

## ACRA AFFIRMS AA+(RU) TO JSC “ALFA-BANK”, OUTLOOK STABLE, AND AFFIRMS CREDIT RATINGS TO BOND ISSUES

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The credit rating of JSC “ALFA-BANK” (hereinafter, Alfa-Bank, or the Bank) is based on its strong business profile, strong capital adequacy, adequate funding and liquidity position, and satisfactory risk profile assessment. The rating is further supported by Alfa-Bank’s moderate systemic importance for the Russian financial market.

The credit ratings of the Bank’s bonds that are senior unsecured debt instruments have been affirmed at AA+(RU). The credit ratings of the Bank’s subordinated bonds that are Tier 2 capital instruments have been affirmed at A+(RU). The credit ratings of the Bank’s subordinated bonds that are Tier 1 capital instruments have been affirmed at BBB(RU).

Alfa-Bank is a universal nationwide bank focusing on lending to large and medium-sized businesses and individuals, and providing transactional services to customers. The Bank ranks fourth in terms of assets and capital, and third in terms of funds raised from individuals. Alfa-Bank is the largest privately owned bank in Russia in terms of assets, capital, customer accounts and loan portfolio. Alfa-Bank is part of ABH Financial Limited.

### KEY ASSESSMENT FACTORS

**Strong business profile assessment (a).** The Bank is characterized by its strong franchise in lending and transactional services for businesses and individuals, and moderate diversification of its operating income, which has recorded stable growth over the past 12 months. The high quality corporate governance and an adequate development strategy, which involves moderately active growth of key business segments, are also positive for the assessment.

**The strong capital adequacy assessment** is based on adequate capital adequacy ratios and resilience to macroeconomic shocks. At the same time, without taking into account regulatory easing, the Bank’s adequacy ratios look more vulnerable by Russian standards, but at the moment they are above the minimum established indicators. Internal generation of capital (the averaged capital generation ratio (ACGR) for 2018–2022) declined amid the challenging operating environment in 2022, however, this year there has been a noticeable improvement in the Bank’s financial results. ACRA’s stress testing shows that although the Bank’s ability to absorb losses at the expense of capital remains relatively high.

**Satisfactory risk profile assessment.** ACRA notes the relatively high quality of the Bank’s loan portfolio amid its current and planned growth. The share of Stage 3 loans (according to IFRS) has declined somewhat over the past 12 months. At the same time, the Bank improved the reserve coverage of problem and potential problem loans. The active growth of the loan portfolio (including unsecured lending) is a factor taken into account by ACRA in Alfa-Bank’s risk profile

assessment. Concentration on the ten largest groups of borrowers remains at less than 15% of the portfolio.

ACRA notes the positive dynamics for creating reserves for assets that the Bank cannot access, which reduces the risk of potential losses in the future.

**Adequate funding and liquidity position.** Alfa-Bank retains a strong ability to withstand an outflow of customer funds, including due to the Bank consistently maintaining its ability to obtain funds from the Bank of Russia. On the long-term horizon, the liquidity position is assessed as adequate. When assessing funding structure sustainability, ACRA takes into account the fact that the Bank's resource base is largely formed by stable current funds of individuals, the dynamics of which have demonstrated a steady influx over the past 12 months.

The funding structure is well-balanced due to adequate diversification by funding sources (with a slight excess of the share of legal entities) and major creditors.

**Moderate systemic importance.** In ACRA's opinion, a default of Alfa-Bank would lead to a systemic crisis in certain segments of the Russian banking market and, consequently, have a significant negative impact on the Russian financial sector and the economy in general. Alfa-Bank is on the Bank of Russia's list of systemically important credit institutions.

## KEY ASSUMPTIONS

- Maintaining the current positions in key business segments;
- Tier 1 capital adequacy ratio (N1.2, N20.2) above 9% within the 12 to 18-month horizon;
- Maintaining the current funding structure.

## POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will highly likely stay unchanged within the 12 to 18-month horizon.

### A positive rating action may be prompted by:

- Stabilization of the loan portfolio's growth rates while maintaining its quality;
- Substantial growth of the share of collateralized lending.

### A negative rating action may be prompted by:

- Significant decrease in capital adequacy and/or ability to generate capital;
- Substantial decline in the Bank's operational efficiency;
- Deteriorating liquidity indicators and/or funding structure.

## RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **aa-**.

Adjustments: none.

Support: systemic importance, +2 notches.

## ISSUE RATINGS

**Rationale.** The issues listed below represent senior unsecured debt of Alfa-Bank. Due to the absence of either structural or contractual subordination of the issues, ACRA regards them as equal to other existing and future unsecured and unsubordinated debt obligations of the Bank

in terms of priority. According to ACRA's methodology, the credit ratings of the issues are equivalent to that of Alfa-Bank, i.e. AA+(RU).

Bond issued by JSC "ALFA-BANK", BO-22 series (ISIN RU000A0ZYGB6), maturity date: December 4, 2032, issue volume: RUB 5 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", BO-18 series (ISIN RU000A0JX5W4), maturity date: January 5, 2032, issue volume: RUB 5 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", BO-40 series (ISIN RU000A0ZYU21), maturity date: March 4, 2033, issue volume: RUB 10 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", BO-39 series (ISIN RU000A0ZYWB3), maturity date: March 17, 2033, issue volume: RUB 10 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", BO-20 series (ISIN RU000A0JXR7), maturity date: May 11, 2032, issue volume: RUB 5 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", BO-21 series (ISIN RU000A0ZYBM4), maturity date: October 13, 2032, issue volume: RUB 5 bln — **AA+(RU)**.

JSC "ALFA-BANK" Eurobond (LPN) (ISIN XS2107554896), actual issuer: Alfa Bond Issuance Plc, maturity date: January 1, 2025, issue volume: RUB 15 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-08 series (ISIN RU000A102A07), maturity date: October 30, 2023, issue volume: RUB 8 bln — **AA+(RU)**.

JSC "ALFA-BANK" Eurobond (LPN) (ISIN XS2368111584), actual issuer: Alfa Bond Issuance Plc, maturity date: August 4, 2025, issue volume: RUB 10 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-13 series (ISIN RU000A1037F1), maturity date: December 10, 2024, issue volume: RUB 20 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-12 series (ISIN RU000A1036E6), maturity date: June 4, 2024, issue volume: RUB 15 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-11 series (ISIN RU000A1030D1), maturity date: April 18, 2024, issue volume: RUB 1.9 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-10 series (ISIN RU000A102S80), maturity date: February 22, 2024, issue volume: RUB 12 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-09 series (ISIN RU000A102JZ8), maturity date: December 24, 2023, issue volume: RUB 8 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-17 series (ISIN RU000A104HY1), maturity date: February 10, 2025, issue volume: RUB 4 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-18 series (ISIN RU000A105HJ9), maturity date: November 29, 2024, issue volume: RUB 15 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-20 series (ISIN RU000A105NH1), maturity date: December 23, 2024, issue volume: CNY 850 mln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-21 series (ISIN RU000A105UW5), maturity date: February 17, 2025, issue volume: RUB 10 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-22 series (ISIN RU000A106268), maturity date: April 7, 2025, issue volume: RUB 10 bln — **AA+(RU)**.

Bond issued by JSC "ALFA-BANK", 002P-23 series (ISIN RU000A106AJ2), maturity date: November 30, 2025, issue volume: RUB 13 bln — **AA+(RU)**.

Bond issued by JSC “ALFA-BANK”, 002P-24 series (ISIN RU000A106KV6), maturity date: January 20, 2026, issue volume: RUB 10 bln — **AA+(RU)**.

**Rationale.** The issues below are subordinated debt of Alfa-Bank with respect to senior unsecured creditors, and they are Tier 2 capital instruments. According to ACRA’s methodology, the credit rating of this issue is three notches below the credit rating of Alfa-Bank (AA+(RU)).

Subordinated Eurobond (LPN) issued by JSC “ALFA-BANK” (ISIN XS2063279959), actual issuer: Alfa Bond Issuance Plc, maturity date: April 15, 2030, issue volume: USD 850 mln — **A+(RU)**.

Subordinated Eurobond (LPN) issued by JSC “ALFA-BANK” (ISIN XS2333280571), actual issuer: Alfa Bond Issuance Plc, maturity date: October 26, 2031, issue volume: USD 350 mln — **A+(RU)**.

**Rationale.** The issues listed below envisage a significant level of subordination relative to senior unsecured creditors, and they are Tier 1 capital instruments. According to ACRA’s methodology, the final credit rating of this type of issue is five notches below the SCA of Alfa-Bank (aa-).

Subordinated perpetual Eurobond issued by JSC “ALFA-BANK” (ISIN XS1760786340), actual issuer: Alfa Bond Issuance Plc, maturity date: perpetual, issue volume: USD 500 mln — **BBB(RU)**.

Subordinated perpetual bond issued by JSC “ALFA-BANK” (ISIN RU000A100GW5), maturity date: perpetual, issue volume: RUB 5 bln — **BBB(RU)**.

Subordinated perpetual Eurobond issued by JSC “ALFA-BANK” (ISIN XS2410104736), maturity date: perpetual, issue volume: USD 400 mln — **BBB(RU)**.

## REGULATORY DISCLOSURE

The credit ratings have been assigned to of JSC “ALFA-BANK” and the bond issues of JSC “ALFA-BANK” under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Banks and Bank Groups under the National Scale for the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#). The [Methodology for Assigning Credit Ratings to Financial Instruments on the National Scale for the Russian Federation](#) was also applied to assign credit ratings to the above issues.

The credit rating of JSC “ALFA-BANK” was published by ACRA for the first time on November 15, 2016. The credit rating of the bond issue (ISIN RU000A0ZYGB6) was published by ACRA for the first time on November 24, 2017; (ISIN RU000A0JX5W4) — on January 24, 2017; (ISIN RU000A0ZYU21) — on February 21, 2018; (ISIN RU000A0ZYWB3) — on March 6, 2018; (ISIN RU000A0JXRV7) — on May 31, 2017; (ISIN RU000A0ZYBM4) — on October 2, 2017; (ISIN XS1760786340) — on January 31, 2018; (ISIN RU000A100GW5) — on June 27, 2019; (ISIN XS2063279959) — on October 23, 2019; (ISIN XS2107554896) — on February 5, 2020; (ISIN RU000A102A07) — on October 26, 2020; (ISIN XS2368111584) — on August 6, 2021; (ISIN XS2333280571) — on July 6, 2021; (ISIN RU000A1037F1) — on June 8, 2021; (ISIN RU000A1036E6) — on June 2, 2021; (ISIN RU000A1030D1) — on April 15, 2021; (ISIN RU000A102S80) — on February 19, 2021; (ISIN RU000A102JZ8) — on December 21, 2020; (ISIN RU000A104HY1) — on February 8, 2022; (ISIN XS2410104736) — on February 15, 2022; (ISIN RU000A105HJ9) — on November 28, 2022; (ISIN RU000A105NH1) — on December 22, 2022; (ISIN RU000A105UW5) — on February 16, 2023; (ISIN RU000A106268) — on April 6, 2023; (ISIN RU000A106AJ2) — on May 30, 2023; and (ISIN RU000A106KV6) — on July 20, 2023.

The credit rating JSC “ALFA-BANK” and its outlook, as well as the credit ratings of the bond issues of JSC “ALFA-BANK”, are expected to be revised within one year following the publication date of this press release.

The credit ratings were assigned based on data provided by JSC “ALFA-BANK”, information from publicly available sources, and ACRA’s own databases. The rating analysis was performed using the IFRS consolidated financial statements of ABH Financial Limited, IFRS consolidated financial statements of JSC “ALFA-BANK”, and the financial statements of JSC “ALFA-BANK” drawn up in compliance with Bank of Russia Ordinance No. 4927-U dated October 8, 2018. The credit ratings are solicited and JSC “ALFA-BANK” participated in their assignment.

In assigning the credit ratings, ACRA used only information, the quality and reliability of which were, in ACRA’s opinion, appropriate and sufficient to apply the methodologies.

ACRA provided additional services to JSC “ALFA-BANK”. No conflicts of interest were discovered in the course of credit rating assignment.

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