



TCS Group Holding PLC Announces 2Q and 1H 2018 IFRS Results and 3rd 2018 Interim Dividend

Limassol, Cyprus – 29 August 2018. TCS Group Holding PLC (**TCS LI**) (the "Group"), Russia's leading provider of online retail financial and lifestyle services via the Tinkoff.ru financial ecosystem, today announces its interim condensed consolidated IFRS results for the six months ended 30 June 2018.

KEY FINANCIAL HIGHLIGHTS

2Q 2018

- Net margin up 28% y-o-y to RUB 14.2 bn (2Q17: RUB 11.1 bn)
- Profit before tax up 42% y-o-y to RUB 7.8 bn (2Q17: RUB 5.5 bn)
- Net income up 43% y-o-y to RUB 6.0 bn (2Q17: RUB 4.2 bn)
- ROE increased to 69.3% (2Q17: 48.6%)
- Net interest margin at 24.0% (2Q17: 26.0%)
- Cost of risk stood at 6.6% (2Q17: 6.0%)

1H 2018

- Net margin grew by 36% y-o-y to RUB 28.2 bn (1H17: RUB 20.8 bn)
- Profit before tax up 53% y-o-y to RUB 15.2 bn (1H17: RUB 9.9 bn)
- Net income up 55% y-o-y to RUB 11.7 bn (1H17: RUB 7.6 bn)
- ROE grew to 69.3% (1H17: 46.1%)
- Net interest margin at 24.7% (1H17: 25.7%)

All balance sheet numbers and ratios as of 30 June 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 11% to RUB 287.2 bn (1 Jan'18: RUB 259.3 bn)
- Gross loans and advances to customers up 14% to RUB 189.5 bn (1 Jan'18: RUB 166.7 bn)
- Net loans and advances to customers up 17.3% to RUB 152.2 bn (1 Jan'18: RUB 129.7 bn)
- Share of non-performing loans (NPLs) decreased to 12.1% (1 Jan'18: 13.4%)
- Customer accounts increased by 16% to RUB 207.7 bn (1 Jan'18: RUB 179.0 bn)



- Total equity increased by 8.1% to RUB 34.7 bn (1 Jan'18: RUB 32.1 bn)

KEY HIGHLIGHTS FOR 1H 2018

- In 1H18 over 735k new active credit card customers were acquired, underpinning net loan growth of 17.3%
- In April, The Bank of Russia 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
- In April, Tinkoff Bank and NSPK (National Payment Card System) launched a joint project that enables Tinkoff customers to view card receipts details in their user accounts
- Following the issue of a professional securities market participant licence, Tinkoff Bank re-launched its Tinkoff Investments brokerage platform in May, 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
- In May, Tinkoff Bank and the Talent and Success Foundation signed an agreement to launch a development hub at Sirius educational center in Sochi and to cooperate in a number of areas, including joint R&D projects and working towards a better regulatory framework to support innovation
- In May, 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
- Tinkoff Bank uses robotic process automation for all customer communication channels

KEY HIGHLIGHTS POST 1H 2018

- Tinkoff Bank's market share stood at 11.7% as of 1 August 2018, solidifying its position as Russia's second largest credit card issuer
- In July, Tinkoff acquired a stake in Kassir.ru, Russia's top online ticketing provider, in a move to further develop its ecosystem to offer customers a greater choice of lifestyle and entertainment services through the Tinkoff.ru platform
- In July, Tinkoff and Sberbank launched joint P2P money transfers using just a mobile phone number
- In July, Tinkoff Bank replaced a vendor's voice-recognition system with its proprietary solution, cutting average customer authentication time by 50%
- In July, Tinkoff Investments launched a robo-advisor service for investment portfolio management



- Tinkoff Mobile, the Group's MVNO, announced a major expansion drive into Russia's regions with an aim to have operations in over 60 Russian regions by the end of 2018
- In August, Tinkoff Business launched its own small business lending solution deploying its own balance sheet
- In August, Global Finance, the international banking and financial magazine, recognized Tinkoff Bank as best consumer digital bank in Russia. In addition, Tinkoff Bank won the following Central and Eastern Europe nominations: Best Investment Service, Best Digital Mortgage Service, Best Bill Payment & Presentment, Best Information Security and Fraud Management, Best in Mobile Banking, and Best Mobile Banking App.

THIRD 2018 INTERIM DIVIDEND ANNOUNCEMENT

In line with the Group's dividend policy, on 27 August the Group's Board of Directors approved a third 2018 interim gross cash 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 Q2 of around USD 43,932,295.00.

Subject to London Stock Exchange regulations, indicatively the dividend will be payable on 24 September 2018 to those shareholders on the register as at the record date of 14 September 2018. The ex-dividend date will be 13 September 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.

GUIDANCE FOR 2018 REAFFIRMED

Following strong underlying growth year to date in 2018, the Group is pleased to reaffirm its FY18 performance guidance:

- net income to be at least RUB 24 bn;
- net loan growth to be at least 25%;
- cost of risk around 7% on IFRS 9 basis;
- cost of borrowing to be around 6-7%

Oliver Hughes, CEO of Tinkoff Bank, commented:

"The Group delivered good results in the first half of 2018, with RUB 11.7 billion in net income underpinned by three major elements of our business model: consumer lending, fee and commissions income and lifestyle services. Our ROE grew to 69.3% during the period, reaffirming our position as one of the most profitable banks globally.



“Our core credit card business has continued to demonstrate robust growth, delivering 38% growth in transaction volumes in 1H 2018 and attracting 735,000 new customers. At the same time, we have been successful in delivering our diversification strategy, with non-credit businesses now accounting for 30% of our top line results.

“**Tinkoff SME** has reached new heights in 2018 with over 340,000 accounts opened by the end of 1H18. In August we scaled up this business and launched our own lending solution. **Tinkoff Mortgage** remains Russia’s only fully online mortgage marketplace and continues to thrive as declining mortgage rates have driven market growth via our 11 partner banks, for whom we are originating over RUB 2bn mortgages per month. After receiving a professional securities market participant license from the CBR in March, we re-launched our ground-breaking **Tinkoff Investments** platform. Our new independent brokerage platform has captured a 25% market share of new accounts.

“In July, we made an important acquisition by purchasing a stake in Kassir.ru, Russia’s leading and a fast-growing online ticket seller. By integrating Kassir.ru into our Tinkoff ecosystem, we are able to provide our customers with a range of services beyond financial and insurance products, and attract new users to our ecosystem. This, together with our integrations with Booking.com and Afisha Restaurants, will form a key part of our lifestyle banking value proposition.

In line with our dividend policy, the Board approved a third 2018 interim dividend of USD 0.24 per share.”

FINANCIAL AND OPERATING REVIEW

RUB bn	2Q18	2Q17	Change	1H18	1H17	Change
Credit cards issued (’000 pcs)	500	570	(12%)	1,020	1,020	-
Credit card transactions	86.7	64.9	34%	165.3	119.4	38%
Net margin	14.2	11.1	28%	28.2	20.8	36%
Net margin after credit loss allowance	11.1	9.0	23%	21.9	16.4	33%
Profit before tax	7.8	5.5	42%	15.2	9.9	53%
Net income	6.0	4.2	43%	11.7	7.6	55%



RUB bn	30 June 2018	1 Jan 2018	Change
Total Assets	287.2	259.3	10.8%
Net loans and advances to customers	152.2	129.7	17.3%
Cash and treasury portfolio	104.9	96.3	8.8%
Total Liabilities	252.4	227.1	11.1%
Customer accounts	207.7	179.0	16%
Total Equity	34.7	32.1	8.1%
Tier 1 capital ratio	16.5%	17.7%	(1.2pp)
Total capital ratio	16.5%	17.8%	(1.3pp)
CBR N1.0 (capital adequacy ratio)	16.4%	16.3%	0.1pp

The Group delivered another strong set of results for 1H18 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 in 2Q18 and 1H18 of RUB 6.0 bn and RUB 11.7 bn, respectively. This translated into ROE of 69.3% both for 2Q18 and for 1H18.

In 1H18, the Group issued 1,020k credit cards, including 500k in 2Q18. The total volume of credit card transactions in 1H18 grew 38% y-o-y to RUB 165.3 bn (1H17: RUB 119.4 bn).

In 1H18, gross interest income grew by 32% y-o-y to RUB 35.7 bn (1H17: RUB 27.1 bn), while in 2Q18 it was up 27% y-o-y to RUB 18.0 bn (2Q17: RUB 14.2 bn), driven by the growth in both the loan book and securities portfolio. Gross interest yield decreased to 36.1% in 2Q18, while the interest yield on the Group's securities portfolio dropped to 6.8%. Gross interest yield for 1H18 amounted to 36.9% (1H17: 39.3%).

In 2Q18, interest expense grew by 19% y-o-y to RUB 3.6 bn (2Q17: RUB 3.0 bn), while the aggregate cost of borrowing dropped to 6.3% as a result of declining retail deposit rates and gradual growth of the weight of the individual and SME current accounts in the liabilities structure.



In 2Q18, net margin grew by 28% y-o-y to RUB 14.2 bn (2Q17: RUB 11.1 bn). Net interest margin (NIM) stood at 24.0% in 2Q18 (2Q17: 26.0%).

The Group continues to focus on controlling its cost of risk and efficiently managing the quality of its portfolio. Cost of risk was at 6.6% (2Q17: 6.0%), while the risk-adjusted net interest margin decreased to 18.8% in 2Q18 (2Q17: 21.3%) both post-IFRS9.

The Group continues to develop its new business lines, all of which are demonstrating robust growth, with the SME business performing exceptionally well and starting to contribute to the bottom line.

In 1H18, the Group's fee and commission income increased by an impressive 99% y-o-y to RUB 12.1 bn (1H17: RUB 6.1 bn).

At the end of 1H18, the Group had nearly 3.5 mn current account customers with a total balance of over RUB 92 bn across all their accounts. The Group's SME business has grown its customer base to over 340k SME customers in 1H18, with RUB 28.8 bn in total on their current accounts.

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

The Group continues to develop its mortgage platform in partnership with 11 banks, through which it originated over RUB 10.5 bn of mortgage loans in 1H18. The mortgage business has seen its market share steadily increase quarter-on-quarter.

In 2Q18, operating expenses increased by 46% year-on-year due to continued growth of acquisition expenses. The cost-to-income ratio was up slightly at 42.8% in 2Q18 (2Q17: 41.9%).

In 2Q18, the Group reported a net income of RUB 6.0 bn (2Q17: RUB 4.2 bn). Net income for 1H18 amounted to RUB 11.7 bn (1H17: RUB 7.6 bn). As a result, ROE for 1H18 reached 69.3%.

In 1H18 the Group continued to maintain a healthy balance sheet with total assets growing by 10.8% to RUB 287.2 bn (1 Jan 18: RUB 259.3 bn).

In 1H18 the Group's gross loan book grew by 13.7% to RUB 189.5 bn (1 Jan 18: RUB 166.7 bn), while the net loan book grew by 17.3% to RUB 152.2 bn (1 Jan 18: RUB 129.7 bn).

In 1H18, the Group's NPL ratio came to 12.1%, 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 16% YTD to RUB 207.7 bn (1 Jan 18: RUB 179.0 bn).

In 1H18, the Group's total equity increased by 8.1% to RUB 34.7 bn (1 Jan 18: RUB 32.1 bn). As of 1 July 2018, the Group's statutory N1.0 ratio stood up at 16.4% and its N1.2 ratio had increased to 16.0%. N1.1 stood at a comfortable 11.4%.

The Tinkoff management team will host an investor and analyst conference call at 13:00 UK time (15:00 Moscow time, 08:00 U.S. Eastern Daylight Time), on Wednesday, 29 August 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:

Conference ID	8957798
Russian Federation	+7 495 646 9190
United Kingdom	+44 (0)330 336 9411
United States of America	+1 646-828-8143

A live webcast of the presentation will be available at <https://webcasts.eqs.com/tcsgroup20180829>

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



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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, MyPocket, Card 2 Card instant money transfers).

As at 1 August 2018, the bank was the second largest player in the Russian credit card market, with a market share of 11.7%. The 1H18 IFRS net income of TCS Group Holding PLC amounted to RUB 11.7 bn, ROE grew to 69.3%.

Tinkoff Bank regularly wins the Best Digital Bank Award by the Global Finance magazine. In 2015–2016 and in 2018, Tinkoff Bank was named the Best Consumer Digital Bank in Russia. In 2018, Global Finance also recognised Tinkoff Bank in additional nominations: Best Bill Payment & Presentment, Best Information Security and Fraud Management, Best in Mobile Banking, and Best Mobile Banking App.

In 2017, The Banker magazine named Tinkoff the Bank of the Year in Russia. In 2016, Tinkoff Bank was named CEE's Best Digital Bank by Euromoney. In 2016, Tinkoff Bank was the largest independent global direct bank by customer base, according to Frost & Sullivan. Banki.ru, Russia's largest financial news portal, named Tinkoff the Bank of the Year 2016.

In 2014–2016, Marksw Webb Rank & Report ranked Tinkoff Bank's mobile app the best in Russia. In June 2018, Tinkoff Bank topped Marksw Webb's Internet Banking Rank 2018. Tinkoff Bank's mobile banking app was recognised as the best in Russia by Deloitte for four consecutive years from 2013 to 2016.

Forward-looking statements



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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.