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TCS Group Holding PLC Announces 4Q and FY 2016 IFRS Results; Adopts New Dividend Policy

Moscow, Russia - 14 March 2017. 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 audited IFRS results for the full year ended 31 December 2016, and a new dividend policy.

KEY FINANCIAL HIGHLIGHTS

4Q 2016

- Net interest income increased by 38.8% y-o-y to RUB 9.5 bn (4Q15: RUB 6.9 bn)
- Profit before tax grew 3.8x y-o-y to RUB 4.8 bn (4Q15: RUB 1.3 bn)
- Net income up 4.0x y-o-y to RUB 3.7 bn (4Q15: RUB 0.9 bn)
- Net interest margin at 26.5% (4Q15: 26.9%)
- Cost of risk declined to 5.0% (4Q15: 12.7%)

FY 2016

- Net interest income increased by 38.3% y-o-y to RUB 34.0 bn (FY15: RUB 24.6 bn)
- Profit before tax increased 5.7x y-o-y to RUB 14.6 bn (FY15: RUB 2.6 bn)
- Record high net income of RUB 11 bn, above the upper range of the Group's guidance of RUB 9-10 bn (FY15: RUB 1.9 bn)
- Net interest margin up at 26.2% (FY15: 25.1%)
- Cost of risk fell to 7.6% (FY15: 15.3%)
- Total assets increased by 25.6% to RUB 175.4 bn (YE15: RUB 139.7 bn)
- Gross loans and advances to customers up by 19.1% to RUB 120.4 bn (YE15: RUB 101.1 bn)
- Net loans and advances to customers up 25.4% to RUB 102.9 bn (YE15: RUB 82.1 bn)
- Non-performing loan (NPL) ratio reduced to 10.2% (YE15: 12.4%)
- Customer accounts increased by 39.4% to RUB 124.6 bn (YE15: RUB 89.3 bn)
- Total equity up by 28.6% to RUB 29.5 bn (YE15: RUB 22.9 bn)

KEY BUSINESS HIGHLIGHTS FOR 2016

- Over 1 mn new active customers were acquired in 2016, of which over 290,000 in 4Q16
- Tinkoff Bank solidified its position as Russia's second largest credit card market player with a 10.3% market share as at 1 January 2017
- In December 2016, Tinkoff Bank announced plans to launch a network of software development hubs across Russia
- In December 2016, Tinkoff Bank introduced a face recognition system for scoring
- In December 2016, Tinkoff Bank acquired Vkarmane (MyPocket), an app for document and data storage
- In November 2016, Tinkoff Bank became the first Russian bank to service customers via Viber
- In November 2016, Fitch upgraded Tinkoff Bank's rating to BB-/Stable
- In autumn 2016, Tinkoff Bank was among the first in Russia to launch Apple Pay and Samsung Pay
- In October 2016, Tinkoff Bank launched Tinkoff Investments which now accounts for around 25% of all new accounts opened on the Moscow Exchange

- In July 2016, Tinkoff Bank joined the Russian blockchain consortium

KEY BUSINESS HIGHLIGHTS POST 2016

- In February 2017, Moody's upgraded Tinkoff Bank's rating to B1/Stable
- In February 2017, Tinkoff Bank was recognised as 'Bank of the Year 2016' by Banki.ru, Russia's leading online financial news portal

GUIDANCE AND OUTLOOK FOR 2017

- The Group expects net income for 2017 to be at the upper range of its previously communicated guidance and to amount to at least RUB 14 bn. The Group expects cost of risk in the range of 9-10%, cost of funds around 9%, and net portfolio growth of at least 20%
- In terms of non-credit card revenue the Group reiterates its expectations from October 2016 that it will account for around 30% of the Group's net income by 2019

NEW DIVIDEND POLICY

A new dividend policy takes effect from 14 March 2017 and replaces the previous policy which took effect on 2 March 2016.

The new dividend policy of the Group is to distribute surplus capital on a quarterly basis as determined by the Board with a target dividend payout ratio in respect of each quarter of each financial year of 50% of the net income achieved in the preceding financial quarter based on IFRS financial statements for that period. This is always subject to: any bank, funding or other covenants by which the Group is bound from time to time; and minimum regulatory capital requirements and other applicable prudential considerations/solvency commitments.

The full text of the new dividend policy can be found in the Appendix.

Oliver Hughes, CEO of Tinkoff Bank, commented:

'2016 is the best year that Tinkoff has ever had. With net income at a record high of RUB 11 bn which translates into an ROE of 42.5% for 2016, the Group comfortably met all of its targets. The results were driven by the strong performance of our core credit card business as well as the rapid development of new non-credit business lines as part of the Tinkoff.ru financial platform.

In 2016, we cemented our position as Russia's second largest credit card market player with a 10.3% market share. Our core credit card business was buoyed by continued consumer deleveraging as the macroeconomic environment further improved and by the ongoing clean-up of the market. This allowed us to increase our portfolio by 25%, or more than 1 million new customers, whilst keeping the cost of risk at record low levels of 7.6%.

Growth of non-credit business lines as part of the Tinkoff.ru financial platform exceeded our expectations in 2016 and we expect the new Tinkoff SME and Tinkoff Mortgage lines to break even this year. Our numerous loyalty programmes are also increasingly contributing to the bottom line, and we expect to announce new large-scale programmes in the near future. Finally, in 2016 we invested heavily in our brand via a high-GRP, federal TV advertising campaign. This helps us drive our customer acquisition in all categories as well as promoting Tinkoff as a leading financial services provider to broad sections of the population.

Moving into 2017, we are confident that the Group is well-positioned to further build on its success whilst enhancing its market position.'

FINANCIAL AND OPERATING REVIEW

RUB bn	4Q16	4Q15	Change	FY16	FY15	Change
Credit cards issued ('000 pcs)	408	267	52.8%	1,368	651	2.1x
Credit card transactions	50.7	32.8	54.6%	175.1	106.7	64.1%
Net interest income	9.5	6.9	38.8%	34.0	24.6	38.3%
Net interest income after loan impairment	8.0	3.7	2.2x	25.6	9.9	2.6x
Profit before tax	4.8	1.3	3.8x	14.6	2.6	5.7x
Net income	3.7	0.9	4.0x	11.0	1.9	5.9x

RUB bn	31 December 2016	31 December 2015	Change
Total Assets	175.4	139.7	25.6%
Net loans and advances to customers	102.9	82.1	25.4%
Cash and treasury portfolio	49.5	32.0	54.8%
Total Liabilities	145.9	116.7	25.0%
Customer accounts	124.6	89.3	39.4%
Total Equity	29.5	22.9	28.6%
Tier 1 capital ratio	14.8%	14.0%	+0.8pp
Total capital ratio	16.3%	18.3%	-2.0pp

CBR N1 (capital adequacy ratio)

11.1%

13.0% -1.9pp

The Group demonstrated the strongest set of results in its history in both 4Q and FY2016 following the continuing improvement of the macroeconomic environment, robust growth of its core business and tight control over portfolio quality. There is also growing contribution from non-credit card business streams to its bottom line. In 2016, the Group had four consecutive quarters of all-time high net income, which resulted in a record net income of RUB 11 bn for FY16.

Tinkoff Bank issued 408k and over 1.3 mn new credit cards in 4Q and FY16, respectively, while the volume of credit card transactions in 2016 increased by 64% to RUB 175 bn compared to RUB 107 bn in 2015.

In 4Q16, the Group's gross interest income increased by 26.2% y-o-y to RUB 12.9 bn (4Q15: RUB 10.2 bn), while gross interest income for 2016 grew by 27.3% y-o-y to RUB 47.8 bn (FY15: RUB 37.6 bn). In 2016, gross interest yield increased to 40.4% from 37.9% in 2015 following the improvement in the cost of risk.

In 4Q16, cost of borrowing fell to 9.7% from 13.1% in 4Q15 and 10.5% in 3Q16. The Group expects its cost of borrowing to decrease further in 2017 as it maintains lower rates for deposits and current accounts. Interest expense has stayed flat in absolute terms for the last five quarters at RUB 3.3 bn.

In 4Q16, net interest income grew by 38.8% y-o-y to RUB 9.5 bn. For FY16, net interest income increased by 38.3% to RUB 34.0 bn. The net interest margin stood at 26.5%. Following the decline in the cost of risk, the risk-adjusted net interest margin increased to 22.4%.

The Group's tight control over risk continues to pay off. In 4Q16 the cost of risk fell to a record low level of 5% compared to 12.7% in 4Q15. This is due to seasonal factors, the continuing improvement in the macroeconomic environment as well as the results of the Group's efforts to improve the quality of its portfolio. For FY16, the cost of risk decreased to 7.6% (FY15: 15.3%).

The Group's efforts to diversify its sources of income continue to yield positive results with a steady increase in fee and commission income, as well as insurance premiums. Fee and commission income grew steadily throughout 2016 and amounted to RUB 2.6 bn in 4Q16, representing a 57% y-o-y increase (4Q15: RUB 1.6 bn). For FY16, fee and commission income increased by 76% to RUB 8.4 bn (FY15: RUB 4.8 bn). The growth in the fee and commission income is mainly driven by debit cards, online acquiring and SME services. The current accounts business continues to evolve; as of 31 December 2016 we had 1.8 mn current accounts customers with a balance of almost RUB 47 bn. This resulted in fee income of RUB 0.6 bn for 4Q16. In 2016, fee and commission income constituted 14% of total revenue. Earned insurance premiums increased by 15.2% to RUB 1.3 bn for the FY16 (FY15: RUB 1.2 bn).

The Group's SME business is developing rapidly. As of 4Q16 the Group had 50,000 customers with a balance of almost RUB 5 bn in current accounts. All the cash is profitably deployed in treasury operations. Fee and commission income generated by the SME business amounted to RUB 150 mn in 2016.

The Group continues to develop its mortgage business. As at the end of 2016, the Group had seven bank partners, and a total of RUB 2.9 bn in loans were originated through the Tinkoff.ru financial platform.

As at the end of 2016, every fourth account in the Russian securities trading market was opened via the Group's Tinkoff Investments service following its launch in 3Q16.

In 4Q16, the Group's operating expenses increased due to salary indexation and the Group's continuing advertising activity and amounted to RUB 5.5 bn. For 2016, the Group's operating expenses remained elevated due to investment in the Tinkoff.ru financial platform. In 2016, the Group's cost to income ratio stood at 43.7% (FY15: 38%).

In 4Q16, the Group reported a record high quarterly net income of RUB 3.7 bn which translated into an ROE of 51.4%. As a result of four consecutive quarters of record net income, the Group recorded all-time high net income for FY16 which reached RUB 11 bn. This is above the upper range of the Group's guidance of RUB 9-10 bn. ROE for the FY16 amounted to 42.5%.

In 2016, the Group continued to maintain a healthy balance sheet. In 4Q16, total assets grew by 7% and amounted to RUB 175.4 bn (YE15: RUB 139.7 bn). Cash and cash equivalents increased by RUB 3 bn reflecting the inflow of retail customer accounts. The Group maintained a securities portfolio of RUB 33 bn consisting of highly liquid CBR-repoable bonds.

The Group's gross retail loan book grew by 3% in 4Q16 and by 19% YTD in 2016 and amounted to RUB 120.4 bn. That growth was driven by organic customer acquisition of 290,000 new customers in 4Q16 and 1m new customers in 2016. The net retail portfolio increased by 4% in 4Q16 and by 25.4% YTD. This has cemented Tinkoff Bank's position as the second largest player in the Russian credit card market with its market share of 10.3% as at the end of 2016.

The quality of the loan portfolio improved throughout the year with the NPL ratio dropping to 10.2% at the end of the year. Loan loss provision coverage stayed at 1.4x.

Customer accounts increased by 12.6% q-o-q demonstrating strong performance despite the fact that the Group gradually reduced deposit rates in line with market trends. The Group's wholesale funding consists of two bond issues: a RUB 3 bn bond with a put option in December 2017 and a USD 200 mn subordinated Eurobond maturing in 2Q18.

Total equity increased by 28.6% YTD to RUB 29.5bn. The Group continued to maintain a solid capital position with a statutory CBR N1 capital ratio of 11.1% and N1.2 ratio of 8.6%.

The management team will host an investor and analyst conference call at 14.00 UK time (17.00 Moscow time, 9.00 EDT), on Tuesday, 14 March 2017.

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	3525701
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	+1 719-325-2213
United States of America - Toll Free	1888-352-6803

A live webcast of the presentation will be available at:
<http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=4241>

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

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Appendix

New Dividend Policy

TCS Group Holding PLC Dividend Policy Effective from 14 March 2017

This dividend policy takes effect from 14 March 2017 and replaces the policy which took effect on 2 March 2016.

Pursuant to the Articles of Association, the Group may pay dividends out of its profits. All shares in the Group rank equally in all respects for dividends and interim dividends.

To the extent the Group declares and pays dividends, owners of GDRs on the relevant record date will be entitled to receive dividends payable in respect of class A shares underlying the GDRs, subject to the terms of the Deposit Agreement. If dividends are not paid in U.S. dollars, again subject to the terms of the Deposit Agreement, they will be converted into U.S. dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

The dividend policy of the Group, with the aim of enhancing total shareholder returns, is to distribute surplus capital on a quarterly basis as determined by the Board with a target dividend payout ratio in respect of each quarter of each financial year of 50% of the net income achieved in the preceding financial quarter based on IFRS financial statements for that period, subject always to: any bank, funding or other covenants by which the Group is bound from time to time; and minimum regulatory capital requirements and other applicable prudential considerations/solvency commitments.

Dividends, if declared, would be declared and paid as soon as reasonably practicable after the end of a financial year/relevant quarter.

This statement is a general declaration of intention and the actual declaration of dividends will require corporate action at the time a decision is taken, depending on the precise circumstances and the condition of the operating environment at that time.

In addition and as described, declaration and payment of any such dividend will be subject to any restrictions under applicable law and regulation, the Articles of Association, available cash flow, dividends from the Group's subsidiaries, taxation considerations and the Group's actual and projected capital investment requirements.

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 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 is transitioning to become an online financial marketplace, Tinkoff.ru, which offers an entire range of both own brand and partner retail financial services via mobile and desktop.

As at 1 January 2017, the bank was the second largest player in the Russian credit card market, with a market share of 10.3%. The FY2016 IFRS net income of the parent company, TCS Group Holding PLC, which includes Tinkoff Bank and the insurance company Tinkoff Insurance, amounted to RUB 11 bn, ROE stood at 43%.

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 Marksworld 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.

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