



**Alfa·Bank**

**First Half 2011 Results**

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## Financial highlights 1H 2011

### Statement of Income

- Net profit at US\$ 275 mln (1H 2010: US\$ 296 mln)
- Segment profit before tax and bonuses:
  - Corporate and Investment banking – US\$ 264 mln
  - Retail banking – US\$ 100 mln
- Cost to income at 54.9% (1H 2010: 44.3%)
- Return on equity at 16.8% (1H 2010: 19.1%)

### Financial Position

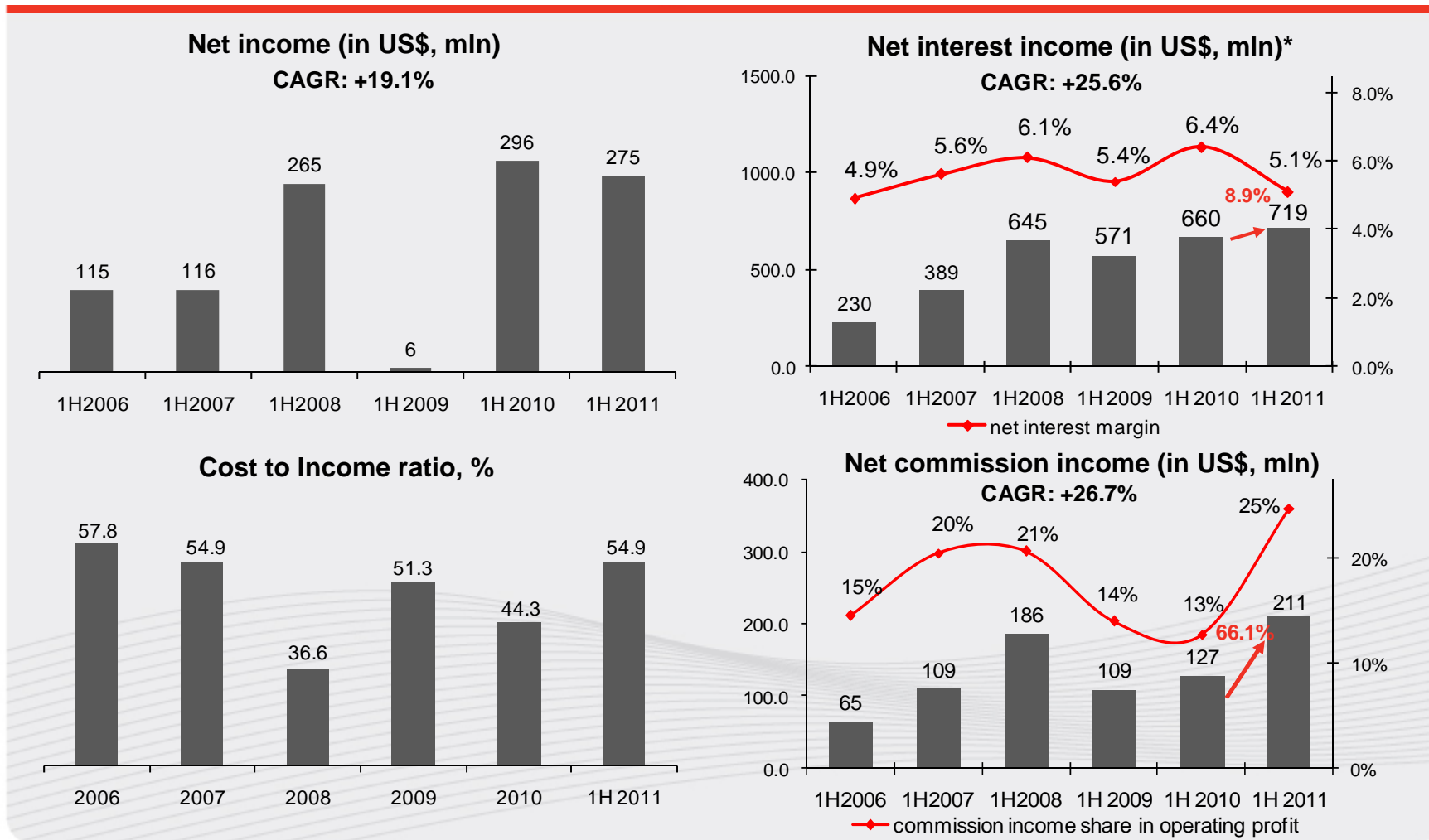
- Total assets increased 10.6% from US\$ 28.5 bn at FY 2010 to US\$ 31.5 bn
- Gross loans increased 17.9% from US\$ 18.2 bn at FY 2010 to US\$ 21.4 bn
- Provisioning ratio decreased from 7.6% of loan portfolio at FY 2010 to 6.7%
- Customer accounts up 11.6% from US\$ 16.8 bn at FY 2010 to US\$ 18.8 bn
- Debt securities issued increased from US\$ 4.1 bn at FY 2010 to US\$ 4.9 bn
- Total equity up 13.1% from US\$ 3.1 bn at FY 2010 to US\$ 3.5 bn

### Ratings

- Fitch upgraded credit rating from BB/stable to BB+/stable in July 2011
- S&P upgraded long term credit rating from B+ to BB- in March 2011, outlook was changed from stable to positive in September 2011
- Moody's upgraded its outlook from negative to stable in November 2010. Credit rating was confirmed at Ba1



# Income well above pre-crisis levels

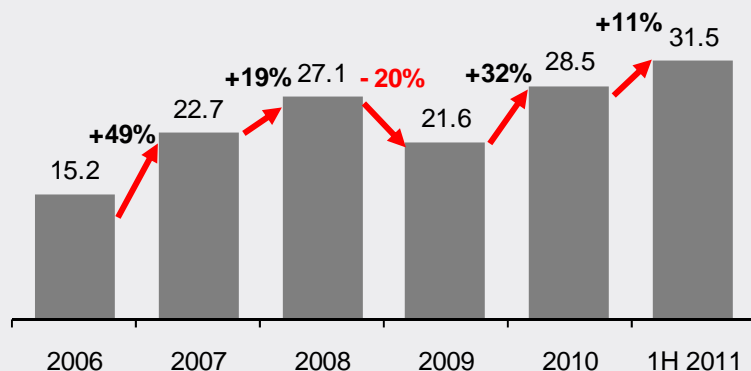


Source: IFRS audited financial results, 6m 2011 reviewed by auditors IFRS results  
 \* Net interest margin is calculated as Net interest income / Average earning assets



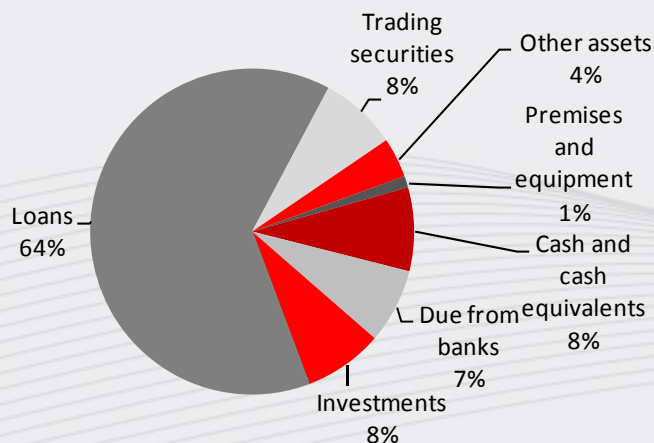
# Assets and loan portfolio development

**Total assets (in US\$, bn)**

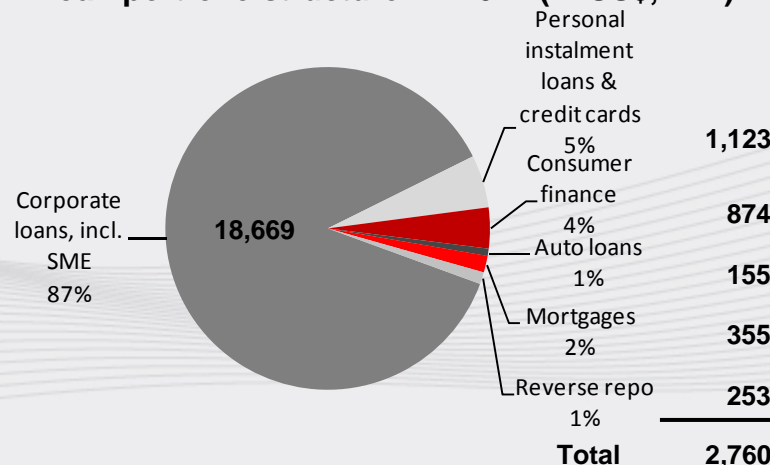


- Top 5 in terms of gross loans and equity, top 6 in terms of total assets – Russia’s largest private bank
- Increase in total assets and loan portfolio in 2010 - 1H 2011 was primarily driven by macroeconomic recovery after the global crisis and the ability of Alfa-Bank to attract new customers both in corporate and retail segments
- Total gross loans increased 17.9% in 1H 2011.

**Assets structure 1H 2011**



**Loan portfolio structure 1H 2011 (in US\$, mln)**

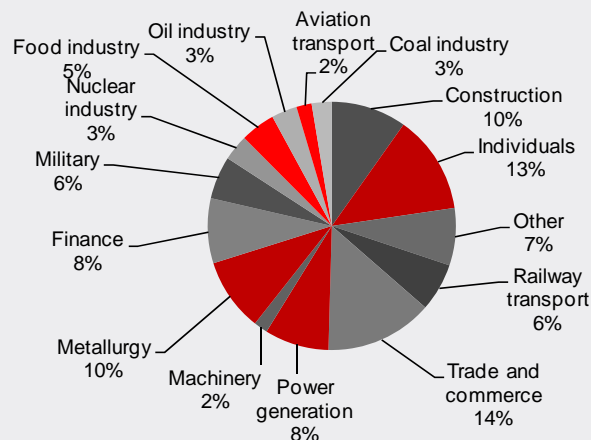


Source: IFRS audited financial results, 6m 2011 reviewed by auditors IFRS results



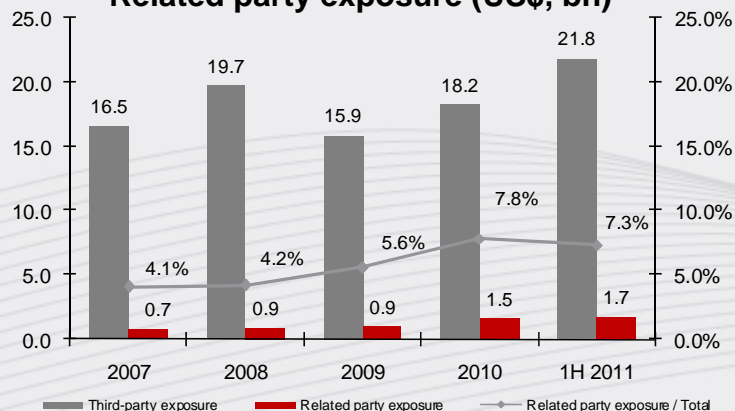
# Risk management

## Loans breakdown by economic sectors

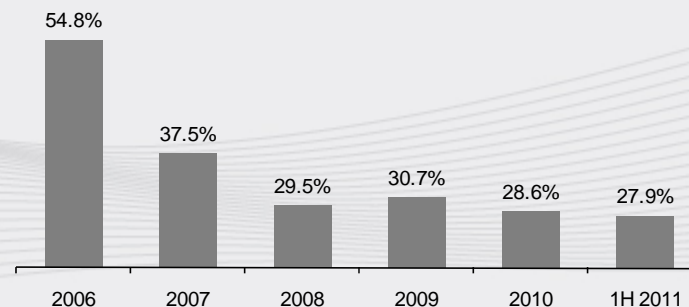


- Individuals represent 13% of the total loan book (end-2010: 13%)
- Share of construction sector is constantly decreasing (10% in 1H2011 vs. 11% in 2010)
- Loan concentration of top 10 borrowers decreased from 28.3% of total loans at the end of 2010 to 27.6% of total loans at 1H 2011
- Exposure to related-party borrowers decreased from 7.8% of total loans and credit related commitments at the end of 2010 to 7.3% at 1H 2011

## Related party exposure (US\$, bn)\*



## Concentration of top 10 depositors (as % of total customer accounts)

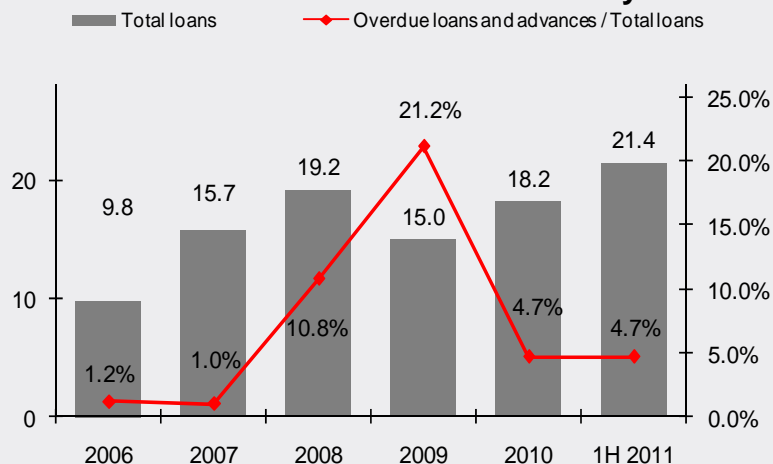


Source: IFRS audited financial results, 6m 2011 reviewed by auditors IFRS results  
 \* Including credit-related commitments



# Loan portfolio quality

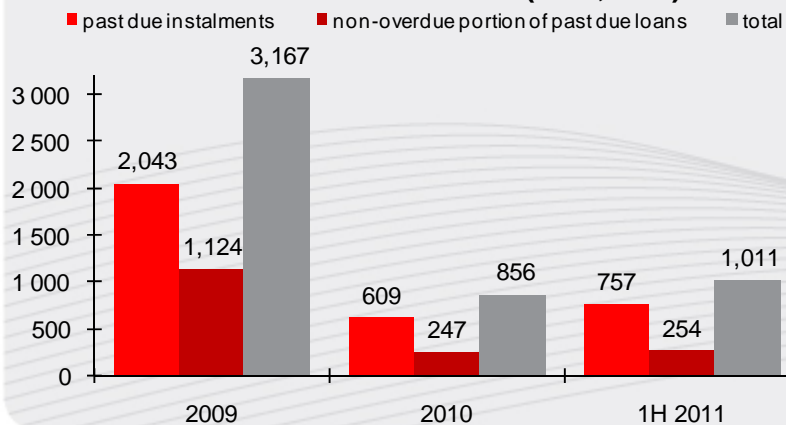
**Overdue loans and advances 1+ days\***



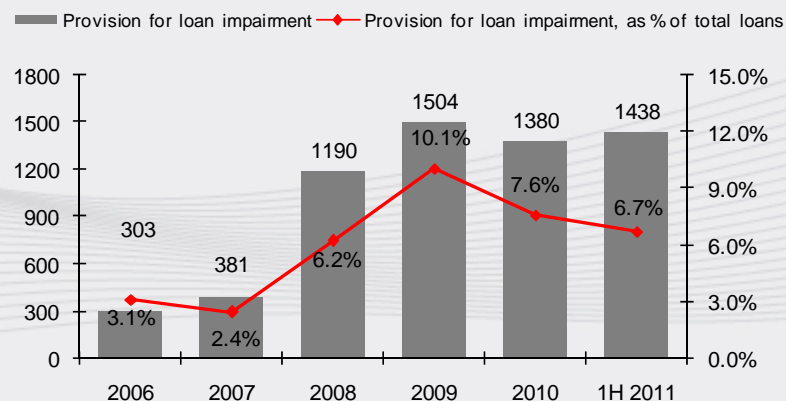
**Overdue loans and advances movements**

Overdue at 31/12/2010	856
Increase due to exchange rate (approximately)	48
Technical corporate overdue (redeemed in July)	40
Retail growth effect	37
SME growth effect	18
Other movements	12
<b>Overdue at 30/06/2011</b>	<b>1,011**</b>

**Overdue loans structure (US\$, mln)**



**Provision for loan impairment (US\$, mln)**



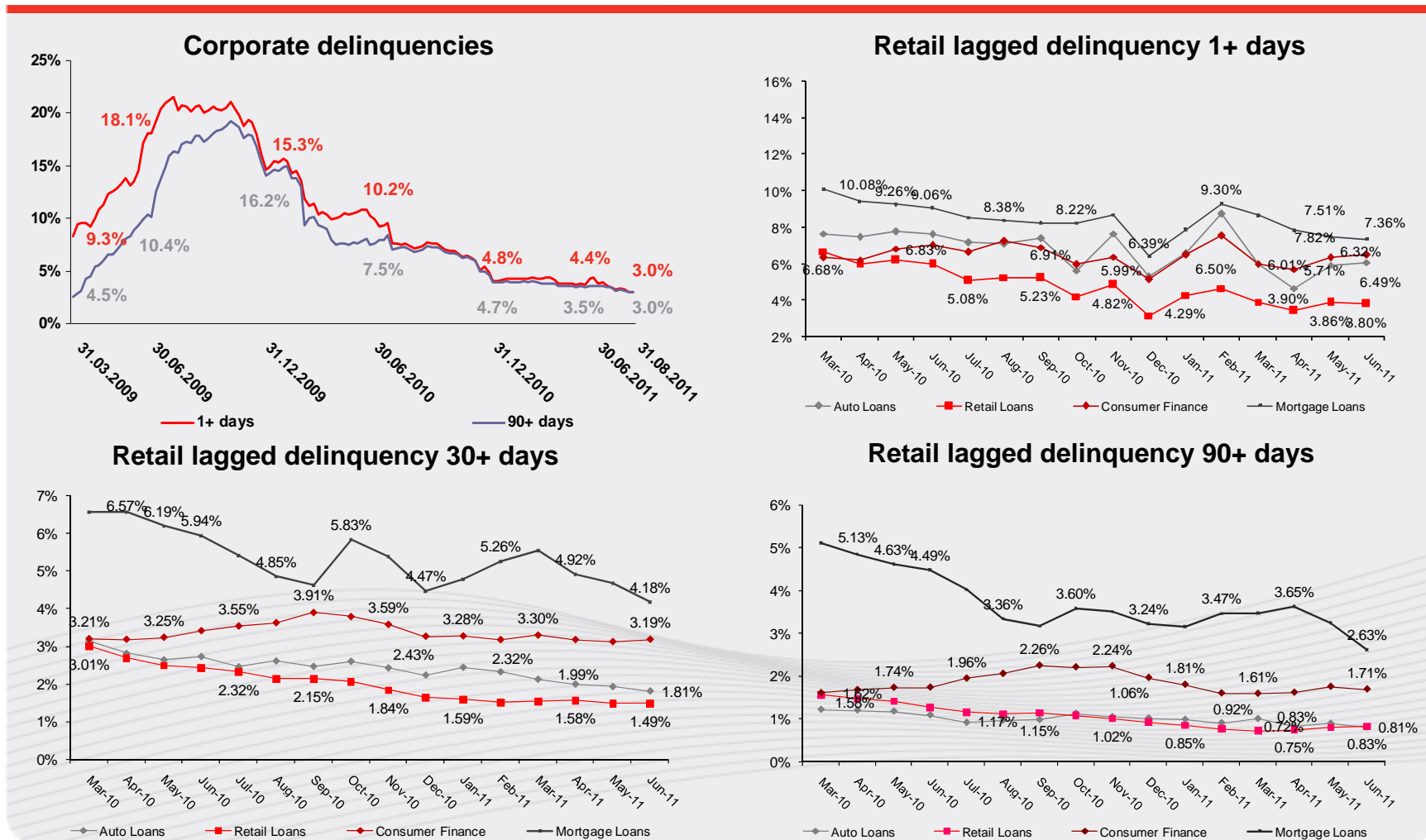
Source: IFRS audited financial results, 6m 2011 reviewed by auditors IFRS results

\*Overdue loans and advances include both past due instalments and the remaining non-overdue portion of the loan

\*\*In addition, in July 2011 2 large corporate accounts were settled in the amount of US\$158 mln



# Dynamics of loan portfolio delinquencies



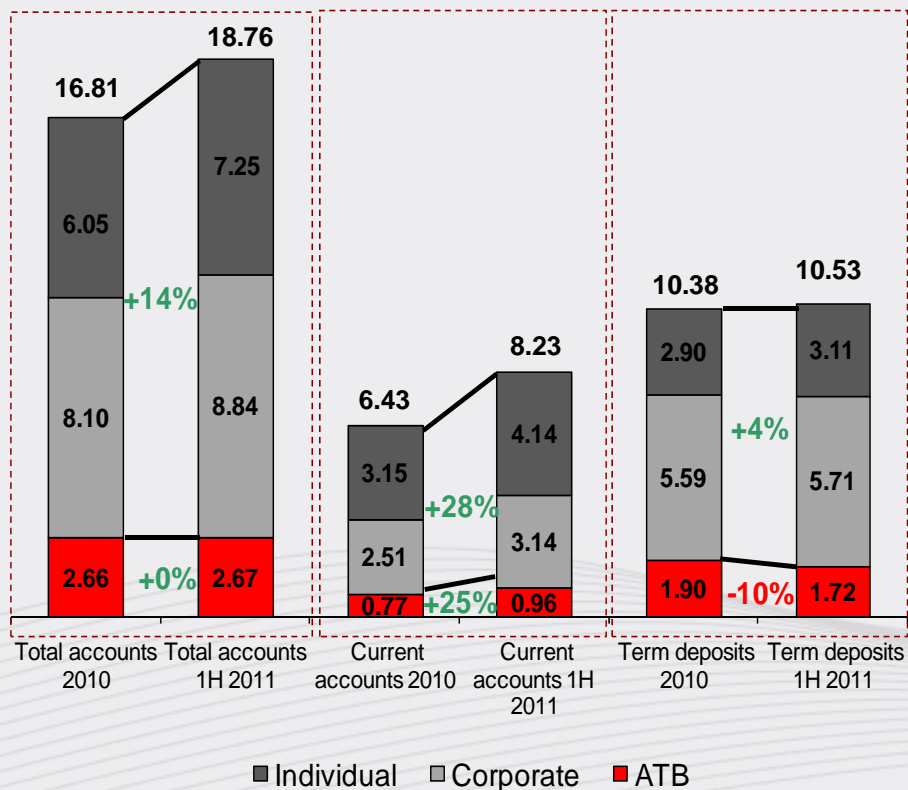
Risk management estimates (not IFRS), Alfa-Bank only



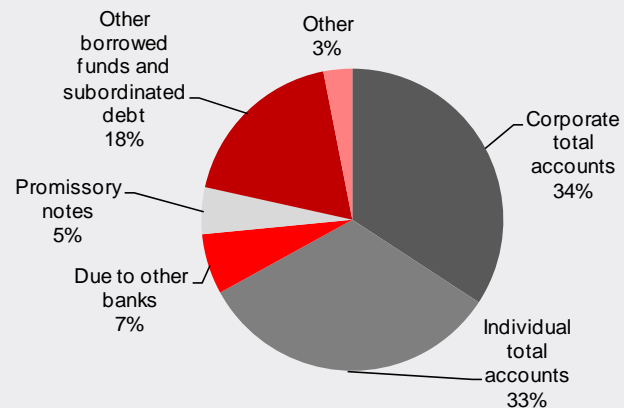


# Funding structure is well-balanced

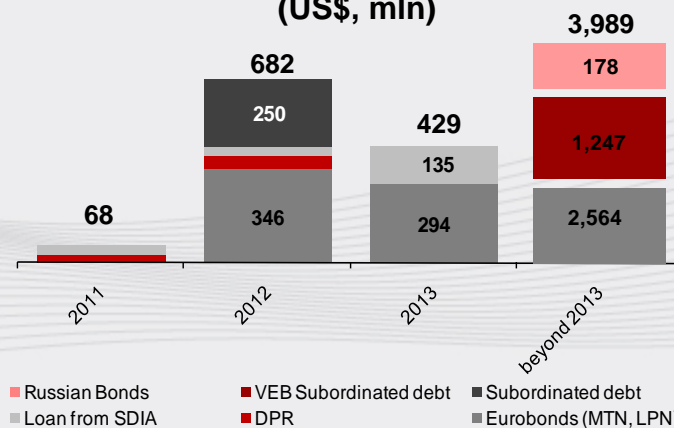
### Customer accounts (US\$, bn)



### Liability structure 1H 2011



### Other borrowed funds maturity breakdown (US\$, mln)

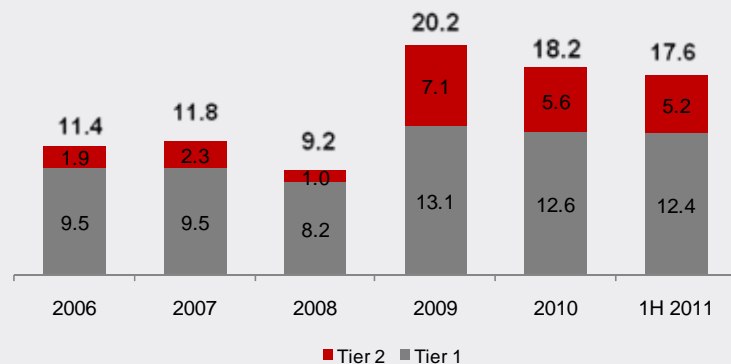


Source: IFRS audited financial results, 6m 2011 reviewed by auditors IFRS results  
 \* Alfa-Bank only (excluding ATB)



## High capital adequacy level maintained

Capital adequacy ratio (in % of risk-weighted assets)\*



CAR summary (US\$, mln)\*

	6/30/2011	Diff	12/31/2010
<b>Capital adequacy</b>			
Tier 1	3,273	343	2,930
Tier 2	1,358	72	1,286
<b>Total capital</b>	<b>4,631</b>	<b>415</b>	<b>4,216</b>
Banking book	24,795	3,939	20,856
Trading book	1,588	-741	2,329
<b>Total risk weighted assets</b>	<b>26,383</b>	<b>3,198</b>	<b>23,185</b>
<b>Tier 1 ratio</b>	<b>12.4%</b>	<b>-0.2%</b>	<b>12.6%</b>
<b>Total capital ratio</b>	<b>17.6%</b>	<b>-0.6%</b>	<b>18.2%</b>

- Capital adequacy ratio decreased to 17.6% as of 1H 2011 from 18.2% as of YE 2010 mostly due to increased gross loan portfolio
- In 2009, Vnesheconombank granted two subordinated loans totalling approximately US\$1.3 bn maturing in 2019 and 2020, which increased Tier 2 capital. In August 2010, Vnesheconombank decreased the interest rates on its subordinated loans to 6.5% (on a \$0.3 bn loan) and 7.5% (on a \$1.0 bn loan) respectively
- Total RWA increased 13.8% due to loan book growth, partially offset by a decrease in trading book
- Tier 1 capital increased 11.7% due to solid growth in retained earnings

\* CAR ratios calculated in accordance with Basel standards (management computation)



## Forecast 2011

**Total Assets**

**Growth\* ~ 15 – 20%**

**Loan Portfolio**

**Corporate loans: growth ~ 20 – 25%**

**Retail loans: growth ~ 25 – 30%**

**Cost to Income Ratio**

**< 50%**

**Return on Equity**

**15 – 20%**

**CAR**

**~ 16 – 18%**

\* To YE 2010

## Appendix



	Page
<b>Structure of Alfa Group</b>	13
<b>Alfa-Bank's Business Franchise</b>	14
<b>Awards</b>	15
<b>Market Position</b>	16
<b>Alfa-Bank's Business Segments</b>	17

# Alfa-Bank: the key banking asset of Alfa Group



**Alfa-Bank** - Wide range of financial services, including corporate and SME banking, retail banking, investment banking, trade finance, structured finance, leasing. **Alfa-Bank Russia (100.00%), Alfa-Bank Ukraine (100.00%), Alfa-Bank Belarus (96.53%), Alfa-Bank Kazakhstan (100.00%)**

**Alfa Asset Management (100.00%)** - The Group's assets management arm. Clients include Russian as well as international institutional and private clients.

**Alfa Capital Partners (100.00%)** - The Group's private equity and real estate investment group.

**OJSC AlfaStrakhovanie (84.59%)** - One of the largest non obligatory insurance companies in Russia.

**TNK-BP (25.00%)** - Russia's third largest vertically integrated oil company in terms of production.

**A1 Group Ltd. (100.00%)** - Large-scale proprietary and for-client investment into Russia, the CIS as well as other emerging markets.

**Rosvodokanal Group (70.30%)** - A leading private operator of water supply and sewage in the CIS.

**X5 Retail Group N.V. (47.86%)** - X5 Retail Group N.V. holds the supermarket chains Pyaterochka, Perekrestok, Kopeika and Karusel.

**Altimo** - Leading private equity group which is used by Alfa Group as its exclusive vehicle for making investments into telecommunications assets in Russia, the CIS and other promising markets. **Vimpelcom (24.99%), Megafon (25.10%), Turkcell (13.22%)**

\* The stakes in the companies shown include effective minority stakes

\*\* Source: Alfa Group audited report FY 2009



# Alfa-Bank's universal business franchise

Best bank in Russia – “Customer Experience Index” research by PWC and Senteo\*

5.7 million retail clients and 48,000 corporate clients\*\*

## Retail Banking

- Branch Banking
  - Current and savings accounts
  - Debit and credit cards
  - Personal installment loans
- Auto Finance
- Consumer Finance
- Mortgage Loans
- Electronic banking
  - Electronic distribution channels
  - Internet acquiring
  - B2B solutions
  - GSM banking



## Corporate and Investment Banking

- Corporate Lending
- Mass Business
- SME Banking
- Leasing
- Trade Finance
- Structured Finance
- Factoring
- Cash Management
- Equity Brokerage
- Fixed Income Brokerage
- Research
- Debt and Equity Capital Markets
- Mergers & Acquisitions
- Structured Products and Derivatives
- FX operations

## Strategy

To maintain our status as the leading private bank in Russia, while enhancing our stability and profitability. To set the industry standards in key areas such as customer experience, technology, efficiency and teamwork.

### Focus on client

Broad product offering,  
Customised approach to sales and services for target client groups

### Team and team work

Efficient cooperation among and within business units,  
Hiring and retaining best people,  
Tailored motivation systems

### Technology, efficiency

Technological and process efficiency as a competitive advantage

\* Source: PWC and Senteo, January 2011

\*\* as of September 2011

## Alfa-Bank: well recognised record of excellence



- Best Bank in Russia, 2009, 2008



- Best quality customer service bank in Moscow, 2009



- Best Service Company for Individual Investors, 2009
- Best analytics, 2010



- Best bank in the “Customer Experience Index” research by PricewaterhouseCoopers and Senteo, 2010, 2009, 2008



- Best bank in Russia by quality of retail client services



- Best Internet Bank in Russia, 2010, 2008
- Best Domestic Bank, 2008
- Best Trade Finance Bank in Russia, 2008
- Best Equity Research Bank, 2008



- Brand of the Year / EFFIE 2008 award for “My Alfa” banking card



- Super Brand Award, 2008



- Best private bank in Russia by Global Reputation Index (GRI) research, 2010

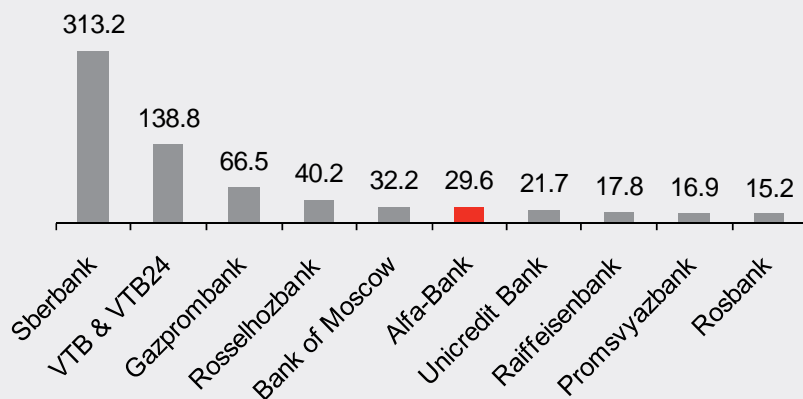


- Russian Private Bank of the Year, 2009

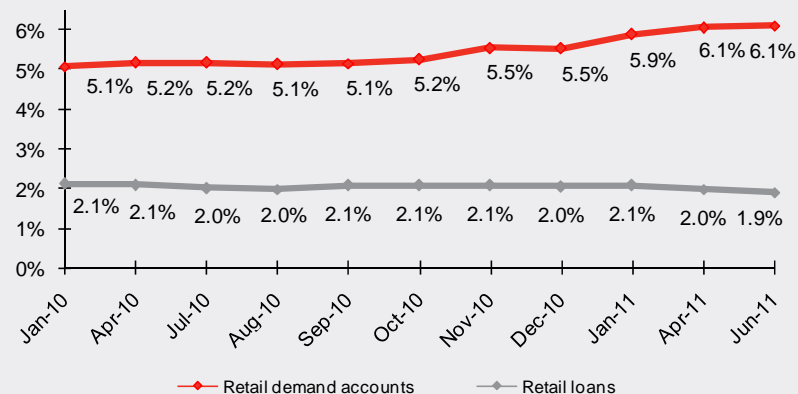


# Leading Russian private bank in most market segments

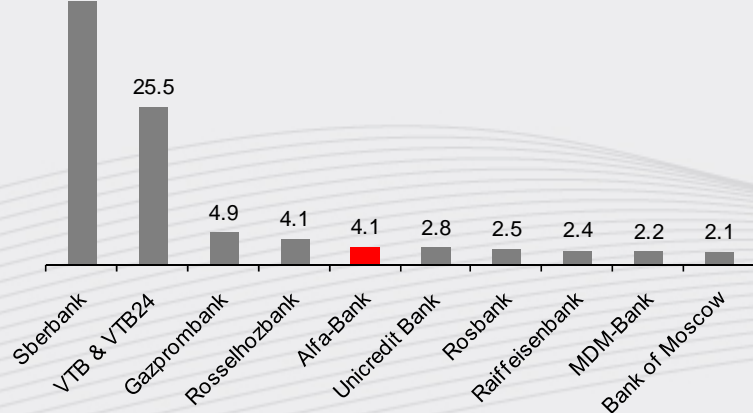
**Top Russian banks by assets (US\$, bn)\***



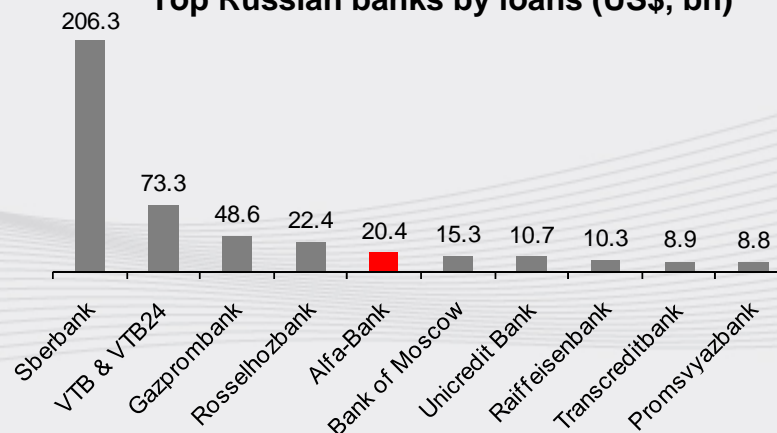
**Market share in retail\*\***



**Top Russian banks by equity (US\$, bn)\*\*\***



**Top Russian banks by loans (US\$, bn)\***



\* Source: [rating.rbc.ru](http://rating.rbc.ru). Figures as of July 1, 2011

\*\* Source: CBR, Alfa-Bank's management report July 2011

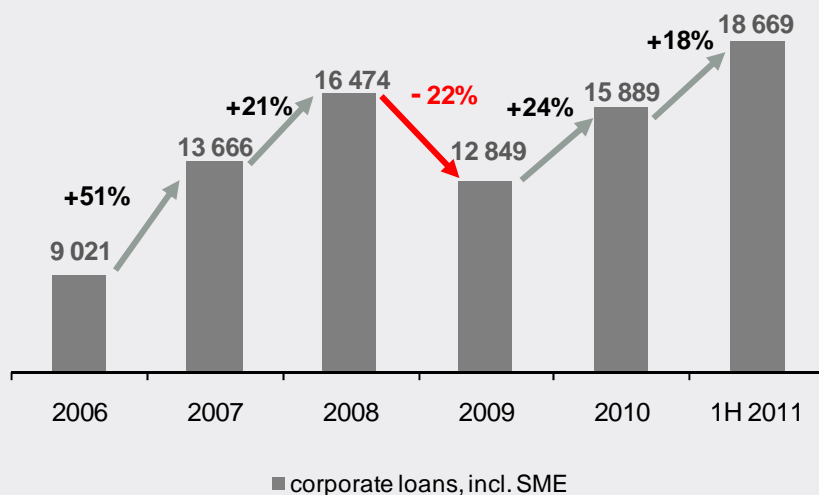
\*\*\* Source: [bankir.ru/rating/](http://bankir.ru/rating/) Figures as of July 1, 2011

Figures are based on non-consolidated RAS financial statements (Alfa-Bank only)





## Leading private bank in corporate segment...



- Largest private bank in terms of corporate customer loans and accounts
- Services 48,000 corporate clients, including leading Russian Blue Chip companies: MOESK, TNK-BP, Rosatom, S7 airlines, X5 Retail Group
- Corporate bank's strengths:
  - Long standing client relations
  - Country-wide distribution
  - Excellent reputation, team and credit expertise
  - Intimate knowledge of local markets
  - Deep distressed assets and debts management expertise

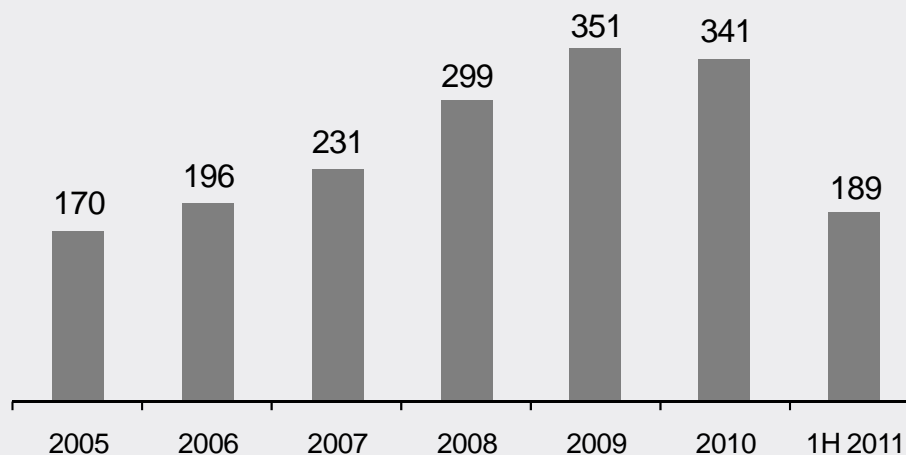
### Strategy

- Leading private bank in Russia in terms of assets volume
- Leader in service quality using technology as an enabler and leader in penetration of sales of investment banking and retail products to corporate clients
- Increase share of wallet through cross-sell of fee and commission products
- Business-model diversification: significant expansion in the mid-cap segment
- SME: moderate development with focus on transaction banking and tight control of credit risk
- Mass: Regional footprint expansion, focus on transaction banking
- Shift to customer-based planning: share of wallet analysis, targets by products



# Alfa Investment Banking Financial Results: 2005-2011

Investment Bank operating profit (US\$, mln)\*



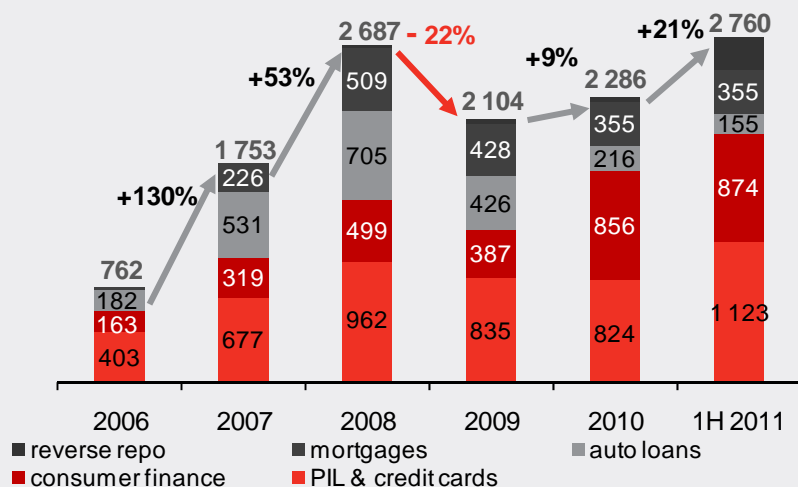
- Excellent overall results - well ahead of plan
- Signed binding agreements with MICEX on sale of Alfa-Bank's stake in RTS
- Excellent results in FOREX and Alfa Direct
- Continuing weakness in Fixed Income markets
- Multiple active mandates with good revenue potential in Corporate Finance

Source: Alfa-Bank management report June 2011

\*Figures based on Management Accounts (including Equities, Fixed Income, Corporate Finance, FOREX)



... with solid positions in retail sector\*



- 5.7 million retail customers served by the end of 2Q 2011
- Full spectrum of retail banking products offered: credit cards, deposits, PILs, consumer, auto, mortgage loans, internet and mobile phone banking
- Number three largest Russian bank by retail demand deposits, behind Sberbank and VTB (6.1% market share as of June 2011)\*\*
- Large distribution network – 271 retail branches as of June 2011
- Segment profit before tax for 6m 2011 stood at US\$ 100 mln
- Rated number 1 in customer experience index in 2010 by PricewaterhouseCoopers
- Strong VIP banking offering “A-Club”

Strategy

- Active growth of client base and its quality
- Loan portfolio growth: Personal Installment Loans, Credit cards, Consumer loans, Mortgage loans;
- Monetization of technology / Internet-Bank
- Cross-selling: requires significant growth in approval and response rates, and investments in CRM systems
- Mobile banking: virtual cards, joint ventures with mobile operators;
- Investments in the infrastructure and service model for affluent clients

\* Source: IFRS audited financial results, 6m 2011 reviewed by auditors IFRS results

\*\* Source: CBR, Alfa-Bank management reports



**Thank you for your attention!**

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