



## TCS Group Holding PLC Posts Record High Net Income in 3Q and 9M'18, Announces 4<sup>th</sup> 2018 Interim Dividend

**Limassol, Cyprus – 26 November 2018.** TCS Group Holding PLC (**TCS LI**) (the "Group"), Russia's leading provider of online financial and lifestyle services via its Tinkoff.ru ecosystem, today announces its interim condensed consolidated IFRS results for the third quarter and nine months ended 30 September 2018.

### KEY FINANCIAL HIGHLIGHTS

#### 3Q'2018

- Net margin up 22% y-o-y to RUB 14.9 bn (3Q'17: RUB 12.2 bn)
- Profit before tax up 44% y-o-y to RUB 9.6 bn (3Q'17: RUB 6.6 bn)
- Net income up 44% y-o-y to RUB 7.3 bn (3Q'17: RUB 5.0 bn) – a record high quarterly net income in the Group's history
- ROE increased to 80.4% (3Q'17: 53.7%)
- Net interest margin at 23.0% (3Q'17: 25.1%)
- Cost of risk at 6.2% (3Q'17: 6.0%)

#### 9M'2018

- Net margin grew by 30% y-o-y to RUB 43.1 bn (9M'17: RUB 33.1 bn)
- Profit before tax up 50% y-o-y to RUB 24.8 bn (9M'17: RUB 16.5 bn)
- Net income up 51% y-o-y to RUB 19 bn (9M'17: RUB 12.6 bn) – a record high 9M net income in the Group's history
- ROE grew to 72.9% (9M'17: 48.8%)
- Net interest margin at 24.0% (9M'17: 25.6%)
- Cost of risk at 6.7% (9M'17: 6.5%)

All balance sheet numbers and ratios as of 30 September 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 24.2% to RUB 322.0 bn (1 Jan'18: RUB 259.3 bn)
- Gross loans and advances to customers up 23.3% to RUB 205.4 bn (1 Jan'18: RUB 166.7 bn)
- Net loans and advances to customers up 30.0% to RUB 168.7 bn (1 Jan'18: RUB 129.7 bn)



- Share of non-performing loans (NPLs) decreased to 10.8% (1 Jan'18: 13.4%)
- Customer accounts increased by 30.4% to RUB 233.5 bn (1 Jan'18: RUB 179.0 bn)
- Total equity increased by 17.0% to RUB 37.6 bn (1 Jan'18: RUB 32.1 bn)

## **GUIDANCE FOR 2018 UPGRADED**

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

- net income of over RUB 26 bn (previously over RUB 24 bn)
- net loan portfolio growth to be at least 40% (previously at least 25%)
- cost of risk to be around 7% on an IFRS 9 basis
- cost of borrowing to be at the lower end of the 6-7% range

## **KEY HIGHLIGHTS FOR 3Q'2018**

- In 9M'18 over 1.7m new active credit customers were acquired, underpinning net loan growth of 30%
- Tinkoff Bank's credit card market share stood at 11.4% as of 1 October 2018, strengthening 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 and offer customers a greater choice of financial and lifestyle services through the Tinkoff.ru platform
- In July, Tinkoff and Sberbank launched joint P2P money transfers using just a mobile phone number
- 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
- In September, Tinkoff Bank launched movie tickets bookings in its mobile banking app, further expanding its lifestyle services offering and now selling over 40,000 tickets per week
- In September, Tinkoff Bank launched Tinkoff Investments Premium, offering access to over 10,000 global securities and providing personal manager services directly in the Investments app
- As at the end of 3Q'18, Tinkoff Bank had 4 mn current accounts customers, Tinkoff Business had almost 390,000 customers, and Tinkoff Investments had 157,000 customers



## KEY HIGHLIGHTS POST 9M'2018

- In November, Tinkoff Bank was named the best consumer digital bank globally in 2018 by Global Finance's World's Best Digital Bank Awards, while the Tinkoff mobile banking app was named best in the world among consumer banks
- Tinkoff mobile banking app has over 9.5 mn installs (up 45% since YE17), MAU is up 76% YTD and stands at 3 mn, DAU doubled YTD and stands at 1 mn. Number of sessions per month has grown 3.5 times YTD to 62mn sessions, session duration increased 2.7 times to 4 min YTD
- In October, Tinkoff Bank joined forces with Mail.Ru Group, oneFactor, MegaFon, Sberbank and Yandex to set up the Big Data Association in an attempt to set the stage for promoting big data technology and products in Russia
- In October, the Bank expanded its banking platform for children and teenagers with the launch of Tinkoff Junior, a mobile app that gives young customers an easy-to-use and robust tool to manage their personal finances. The app has gained over 10,000 new customers in the first month
- In October, Tinkoff launched nationwide biometric data collection and became an official vendor for the Unified Biometrics System supplying voice recognition technology
- In October, Tinkoff Bank extended its multi-currency account, offering to 30 currencies
- In October, Tinkoff Bank launched an Android Mortgage app for users of Tinkoff Mortgage platform
- In November, Tinkoff became the first Russian bank to open a virtual development hub, a cloud office bringing together employees from different locations for banking product development. The virtual hub works alongside Tinkoff's 10 physical development hubs
- Following the acquisition of a stake in Kassir.ru, in November Tinkoff Bank launched sales of tickets to theatres, concerts and other events in its mobile banking app, further expanding its lifestyle offering

## FOURTH 2018 INTERIM DIVIDEND ANNOUNCEMENT

In line with the Group's dividend policy, the Group's Board of Directors on 25 November 2018 approved a fourth interim gross dividend for 2018 of USD 0.28 per share/per GDR (with each GDR representing one share) with a total amount allocated for dividend payment for Q3 of around USD 51.1 mn.

Subject to London Stock Exchange regulations, indicatively the dividend will be payable on 10 December 2018 to those shareholders on the register as at the record date of 7 December 2018. The ex-dividend date will be 6 December 2018.



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

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

"As we approach the end the 2018, I am pleased to confirm the year is coming together very well. The Tinkoff financial and lifestyle ecosystem continues to grow, and now counts over 8 mn customers. About half of these customers are borrowers and half are transactional customers.

"We continue to add new services, expanding both our financial and our lifestyle service offering. On the credit side, personal installment loans and POS loans now supplement our core credit card business, and we have also launched our planned secured lending pilots in home equity loans, car loans and SME loans.

"On the lifestyle side, we have added cinema and theatre tickets, and tickets to concerts and other events in our mobile banking app. Now that we have a growing range of services, our customers use our mobile app not just as a financial tool, but increasingly see it as a lifestyle guide, resulting in significant growth in key app usage metrics: the number of daily active users has doubled to 1 million, and average session duration increased has 2.7 times year-to-date to 4 minutes.

"We became the first bank to open a virtual cloud-based Development Hub that brings together the most talented employees from different locations in Russia and CIS.

"Our core operational and financial metrics demonstrated impressive growth too: net loans grew by 30%, fee and commission income was up 90% accounting for 30% of total revenue. As a result, net income for the third quarter grew to RUB 7.3 bn, and for nine months to RUB 19 bn, both all-time highs in the Group's history. This enabled us to upgrade our full year guidance both for portfolio growth and net income."

## FINANCIAL AND OPERATING REVIEW

RUB bn	3Q'18	3Q'17	Change	9M'18	9M'17	Change
<b>Credits issued ('000 pcs)</b>	660	660	-	1,700	1,530	+11%
<b>Credit card transactions</b>	94.3	75.2	+25%	259.6	194.6	+33%
<b>Net margin</b>	14.9	12.2	+22%	43.1	33.1	+30%
<b>Net margin after credit loss</b>	11.8	10.0	+18%	33.7	26.5	+27%



<b>allowance</b>						
<b>Profit before tax</b>	9.6	6.6	+44%	24.8	16.5	+50%
<b>Net income</b>	7.3	5.0	+44%	19.0	12.6	+51%

<b>RUB bn</b>	<b>30 September 2018</b>	<b>1 Jan 2018</b>	<b>Change</b>
<b>Total Assets</b>	322.0	259.3	+24.2%
<b>Net loans and advances to customers</b>	168.7	129.7	+30.0%
<b>Cash and treasury portfolio</b>	119.5	96.5	+23.8%
<b>Total Liabilities</b>	284.4	227.1	+25.2%
<b>Customer accounts</b>	233.5	179.0	+30.4%
<b>Total Equity</b>	37.6	32.1	+17.0%
<b>Tier 1 capital ratio</b>	16.6%	17.7%	-1.1pp
<b>Total capital ratio</b>	16.6%	17.8%	-1.2pp
<b>CBR N1.0 (capital adequacy ratio)</b>	15.1%	16.3%	-1.2pp

The Group delivered another strong set of results in 9M'18 thanks to continued rapid growth of its credit business and the robust performance of its transactional business lines.

As a result, the Group reported net income for 3Q'18 and 9M'18 of RUB 7.3 bn and RUB 19.0 bn, respectively. Both numbers are record results for the Group. This translated into ROE of 80.4% for 3Q'18 and 72.9% for 9M'18.

In 9M'18, the Group issued 1.7m credit products, including 0.7m in 3Q'18. The total volume of credit card transactions in 9M'18 grew 33% y-o-y to RUB 259.6 bn (9M'17: RUB 194.6 bn).

In 9M'18, gross interest income grew by 28% y-o-y to RUB 54.8 bn (9M'17: RUB 42.9 bn), while in 3Q'18 it was up 20% y-o-y to RUB 19.0 bn (3Q'17: RUB 15.8 bn), driven by growth in both the loan book and securities portfolio. Gross interest yield decreased slightly to 35.0% in 3Q'18, while the interest yield on the Group's securities portfolio rose to 7.1%. Gross yield for 9M'18 amounted to 36.2% (9M'17: 39.5%).



In 3Q'18, interest expense grew by 11% y-o-y to RUB 3.8 bn (3Q'17: RUB 3.5 bn). The cost of borrowing fell to 6.1% in 3Q'18 (3Q'17: 7.7%) as funding became less costly in both the wholesale and customer segments.

In 3Q'18, net margin grew by 22% y-o-y to RUB 14.9 bn (3Q'17: RUB 12.2 bn). Net interest margin (NIM) stood at 23.0% in 3Q'18 (3Q'17: 25.1%).

The Group continues to focus on controlling its cost of risk and efficiently managing the quality of its portfolio. Cost of risk was almost unchanged at 6.2% (3Q'17: 6.0%), while the risk-adjusted net interest margin decreased to 18.2% in 3Q'18 (3Q'17: 20.6%), both post-IFRS 9.

The Group continues to develop 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 9M'18, the Group's fee and commission income increased by an impressive 89% y-o-y to RUB 19.1 bn (9M'17: RUB 10.1 bn).

At the end of 9M'18, the Group had nearly 4 mn current account customers with a total balance of over RUB 104.3 bn across all their accounts. The Group's SME business has grown its customer base to 390k SME customers in 9M'18, with RUB 33.2 bn in total on their current accounts.

The newly relaunched Tinkoff Investments continues to develop rapidly, growing 2x year-on-year and hitting 157 thousand brokerage accounts as of 1 October 2018. Transaction volumes have grown fivefold year-on-year, while fee and commission income from Tinkoff Investments has grown thanks to the acquisition of professional traders who generate many transactions with low fees per trade. Following the launch of Tinkoff Investments' own brokerage platform earlier in the year, Tinkoff Investments customers have access to robo-advisors, customised business news reports and research via the app. As of October 2018, the Tinkoff Investments app had been downloaded more than 500,000 times. One in four of all new retail investment accounts on the Moscow Exchange are opened via Tinkoff Investments. According to Moscow Exchange data for October, Tinkoff Investments is the second largest broker on Moscow Exchange by a number of active accounts.

The Group continues to develop its mortgage platform in partnership with 11 banks, through which it originated over RUB 6.9 bn of mortgage loans in 3Q'18. The mortgage business has seen its market share steadily increase quarter-on-quarter, reaching 0.9% at the end of the reporting period.

Operating expenses increased by 45% year-on-year in 9M'2018 due to continued growth of acquisition expenses and new business development. The Group is maintaining its focus on reducing costs. As a result, the cost-to-income ratio decreased to 40.1% in 3Q'18 (3Q'17: 42.3%).



In 3Q'18, the Group reported record net income of RUB 7.3 bn (3Q'17: RUB 5.0 bn). Net income for 9M'18 amounted to RUB 19.0 bn (9M'17: RUB 12.6 bn). As a result, ROE for 3Q and 9M'18 reached 80.4% and 72.9%, respectively.

In 9M'18 the Group continued to maintain a healthy balance sheet, with total assets growing by 24.2% to RUB 322.0 bn (1 Jan'18: RUB 259.3 bn).

In 9M'18 the Group's gross loan book grew by 23.3% to RUB 205.4 bn (1 Jan'18: RUB 166.7 bn), while the net loan book grew by 30.0% to RUB 168.7 bn (1 Jan'18: RUB 129.7 bn).

In 9M'18, the Group's NPL ratio stood at 10.8%, as a result of the adoption of IFRS 9. The Group's loan loss provision coverage stood at 1.7x non-performing loans.

The Group's customer accounts increased by 30.4% YTD to RUB 233.5 bn (1 Jan'18: RUB 179.0 bn).

In 9M'18, the Group's total equity increased by 17.0% to RUB 37.6 bn (1 Jan'18: RUB 32.1 bn). As of 1 October 2018, the Group's statutory N1.0 ratio stood at 15.1% and its N1.2 ratio had decreased to 14.4%. N1.1 stood at a comfortable 10.3%.

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The Tinkoff management team will host an investor and analyst conference call at 12:00 UK time (15:00 Moscow time, 07:00 U.S. Eastern Daylight Time), on Monday, 26 November 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>1391620</b>
Russian Federation - Local	+7 495 646 9190
United Kingdom – Local	+44 (0)330 336 9411
United States of America - Local	+1 929-477-0402

A live webcast of the presentation will be available at <https://webcasts.eq.s.com/tcsgroup20181126>

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



# Tinkoff

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## About the Group

TCS Group Holding PLC is an innovative provider of online retail financial services. It includes Tinkoff Bank, mobile virtual operator network Tinkoff Mobile, Tinkoff Insurance, and Tinkoff Software DC, a network of development hubs in major Russian cities. The Group also has Tinkoff.ru, an evolving ecosystem that offers financial and lifestyle services.

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

The Group's key business is Tinkoff Bank, the country's first and only direct bank and the core of the Tinkoff.ru ecosystem.

Tinkoff Bank is the second largest player in the Russian credit card market, with a share of 11.4%. The 9M'18 IFRS net income of TCS Group Holding PLC amounted to RUB 19.0 bn, ROE grew to 72.9%.

With no branches, the Group serves all its customers remotely via online channels and a cloud-based call centre staffed by over 10,000 employees, which makes it one of the largest in Europe. To ensure smooth delivery of the Group's products, the Group has a nationwide network of over 2,500 representatives.

In 2018 Global Finance named Tinkoff Bank the world's Best Consumer Digital Bank, in 2018, 2016 and 2015, the Best Consumer Digital Bank in Russia, and in 2017 and 2013 The Banker recognised it as the Bank of the Year in Russia. The bank's mobile app has been consistently praised by local and global independent experts as the best of its kind (in 2013, 2014, 2015, 2016 by Deloitte and in 2018 by Global Finance).

## 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*





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*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.*