RUB 155,392,774.11 for electricity (23,906,580.64 kW*h p.a.), RUB 12,821,895 for heating (5,196 Gcal), RUB 1,939,332 for cold water, including water disposal (14,156 m³) and RUB 1,179,704 for hot water (4,395 Gcal + 1,511 m³). In Ulyanovsk (Volga Regional Operational Centre), the expenses amounted to RUB 14,880,562.63 for electricity (2,205,364.24 kW*h p.a.), RUB 3,078,226.71 for heating and hot water (2,012.41 Gcal), RUB 308,620.12 for cold water (6,722 m³), RUB 54,767.46 for the negative impact on the operation of the central water disposal system, (6,722 m³), RUB 165,455.90 for gas (24,203 m³) and RUB 34,500.00 for diesel fuel for generator units (500 litres). In Barnaul (Regional Operational Centre), the expenses amounted to RUB 14,966,66.32 for electricity (2,756,199.77 kW*h p.a.), RUB 4,784,195.14 for heating (2,486 Gcal) and RUB 241,613.91 for cold water (6,463 m³).

No energy resources, other than those indicated above, were used or consumed in the reporting year.

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Small and Micro Business

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