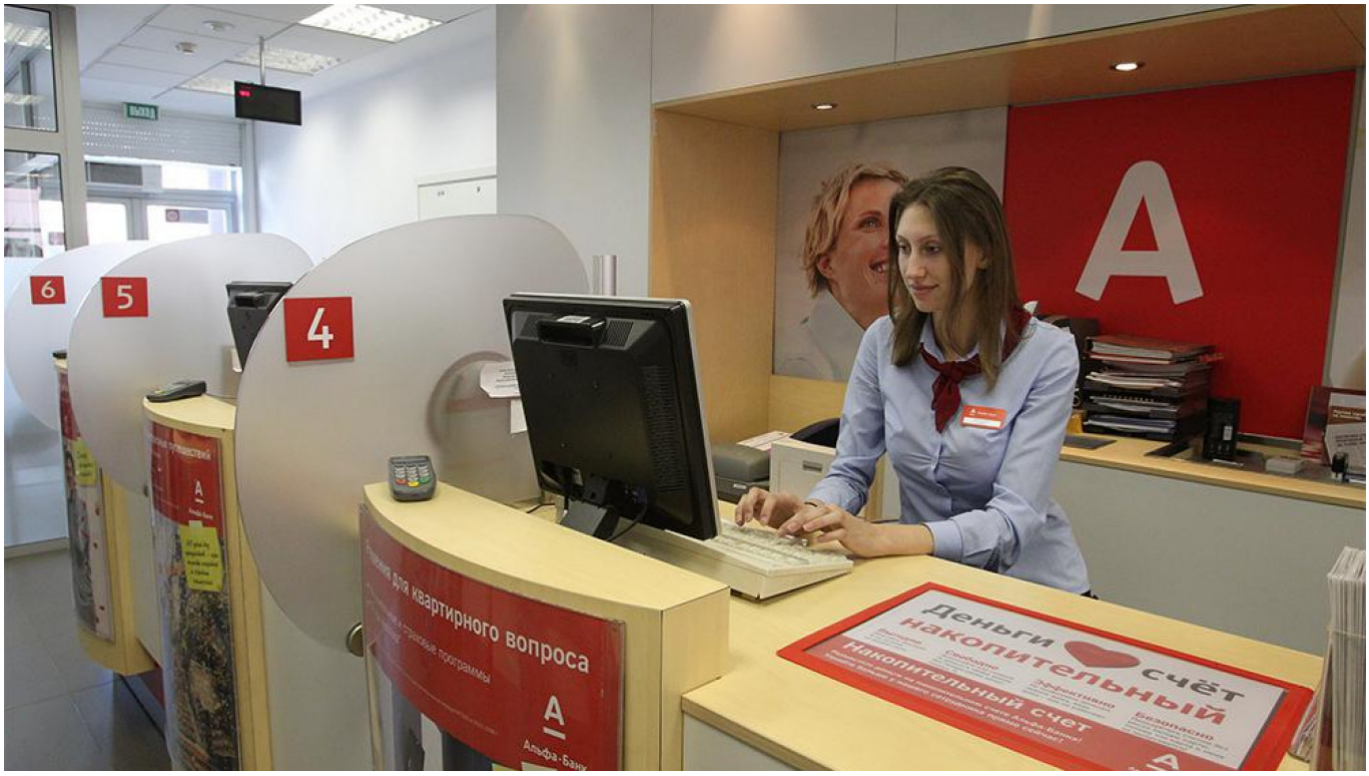
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Russia's Alfa Plans to Take on Rival Tinkoff by Creating a Digital Bank

The largest Russian private bank intends to secure its position with cutting-edge financial technology

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Leading Russian commercial bank Alfa Bank will directly challenge Russia's only entirely virtual bank Tinkoff Credit Systems (TCS) by setting up its own digital bank focused on remote services for customers, the Vedomosti newspaper reported on Oct. 4.

The new digital lender won't use the existing customers of the group's flagship Alfa Bank, but will operate as a competitor to it, Vedomosti reported.

Alfa is interested in digital banking models that would attract customers with operating costs lower than those of traditional lenders. The online model won't be suitable for all existing Alfa Bank customers.

As Russia's financial sector strives to embrace cutting-edge technology, the digital bank model is being adopted by several lenders — partly thanks to TCS success as it has been eating into the more traditional bank's customer bases.

The biggest digital lender in Russia today is Tinkoff Bank (TCS), owned by Oleg Tinkov, followed by Rocketbank, owned by ailing Otkritie finance group, and Touch Bank run by OTP Bank.

TCS has been an outstanding success and one of the few winners from the crisis.

Thanks to its low-cost base, it has been able to offer competitive deposit interest rates to the rate-sensitive Russian consumer and bolster its deposit base in the process.

In January-June 2017, Tinkoff posted net profit of 7.6 billion rubles ($131mn), compared with losses of 828 and 234 million rubles for Touch Bank and Rocketbank, respectively.

Tinkov reacted to the news about Alfa's plans by writing on his Facebook page: "Do you think they'll be able to pull it off? I don't know, we'll see. But I remembered a slogan many years ago that I still like: don't imitate, innovate."

Read more on bne.eu.

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