



## TCS Group Holding PLC Announces 1Q 2018 IFRS Results and 2<sup>nd</sup> Interim Dividend

**Moscow, Russia – 30 May 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 first three months ended 31 March 2018.

### KEY FINANCIAL HIGHLIGHTS

#### 1Q 2018

- Net margin up 44% y-o-y to RUB 14.0 bn (1Q17: RUB 9.8 bn)
- Profit before tax up 68% y-o-y to RUB 7.4 bn (1Q17: RUB 4.4 bn)
- Net income up 70% y-o-y to RUB 5.7 bn (1Q17: RUB 3.4 bn)
- ROE increased to 68.5% (1Q17: 42.8%)
- Net interest margin at 25.5% (1Q17: 26.2%)
- Cost of risk decreased to 7.5% (1Q17: 7.6%)

All balance sheet numbers and ratios as of 31 March 2018 below are compared with corresponding numbers and ratios as of 1 January 2018 and have been compiled in accordance with IFRS 9. All changes shown for comparative numbers and ratios also reflect the transition to IFRS 9.

- Total assets increased by 2.5% to RUB 265.8 bn (1 Jan'18: RUB 259.3 bn)
- Gross loans and advances to customers up 5.9% to RUB 176.4 bn (1 Jan'18: RUB 166.7 bn)
- Net loans and advances to customers up 7.8% to RUB 139.8 bn (1 Jan'18: RUB 129.7 bn)
- Share of non-performing loans (NPLs) at 12.6% (1 Jan'18: 13.4%)
- Customer accounts increased by 1.8% to RUB 182.3 bn (1 Jan'18: RUB 179.0 bn)
- Total equity increased by 8.3% to RUB 34.8 bn (1 Jan'18: RUB 32.1 bn)

### KEY HIGHLIGHTS FOR 1Q 2018

- In 1Q18 over 370k new active credit card customers were acquired, underpinning net loan growth of 7.8%
- In February 2018, Tinkoff Bank announced the opening of a development hub at the Skolkovo innovation centre to focus on delivering new business solutions



based on blockchain, as well as voice and face recognition technologies. The Group now has 9 development hubs across Russia.

- Tinkoff Bank's website was named the best mobile website among Russian banks, according to a review by Google and CXPartners
- In March 2018, Tinkoff Bank was issued a professional securities market participant licence by the Bank of Russia to provide brokerage and depositary services, thus allowing the Bank to further develop its comprehensive investment platform and expand its range of investment products
- The Bank was recognised as the leader among top 30 Russian banks by the number of customer loyalty programmes based on the Bank Customer Loyalty Programmes 2018 survey conducted by Markswebb
- Strong new business development for the reporting period included the launch of multicurrency Tinkoff Black cards and premium Black Edition programme

## **KEY HIGHLIGHTS POST 1Q 2018**

- Tinkoff Bank's market share increased to 11.7% as of 1 May 2018, further solidifying its position as Russia's second largest credit card issuer.
- The Bank of Russia has recognised Tinkoff Bank as a significant credit institution in the payment services market and added it to the relevant register now numbering 36 financial institutions
- Following the issue of a professional securities market participant licence, Tinkoff Bank re-launched its Tinkoff Investments brokerage platform, offering customers a breadth of new capabilities to enable faster and more technologically advanced securities trading
- Tinkoff Bank was a general partner of the St. Petersburg International Economic Forum (SPIEF), which took place in St. Petersburg, Russia on 24-26 May
- Tinkoff Bank and the Talent and Success Foundation signed an agreement to launch a development hub at Sirius educational center and to cooperate in a number of areas, including joint R&D projects and working towards a better regulatory framework to support innovation
- Tinkoff Bank and SME Bank signed a cooperation agreement for Tinkoff Bank to become SME Bank's agent for transaction support services with regard to the partner's SME lending programmes

## **Second 2018 Interim Dividend Announcement**

In line with the Group's dividend policy, the Group's Board of Directors yesterday



approved a second 2018 interim gross dividend of USD 0.24 per share/per GDR (with each GDR representing one class A share) with a total amount allocated for dividend payment for Q1 of around USD 43.8 mn.

Subject to London Stock Exchange regulations, indicatively the dividend will be payable on 21 June 2018 to those shareholders on the register as at the record date of 15 June 2018. The ex-dividend date will be 14 June 2018.

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

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

“In the first quarter we delivered strong net income of RUB 5.7 billion underpinned by 44% year-on-year growth in net interest income. We also showed a solid 113% year-on-year increase in total fee and commission income reflecting successful expansion of new business-lines such as Tinkoff SME and Tinkoff Mortgage. With ROE at 68.5% for 1Q 2018, we remain one of the most profitable banks globally.

“We continue to actively expand our non-credit business-lines. We have deepened integration of partner products and services such as Booking.com and Afisha restaurants through our award-winning mobile app and Tinkoff.ru platform, as we build out our ecosystem for lifestyle-related spending. We are also developing our investment platform and widening the range of investment products, after receiving a professional securities market participant license from the CBR in March.

“Continued robust growth of our core lending business, combined with our goal to remain at the forefront of fintech services globally, requires top-flight human resources. To achieve this, we continue to attract local programming expertise through regional development hubs including Skolkovo, Russian institutions of higher education and other organisations supporting local IT talent and education. Our most recent partnership is with the Talent and Success Foundation, which will partner with us in applied research to harness the power of artificial intelligence and machine learning.

“Five months into 2018, I am happy to confirm that the Group is well on track to deliver the full-year targets that were previously communicated to the market. In line with our dividend policy, the Board approved a 1Q 2018 interim dividend of USD 43.8 mn.”



## FINANCIAL AND OPERATING REVIEW

RUB bn	1Q18	1Q17	Change
<b>Credit cards issued ('000 pcs)</b>	520	450	+16%
<b>Credit card transactions</b>	78.6	54.5	+44%
<b>Net margin</b>	14.0	9.8	+44%
<b>Net margin after credit loss allowance</b>	10.8	7.4	+46%
<b>Profit before tax</b>	7.4	4.4	+68%
<b>Net income</b>	5.7	3.4	+70%

RUB bn	31 March 2018	1 Jan 2018	Change
<b>Total Assets</b>	265.8	259.3	+2.5%
<b>Net loans and advances to customers</b>	139.8	129.7	+7.8%
<b>Cash and treasury portfolio</b>	96.0	96.3	-0.3%
<b>Total Liabilities</b>	231.0	227.1	+1.7%
<b>Customer accounts</b>	182.3	179.0	+1.8%
<b>Total Equity</b>	34.8	32.1	+8.3%
<b>Tier 1 capital ratio</b>	17.0%	17.7%	-0.7pp
<b>Total capital ratio</b>	17.0%	17.8%	-0.8pp
<b>CBR N1.0 (capital adequacy ratio)</b>	16.7%	16.3%	+0.4pp

The Group delivered another strong set of results for 1Q18 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 1Q18 of RUB 5.7 bn, which translated into ROE of 68.5%.



In 1Q18, the Group issued 520k new credit cards. The total volume of credit card transactions in 1Q18 increased by 44% y-o-y to RUB 78.6 bn (1Q17: RUB 54.5 bn).

In 1Q18, gross interest income grew by 37% y-o-y to RUB 17.7 bn (1Q17: RUB 12.9 bn), driven by growth in both the loan book and securities portfolio. Gross interest yield decreased slightly to 38.0% in 1Q18, while the interest yield on the Group's securities portfolio came in at 6.8%.

In 1Q18, interest expense grew by 16% y-o-y to RUB 3.4 bn (1Q17: RUB 3.0 bn). The cost of borrowing fell to 6.4% in 1Q18 as a result of continued decrease in the deposit rates and growth of individual and SME current accounts share in the funding structure.

In 1Q18, net margin grew by 44% y-o-y to RUB 14.0 bn (1Q17: RUB 9.8 bn). The net interest margin (NIM) stood at 25.5% in 1Q18 (1Q17: 26.2%).

The Group continues to focus on controlling its cost of risk and efficiently managing the quality of its portfolio. Cost of risk was almost flat at 7.5% (1Q17: 7.6%), while the risk-adjusted net interest margin slightly decreased to 19.6% in 1Q18 (1Q17: 19.9%), both post-IFRS 9.

The Group continues to develop its new business lines, all of which are demonstrating robust growth, with the SME business performing exceptionally well and contributing to the bottom line. In 1Q18, the Group's fee and commission income increased by a remarkable 113% y-o-y to RUB 5.8 bn (1Q17: RUB 2.7 bn).

At the end of 1Q18, the Group had nearly 3.1 mn current account customers with a total balance of over RUB 78 bn across all their accounts. The Group's SME business has grown its customer base to over 292k SME customers in 1Q18, with RUB 23.9 bn in total on their current accounts.

The Group continues to develop its mortgage platform in partnership with 11 banks, through which it originated over RUB 4.6 bn of mortgage loans in 1Q18. The mortgage business has seen its market share steadily increase quarter-on-quarter.

Tinkoff Investments continues to demonstrate robust growth and hit 100K brokerage accounts on 14 May 2018. Following the launch of the Tinkoff Investment's own brokerage platform in 2018, the Group expects the business line to break even in late 2018.

In 1Q18 operating expenses increased by 61% year-on-year due to continued growth of acquisition expenses. The cost-to-income ratio was stable at 42.6% in 1Q18 (1Q17: 42.7%).

The Group reported net income of RUB 5.7 bn (1Q17: RUB 3.4 bn). As a result, ROE for the reporting period reached 68.5%.



In 1Q18 the Group continued to maintain a healthy balance sheet with total assets remaining firm at RUB 265.8 bn (1 Jan 18: RUB 259.3 bn).

In 1Q18 the Group's gross loan book grew by 5.9% to RUB 176.4 bn (1 Jan 18: RUB 166.7 bn), while the net loan book grew by 7.8% to RUB 139.8 bn (1 Jan 18: RUB 129.7 bn).

In 1Q18, the Group's NPL ratio came to 12.6%, as a result of adoption of IFRS 9 methodology. The Group's loan loss provision coverage stood at 1.6x non-performing loans.

The Group's customer accounts increased by 1.8% YTD to RUB 182.3 bn (1 Jan 18: RUB 179.0 bn).

In 1Q18, the Group's total equity increased by 8.3% to RUB 34.8 bn (1 Jan 18: RUB 32.1 bn). As of 1 April 2018, the Group's statutory N1.0 ratio was up at 16.7% and its N1.2 ratio had increased to 14.8%. N1.1 stood at a comfortable 10.4%.

## **LAUNCH OF TENDER FOR EXTERNAL AUDITOR OF THE GROUP**

The Group announced in Q4 2017 it intended to conduct an audit tender during 2018, in the context of the EU Regulation on audit reform of public interest entities.

A competitive tender process, open on equal terms to registered audit companies that have the required industry expertise and resources in addition to meeting the statutory requirements and the professional standards, including the current external auditors, PwC, overseen by the Audit Committee of the Company, will be launched in the coming days with a view to identifying and appointing external auditors of the Group for accounting periods commencing on 1 January 2019 and thereafter.

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The management team will host an investor and analyst conference call at 15:00 UK time (17:00 Moscow time, 10:00 U.S. Eastern Standard Time), on Wednesday, 30 May 2018.

The press release, presentation and financial statements will be available on the Tinkoff 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>7987458</b>
Russian Federation - Local	+7 495 646 9190



# Tinkoff

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A live webcast of the presentation will be available at <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=5579>

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. TCS Group includes Tinkoff Bank, mobile virtual operator network Tinkoff Mobile, Tinkoff Insurance, and Tinkoff Software DC, a network of 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).



# Tinkoff

[www.tinkoff.ru/eng](http://www.tinkoff.ru/eng)

As at 1 May 2018, the bank was the second largest player in the Russian credit card market, with a market share of 11.7%. The 1Q18 IFRS net income of TCS Group Holding PLC amounted to RUB 5.7 bn, ROE grew to 68.5%.

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 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.*