



TCS Group Holding PLC Announces 3Q and 9M 2016 IFRS Results and 2016 Second Interim Dividend

Moscow, Russia – 30 November 2016. TCS Group Holding PLC (**TCS LI**) (the "Group"), Russia's leading provider of online retail financial services, including Tinkoff Bank and Tinkoff Insurance, today announces its interim condensed consolidated IFRS results for the third quarter and nine months ended 30 September 2016.

KEY FINANCIAL HIGHLIGHTS

3Q 2016

- Net interest income increased by 40% y-o-y to RUB 8.8 bn (3Q15: RUB 6.3 bn)
- Profit before tax grew 3.9x y-o-y to RUB 4.0 bn (3Q15: RUB 1.0 bn)
- Net income up 4.0x y-o-y to RUB 2.9 bn (3Q15: RUB 0.7 bn), a third consecutive quarter of record net income for the Group
- Net interest margin at 25.9% (3Q15: 25.4%)
- Cost of risk decreased to 8.3% (3Q15: 14.8%)

9M 2016

- Net interest income increased 38% y-o-y to RUB 24.5 bn (9M15: RUB 17.7 bn)
- Profit before tax up 7.5x y-o-y to RUB 9.7 bn (9M15: RUB 1.3 bn)
- Net income up 8.0x y-o-y to RUB 7.3 bn (9M15: RUB 0.9 bn)
- Net interest margin increased to 26.0% (9M15: 24.8%)
- Total assets increased by 18% YTD to RUB 164.2 bn (YE15: RUB 139.7 bn)
- Gross loans and advances to customers up by 16% YTD to RUB 116.8 bn (YE15: RUB 101.1 bn)
- Net loans and advances to customers up 20.5% YTD to RUB 98.9 bn (YE15: RUB 82.1 bn)
- Share of non-performing loans (NPLs) reduced to 10.4% (YE15: 12.4%)
- Customer accounts increased by 24% YTD to RUB 110.6 bn (YE15: RUB 89.3 bn)
- Total equity up by 23% YTD to RUB 28.1 bn (YE15: RUB 22.9 bn)

KEY BUSINESS HIGHLIGHTS FOR 9M 2016

- In 9M16, over 700,000 new active customers were acquired
- As of 1 November, Tinkoff Bank is the second largest credit card player in Russia with a market share of 9.9%
- In September, Tinkoff Bank launched its 'Go Abroad!' mobile app for checking and paying outstanding debts
- In September, Tinkoff Bank launched a live customer support service chat on Telegram



- In August, Tinkoff mobile banking app was recognized as best in Russia by Deloitte for the fourth consecutive year
- In July, Tinkoff Bank launched multi-currency saving deposits in EUR, USD and GBP
- In July, Tinkoff Bank joined Russia's first blockchain consortium
- In July, Tinkoff Bank was named the Best Digital Bank in CEE by Euromoney and the Best Consumer Digital Bank by Global Finance

KEY HIGHLIGHTS POST 9M 2016

- In November, Fitch Ratings upgraded Tinkoff Bank's Long-Term Issuer Default Ratings to 'BB-' from 'B+' with a Stable outlook, reflecting the bank's stronger and more resilient performance through the credit cycle compared with peers
- In November, Tinkoff Bank launched a joint loyalty program with Ulmart and WWF
- In November, Tinkoff Bank became the first Russian bank to service its customers via Viber
- In October and November, Tinkoff Bank was among first Russian banks to bring Apple Pay to its Mastercard and Visa cardholders respectively
- In October, Tinkoff Bank launched Tinkoff Investments as part of Tinkoff.ru – a new service enabling customers to invest in securities online using their Tinkoff Black current account
- In October, Tinkoff Bank was named the largest independent global direct bank by a number of customers by Frost & Sullivan research

2016 GUIDANCE REITERATED

- The Group reiterates its previously communicated guidance for FY16. The Group expects net income for 2016 to be in the range of RUB 9-10 bn, ROE above 35%, the cost of risk in the range of 8.5 – 9.5%, and a net portfolio growth around 24%.
- In 2017, the Group expects net income of in the range of RUB 13-14 bn, the cost of risk around 10%, cost of funds around 9%, and net portfolio growth in the range of 15-20%.

2016 Second Interim Dividend Announcement

The Group's Board of Directors today approved a second interim gross dividend for 2016, of USD 0.21 per share/per GDR (with each GDR representing one class A share) with a total amount allocated for dividend payment of around USD 38.5 mn (RUB 2.5 bn).

Subject to London Stock Exchange regulations, indicatively the dividend will be payable on 19 December 2016 to those shareholders on the Group's register as at the record date of 16 December 2016. The ex-dividend date will be 15 December 2016.

According to the terms of the GDR deposit agreement, holders of the Group's GDRs will receive their dividends approximately 6 business days after the payment date.



Oliver Hughes, CEO of Tinkoff Bank, commented:

'We are pleased to report a record high quarterly net income for a third quarter in a row. With a return on equity of 43.4% in the third quarter we continue to stand out as one of Russia's most profitable banks.

Our bottom line result is driven by continued loan growth, low cost of risk, and a steady reduction in the cost of funding. The third quarter results show a continuation of the positive trends that were apparent in the first two quarters. These results demonstrate that we are fully on track to meet our targets for this year. While we continue to gradually ramp up credit card issuance we maintain robust underwriting to ensure good quality of our portfolio. As a result of this, the share of non-performing loans reduced further to 10.4%.

We continue to develop our non-credit business lines as we diversify our revenue sources. In September, we launched Tinkoff Investments, which attracted over 10,000 customers in its first month. Tinkoff SME was launched less than a year ago and is already exceeding our plans with total funding attracted of over RUB 1.7 bn at the end of the third quarter.'

Reclassification note:

Starting from 3Q16, the Group reclassified certain credit related revenue components from interest income to fee and commission income. This includes commission for credit protection (insurance fees) and SMS fees. The Group believes this reclassification will help achieve better comparability with the Group's peers in Russia and abroad. The Group also reclassified income related to customers' forex operations from forex results to fee and commission income.

FINANCIAL AND OPERATING REVIEW

<i>RUB bn</i>	3Q16	3Q15	<i>Change</i>	9M16	9M15	<i>Change</i>
Credit cards issued ('000 pcs)	334	187	79%	958	386	2.5x
Credit cards transactions	46.7	27.8	68%	124.7	73.9	69%

<i>RUB bn</i>	3Q16	3Q15	<i>Change</i>	9M16	9M15	<i>Change</i>
Net interest income	8.8	6.3	40%	24.5	17.7	38%
Net interest income after loan impairment	6.4	2.7	2.4x	17.6	6.2	2.8x
Profit before tax	4.0	1.0	3.9x	9.7	1.3	7.5x
Net income	2.9	0.7	4.0x	7.3	0.9	8.0x

<i>RUB bn</i>	30 September 2016	31 December 2015	<i>Change</i>
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Total Assets	164.2	139.7	18%
Net loans and advances to customers	98.9	82.1	20.5%
Cash and treasury portfolio	46.7	32.0	46%
Total Liabilities	136.0	116.7	17%
Customer accounts (deposits)	110.6	89.3	24%
Total Equity	28.1	22.9	23%
Tier 1 capital ratio	15.2%	14.0%	+1.2 p.p.
Total capital ratio	17.4%	18.3%	(0.9 p.p.)
CBR N1 (capital adequacy ratio)	11.6%	13.0%	(1.4 p.p.)

The Group delivered another excellent set of results for 3Q and 9M16 driven by continued loan book growth, low cost of risk, and an ongoing gradual decrease in the cost of funds.

As a result, the Group reported a record net income for both 3Q16 and 9M16 of RUB 2.9 bn and RUB 7.3 bn respectively. This translated into ROE of 43.4% for 3Q16.

In 9M16, the Group issued 700K active credit cards, including 245K in 3Q, with the total volume of credit card transactions in 9M16 growing by 69% y-o-y to RUB 124.7 bn (9M15: RUB 73.9 bn).

The Group continued its programme to develop its transactional and current accounts businesses following the launch of the Tinkoff.ru financial marketplace in April 2016. As a result of this continued push, over 1.5 mn debit cards were issued as of 1 October 2016.

In 3Q16, gross interest income increased by 28% y-o-y to RUB 12.2 bn (3Q15: RUB 9.6 bn), while in 9M16 it was up 28% y-o-y to RUB 34.9 bn (9M15: RUB 27.3 bn). Gross yield improved to 40.3% in 3Q16 from 38.2% in 3Q15 due to steady new issuance levels and the stable cost of risk. Gross yield for 9M16 amounted to 40.2% (9M15: 37.4%).

Interest expense stayed flat at RUB 3.3 bn in 3Q16, while the cost of borrowing decreased to 10.5% in 3Q16, translating to 11.1% for 9M16 (3Q15: 13.7%; 9M15: 13.8%). The Group expects this trend to continue into the future as deposit rates fall across the market and the few remaining expensive deposits collected in 2015 continue to roll off the books. The Group expects the cost of funding to go down to single digits in the first half of 2017.

In 3Q16, net interest income grew by 39.7% y-o-y to RUB 8.8 bn (3Q15: RUB 6.3 bn), while in 9M16 it increased by 38.1% y-o-y to RUB 24.5 bn (9M15: RUB 17.7 bn). Net interest margin (NIM) rose to 25.9% in 3Q16 (3Q15: 25.4%) and to 26.0% in 9M16 (9M15: 24.8%). Risk-adjusted NIM was up to 18.9% in 3Q16 (3Q15: 11.0%), and to 18.7% in 9M16, up from 8.7% in 9M15 due to slightly higher cost of risk.



The Group continues to prioritise its cost of risk and tight control over the quality of its credit card portfolio. In 3Q16, the Group's cost of risk decreased to 8.3% (3Q15: 14.8%), while for 9M16 it fell to 8.5% from 16.3% in 9M15. This positive dynamic indicates the efficiency of the Group's continuing efforts to enhance portfolio management and tight underwriting policy.

The Group is expanding its income sources as part of the Tinkoff.ru financial supermarket: in October, Tinkoff Bank launched Tinkoff Investments, a retail securities trading platform. Significant growth in fee and commission income also reflects reclassification of insurance and SMS fees, as well as income from retail forex operations. In 3Q16, the Group's fee and commission income increased 66% y-o-y to RUB 2.1 bn and in 9M16 it grew by 85.7% to RUB 5.8 bn from RUB 3.1 bn in 9M15. The Group expects this upward trend to continue as the new business lines start to break-even in 2017.

In 3Q16, operating expenses decreased by 2.8% q-o-q to RUB 4.3 bn (2Q16: RUB 4.4 bn) as the advertising spending levelled off in 3Q16. The cost-to-income ratio decreased q-o-q to 40.2% in 3Q16 (2Q16: 44.1%).

In 3Q16, the Group reported a net income of RUB 2.9 bn (3Q15: RUB 0.7 bn) driven by a material reduction in the cost of risk, decrease in the cost of funding, and continued growth of loan portfolio. This was the third consecutive quarter of record high net income for the Group. As a result, ROE for 3Q16 reached 43.4%. In 9M16, net income amounted to RUB 7.3 bn (9M15: 0.9 bn), which also set a new Group record.

In 9M16, the Group continued to maintain a robust balance sheet with total assets having increased by 18% to RUB 164.2 bn (YE15: RUB 139.7 bn).

In the reporting period, the Group's gross loan book grew 16% to RUB 116.8 bn (YE15: RUB 101.1 bn). This is a result of the Group's continued efforts to increase organic customer acquisition.

Despite the tight underwriting policy in 9M16, the Group's net loan book grew 20.5% to RUB 98.9 bn (YE15: RUB 82.1 bn), or 60% of the Group's total assets. As a result of the Group's credit card portfolio growth, Tinkoff Bank's market share rose to 9.9% as of 1 November 2016, which solidified its place as Russia's second largest credit card issuer.

The Group's portfolio quality continued to improve on a q-o-q basis with the NPL ratio dropping further to 10.4% in 3Q16 from 10.9% in 2Q16. The Group's loan loss provision coverage stayed at 1.5x non-performing loans.

The Group's customer accounts increased by 24% over the period to RUB 110.6 bn despite the gradual reduction in deposit rates by the Group in line with the market trend (YE15: RUB 89.3 bn).

As of 1 October 2016, the Group continued to maintain a robust capital position with a CBR N1 total capital ratio of 11.6%, well above the statutory requirements. The Group expects the N1 total capital ratio to grow during the remainder of the year driven by retained earnings.

The Group's total equity increased by 23% YTD to RUB 28.1 bn (YE15: RUB 22.9 bn). The Group's Core Tier 1 (or N1.1) capital ratio stood at 7.3% (the same for Tier 1, or N1.2, capital ratio), which is well above the respective 4.5% and 6% minimum requirements.



Tinkoff

www.tinkoff.ru/eng

The management team will host an investor and analyst conference call at 14.00 UK time (17.00 Moscow time, 9.00 EDT), on Wednesday, 30 November 2016.

The press release, presentation and financial statements will be available on the Tinkoff Bank website at <https://www.tinkoff.ru/eng/investor-relations/results-and-reports/>

To participate in the conference call, please use the following access details:

Conference ID	5864915
Russian Federation - Local	+7 495 213 1767
Russian Federation – Toll Free	8 800 500 9283
United Kingdom – Local	+44 (0)203 043 2002
United Kingdom – Toll Free	0800 358 6377
United States of America - Local	+1 719-457-2086
United States of America – Toll Free	1800-274-0251

A live webcast of the presentation will be available at:
<http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=4111>

Please register approximately 10 minutes prior to the start of the call.

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About the Group

TCS Group Holding PLC is an innovative provider of online retail financial services operating in Russia through a high-tech branchless platform. The Group has also developed a "smart courier" network covering almost all cities and towns in Russia which allows next day delivery to many customers.

Tinkoff Bank's product range includes credit, debit and prepaid cards, deposits, co-branded cards, agent-based mortgage products and investment services. With its special focus on mobile, the bank offers mobile applications both for its customer base (Mobile Bank) and beyond it (Traffic Fines, MoneyTalk, Card 2 Card instant money transfers).

As per its five-year strategy, the Group has the ambition to become a financial marketplace, offering both own brand and partner products.

As at 1 November 2016, the bank was the second largest player in the Russian credit card market, with a market share of 9.9%. The Group's 9M 2016 IFRS net income amounted to RUB 7.3 bn.

In October 2016 Tinkoff Bank was named the largest independent global direct bank by Frost & Sullivan. In 2015 and 2016, the Global Finance magazine named Tinkoff Bank as the Best Consumer Digital Bank in Russia. In 2016, the bank also won Global Finance's Best Integrated Consumer Bank Site award and was named the Best Digital Bank in the CEE by Euromoney. The bank's mobile application was recognised as the best in Russia by Markswebb Rank & Report for three consecutive years in 2014, 2015 and 2016, and by Deloitte for four consecutive years from 2013 to 2016.

Forward-looking statements

Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of the Group and Tinkoff Bank. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could," "may" or "might", the negative of such terms or other similar expressions. The Group and Tinkoff Bank wish to caution you that these statements are only predictions and that actual events or results may differ materially. The Group and Tinkoff Bank do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of the Group and Tinkoff Bank, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, rapid technological and market change in the industries the Group operates in, as well as many other risks specifically related to the Group, Tinkoff Bank and their respective operations.