



# Tinkoff

## TCS Group Holding PLC Announces 4Q and FY 2017 IFRS Results and 1<sup>st</sup> 2018 interim dividend

**Moscow, Russia – 13 March 2018.** TCS Group Holding PLC (**TCS LI**) (the "Group"), Russia's leading provider of online retail financial services via its Tinkoff.ru financial supermarket, today announces its interim condensed consolidated IFRS results for the fourth quarter and for the twelve months ended 31 December 2017.

### KEY FINANCIAL HIGHLIGHTS

#### 4Q 2017

- Net margin up 39% y-o-y to RUB 13.0 bn (4Q16: RUB 9.4 bn)
- Profit before tax up 75% y-o-y to RUB 8.5 bn (4Q16: RUB 4.8 bn)
- Net income up 73% y-o-y to RUB 6.4 bn (4Q16: RUB 3.7 bn)
- Net interest margin at 24.5% (4Q16: 26.1%)
- Cost of risk at 2.7% (4Q16: 5.0%)

#### FY 2017

- Net margin grew by 37% y-o-y to RUB 46.1 bn (FY16: RUB 33.6 bn)
- Profit before tax up 72% y-o-y to RUB 25.0 bn (FY16: RUB 14.6 bn)
- Net income up 73% y-o-y to RUB 19.0 bn (FY16: RUB 11.0 bn)
- ROE grew to 52.8% (FY16: 42.5%)
- Net interest margin at 25.3% (FY16: 25.8%)
- Total assets increased by 53% to RUB 268.8 bn (YE16: RUB 175.4 bn)
- Gross loans and advances to customers up 31% to RUB 157.8 bn (YE16: RUB 120.4 bn)
- Net loans and advances to customers up 36.3% to RUB 140.2 bn (YE16: RUB 102.9 bn)
- Share of non-performing loans (NPLs) at 8.8% (YE16: 10.2%)
- Customer accounts increased by 44% to RUB 179.0 bn (YE16: RUB 124.6 bn)
- Total equity up by 42% to RUB 41.9 bn (YE16: RUB 29.5 bn)



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## KEY HIGHLIGHTS FROM 2017

- In 2017, approximately 1.8M new active credit card customers were acquired, underpinning net loan growth of 36.3% year-on-year
- As of 1 February 2018, Tinkoff Bank was the second largest credit card player in Russia with a market share of 11.7%
- In July 2017, Tinkoff Bank was named the most profitable bank in Central and Eastern Europe by The Banker magazine
- In July 2017, Global Finance declared Tinkoff Bank the winner in two of the World's Best Consumer Digital Banks 2017 award categories
- In August 2017, Tinkoff Bank started the gradual deployment of its own ATM network. There are now 200 installed across Russia
- In August 2017, Tinkoff mobile banking app was recognized as best in Russia by Markswebb Rank & Report in four nominations — apps for iPhone, Android and Windows smartphones and apps for iPads
- In October 2017, the Group acquired a 55% stake in CloudPayments, an innovative online payment solutions provider. The deal will enable Tinkoff to enhance its merchant acquiring business line as part of its growing SME offering
- In December 2017, the Group successfully launched its own mobile virtual network operator (MVNO), expanding the Tinkoff ecosystem and diversifying the business

## KEY HIGHLIGHTS POST 2017

- In January 2018, Tinkoff and the Agency for Housing Mortgage Lending (AHML) signed an agreement to set up a joint venture to create an electronic platform for offering mortgage loans
- In February 2018, Tinkoff Bank became a general partner of the St. Petersburg International Economic Forum (SPIEF) in 2018
- In February 2018, Tinkoff opened a development hub at Skolkovo innovation centre, where it will focus on business solutions based on blockchain, as well as voice and face recognition technologies
- In February 2018, Tinkoff Bank took part in demonstrating a beta version of the Unified Biometrics System (UBS), a digital identity authentication platform, together with Rostelecom, VTB Bank and Pochta Bank and slated for launch in July 2018
- In March 2018, the Group expanded its management long-term incentive programme, adding 16 new participants
- In March 2018, Tinkoff Bank was issued a professional securities market license by the CBR to provide brokerage and depositary services



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## **GUIDANCE FOR 2018**

Following strong underlying growth in 2017, the Group is pleased to reaffirm guidance for FY 2018. This guidance reflects the move to IFRS9 from 1 January 2018:

- net income to be at least RUB 24 bn;
- net loan growth to be at least 25%;
- cost of risk to be below 7% on an IAS39 basis. The Group will provide an update on the cost of risk guidance on an IFRS9 basis during IFRS 1Q18 results release;
- cost of borrowing to be around 6-7%

## **First 2018 Interim Dividend Announcement**

In line with the Group's dividend policy, the Board of Directors on 9 March 2018 approved a first interim gross dividend for 2018 of USD 0.31 per share/GDR (with each GDR representing one share), with a total dividend payment of around USD 56.6 mn (RUB 3.2 bn).

Subject to London Stock Exchange regulations, indicatively the dividends will be payable around 4 April 2018, to those shareholders on the Group's register as at the record date of 3 April 2018. The ex-dividend date will be 29 March 2018.

According to the terms of the GDR deposit agreement, holders of the Group's GDRs will receive their dividends approximately 5 business days after the payment date.

## **Oliver Hughes, CEO of Tinkoff Bank, commented:**

"Without a shadow of a doubt, 2017 was a watershed year in which we marked several important achievements. As well as launching new business lines such as the MVNO, Tinkoff Mobile, we demonstrated that we can build and scale non-credit lines profitably. Tinkoff Business (SME services), Tinkoff Black (individual current accounts) and Tinkoff Mortgage (mortgage broker) all broke even in 2017. Together with significant loan growth and good credit quality, these accomplishments enabled us to deliver a robust net income of RUB 19 bn and an ROE of 53% for the year.

"We are extremely pleased to report that our diversification process is yielding great results, with non-credit businesses contributing increasingly to both the top and bottom lines. Our non-credit businesses accounted for 23% of our top line for 2017. Our current accounts line has shown impressive growth in 2017, with individual current account customers now exceeding 2.8 mm. At the same time, Tinkoff Business is really taking off, with the number of SME customers growing nearly fivefold to over 240,000 in 2017, and reaching break-even in June of 2017. Tinkoff Mortgage has exceeded our



ambitious target, disbursing over RUB 10 bn in mortgage loans in 2017, and reaching break-even in Q4.

“Meanwhile, our credit card business had another very strong year.

We activated nearly 1.8 mn new credit cards in 2017, underpinning net loan growth of 36% for the year. Credit quality remains good, the risk profile of incoming customers is stable and cost of risk has decreased to 2.7% in Q4.

“As well as showing solid business economics, in 2017, we continued our record of innovation in servicing and product. For instance, we reduced servicing costs by using smart chat bots to field over 20% of all incoming queries without connecting to an employee.

“With 2018 underway, we are confident that the Group is well-positioned to deliver on profitable growth and to execute on its revenue diversification plan.”

## FINANCIAL AND OPERATING REVIEW

RUB bn	4Q17	4Q16	Change	FY17	FY16	Change
<b>Credit cards issued ('000 pcs)</b>	670	408	+64%	2,430	1,368	+78%
<b>Credit card transactions</b>	80.0	50.7	+58%	274.6	175.1	+57%
<b>Net margin</b>	13.0	9.4	+39%	46.1	33.6	+37%
<b>Net margin after loan impairment</b>	12.0	7.9	+52%	38.4	25.2	+53%
<b>Profit before tax</b>	8.5	4.8	+75%	25.0	14.6	+72%
<b>Net income</b>	6.4	3.7	+73%	19.0	11.0	+73%

RUB bn	31 December 2017	31 December 2016	Change
<b>Total Assets</b>	268.8	175.4	+53%
<b>Net loans and advances to customers</b>	140.2	102.9	+36%
<b>Cash and treasury portfolio</b>	96.3	49.5	+95%
<b>Total Liabilities</b>	226.9	145.9	+56%



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<b>Customer accounts</b>	179.0	124.6	+44%
<b>Total Equity</b>	41.9	29.5	+42%
<b>Tier 1 capital ratio</b>	21.0%	14.8%	+6.2pp
<b>Total capital ratio</b>	21.1%	16.3%	+4.8pp
<b>CBR N1.0 (capital adequacy ratio)</b>	16.3%	11.1%	+5.2pp

The Group delivered another strong set of results for 4Q and the twelve months of 2017 following accelerating growth of its core credit card business and the excellent performance of its new business lines.

As a result, the Group reported a net income for 4Q17 and FY17 of RUB 6.4 bn and RUB 19.0 bn respectively. This translated into ROE of 52.8% for FY17.

In FY17, the Group issued 2.4M credit cards, including 670,000 in 4Q17. The total volume of credit card transactions in FY17 grew by 57% y-o-y to RUB 274.6 bn (FY16: RUB 175.1 bn).

In FY17, gross interest income grew by 25% y-o-y to RUB 59.5 bn (FY16: RUB 47.6 bn), while in 4Q17 it was up 29% y-o-y to RUB 16.6 bn (4Q16: RUB 12.9 bn), driven by growth in both the loan book and securities portfolio. Gross interest yield was slightly down at 39.3% in 4Q17, while the interest yield on the Group's securities portfolio was 7.2%. Gross yield for FY17 amounted to 39.6% (FY16: 40.3%).

In 4Q17, interest expense grew by 1% y-o-y to RUB 3.42 bn (4Q16: RUB 3.37 bn). The cost of borrowing dropped to 6.9% in 4Q17 following declining retail deposit rates.

In 4Q17, net margin grew by 39% y-o-y to RUB 13.0 bn (4Q16: RUB 9.4 bn), while in FY17 it increased by 37% y-o-y to RUB 46.1 bn (FY16: RUB 33.6 bn). The net interest margin (NIM) stood at 24.5% in 4Q17 (4Q16: 26.1%) and at 25.3% in FY17 (25.8% in FY16). The risk-adjusted net interest margin amounted to 22.6% in 4Q17 (4Q16: 21.9%) and to 21.1% in FY17 (FY16: 19.4%).

The Group continues to focus on controlling its cost of risk and efficiently managing the quality of its portfolio. The cost of risk declined from 6.0% in 3Q17 to 2.7% in 4Q17 (4Q16: 5.0%), with the FY17 annualised cost of risk decreasing to 5.5% from 7.6% in FY16.

The Group continues to develop its new business lines, all of which are demonstrating robust growth, with the SME business performing exceptionally well. In FY17, the Group's fee and commission income increased by 85% y-o-y to RUB 15.5 bn (FY16: RUB 8.4 bn).



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At the end of FY17, the Group had over 2.8 mn current account customers with a total balance of over RUB 76 bn across all their accounts. The Group's SME business customer base grew five-fold since the beginning of the year to 240,000 SME customers, with RUB 23.7 bn in total on their current accounts. This business line broke even in June 2017.

The Group continues to develop its mortgage platform in partnership with 11 banks, through which it originated over RUB 10 bn of mortgage loans in FY17. The Group's mortgage platform reached break-even in 4Q17, and now the mortgage broker business is looking to scale up without excessive pressure on operating profit.

Tinkoff Investments continues to demonstrate robust growth with over 70,000 brokerage accounts opened as of 31 December 2017. With every fourth brokerage account currently opened via this service, the Group expects it to break even in 2018.

In FY17, operating expenses increased by 44% year-on-year due to seasonal advertising expenses and salary indexation. The cost-to-income ratio rose to 45.5% in 4Q17 (3Q17: 42.3%).

In 4Q17, the Group reported a net income of RUB 6.4 bn (4Q16: RUB 3.7 bn). Net income for FY17 amounted to RUB 19.0 bn (FY16: RUB 11.0 bn). As a result, ROE for FY17 reached 52.8%.

In FY17, the Group continued to maintain a healthy balance sheet with total assets having increased by 53% to RUB 268.8 bn (YE16: RUB 175.4 bn) due to strong credit and investment portfolios growth.

In FY17, the Group's gross loan book grew by 31% to RUB 157.8 bn (YE16: RUB 120.4 bn) due to the increased number of new customers with over 450,000 new active credit card customers in 4Q17 and almost 1.8M in FY17.

The Group's net loan book grew by 36% to RUB 140.2 bn (YE16: RUB 102.9 bn). As a result, Tinkoff Bank's market share increased to 11.7% as of 1 February 2018, further solidifying its position as Russia's second largest credit card issuer.

In 4Q17, the Group's NPL ratio decreased to 8.8% (3Q17: 9.4%). The Group's loan loss provision coverage decreased to 1.26x of non-performing loans.

The Group's customer accounts increased by 44% in FY17 to RUB 179.0 bn (3Q17: RUB 155.7 bn; YE16: RUB 124.6 bn). In April 2017, Tinkoff Bank issued a 5-year RUB 5 bn bond with a put option in April 2019. In June 2017, Tinkoff Bank issued (through TCS Finance D.A.C., its Irish SPV) a USD 300 mln perpetual bond with a 9.25% coupon and with a call option in September 2022. Simultaneously, the Group bought back a substantial amount of its Tier 2 subordinated debt. In December 2017, Tinkoff Bank issued a 1-year \$48 mn ECP.



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In FY17, the Group's total equity increased by 42% to RUB 41.9 bn (YE16: RUB 29.5 bn). The Group's statutory capital ratios went up following the inclusion of perpetual debt in additional Tier 1 capital. As of 1 January 2018, the Group's statutory N1.0 ratio was up at 16.3% and its N1.2 ratio had increased to 14.8%. N1.1 stood at a comfortable 10.2%.

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The management team will host an investor and analyst conference call at 14.00 UK time (17.00 Moscow time, 10.00 U.S. Eastern Daylight Time), on Tuesday, 13 March 2018.

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:

<b>Conference ID</b>	<b>6165700</b>
Russian Federation - Local	+7 495 213 1767
Russian Federation – Toll Free	8 800 500 9283
United Kingdom – Local	+44 (0)330 336 9105
United Kingdom – Toll Free	0800 358 6377
United States of America - Local	+1 323-794-2094
United States of America – Toll Free	800-263-0877

A live webcast of the presentation will be available at <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=5319>

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

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## About the Group

TCS Group is an innovative provider of online retail financial services operating in Russia through a high-tech branchless platform. TCS Group includes Tinkoff Bank, mobile virtual operator network Tinkoff Mobile, Tinkoff Insurance, and Tinkoff Software DC, a network of IT development hubs across Russia.

The Group was founded in 2006 by the Russian entrepreneur Oleg Tinkov and has been listed on the London Stock Exchange since October 2013.

With no retail branches, the Group serves its customers remotely via online channels and its call centre, and operates a network of over 2,500 representatives to ensure smooth delivery of its products. The network covers all of Russia and allows next day delivery to most customers.

The Group's key business is Tinkoff Bank, Russia's first and only direct bank offering both own brand and partner retail financial services via its Tinkoff.ru platform. The product range includes daily banking (credit and debit cards, payments, money transfers), savings, investments, loyalty programmes, travel services, SME services, mortgage platform, and insurance. With its special focus on mobile business, 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 at 1 February 2018, the bank was the second largest player in the Russian credit card market, with a market share of 11.7%. The FY 2017 IFRS net income of TCS Group Holding PLC amounted to RUB 19.0 bn, ROE stood at 53%.

Banki.ru, Russia's largest financial news portal, named Tinkoff Bank the Bank of the Year 2016. 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 Marksw Webb 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*



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*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.*