TCS Group Holding PLC / 1st Quarter Results

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TCS Group Holding PLC Announces
1Q 2017 IFRS Results and Interim Dividend

Moscow, Russia - 30 May 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 interim condensed consolidated IFRS results for the first three months ended 31 March 2017.

1Q 2017 KEY FINANCIAL HIGHLIGHTS

- Net interest income increased by 35% y-o-y to RUB 9.9 bn (1Q16: RUB 7.3 bn)
- Profit before tax grew by 77% to RUB 4.4 bn (1Q16: RUB 2.5 bn)
- Net income increased by 79% to RUB 3.4 bn (1Q16: RUB 1.9 bn)
- Net interest margin up to 26.6% (1Q16: 25.4%)
- Cost of risk decreased to 7.6% (1Q16: 9.5%)
- Total assets increased by 0.8% to RUB 176.8 bn (YE16: RUB 175.4 bn)
- Net loans up by 8% to RUB 111.5 bn (YE16: RUB 102.9 bn)
- Gross loans and advances to customers up by 7% to RUB 129.4 bn (YE16: RUB 120.4 bn)
- Share of non-performing loans (NPLs) down to 9.6% (YE16: 10.2%)
- Customer accounts at RUB 123.3 bn (YE16: RUB 124.6 bn)
- The Group is well capitalised with CBR N1 capital adequacy ratio at 12.7% as of 1 April 2017.

KEY BUSINESS HIGHLIGHTS FOR 1Q17

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

KEY BUSINESS HIGHLIGHTS POST 1Q17

- As of 1 May 2017, Tinkoff Bank was the second largest bank in Russia by non-delinquent credit card portfolio size with an 11% market share
- In April 2017, Tinkoff Bank announced the launch of its own mobile virtual network operator
- In April 2017, Tinkoff Bank successfully placed a RUB 5 bn bond with a 9.65% coupon
- In April 2017, Tinkoff Bank joined the Russian FinTech Association
- In April 2017, Tinkoff SME reached a milestone of 100,000 customers
- In May 2017, Tinkoff Bank was assigned A(RU) rating with a stable outlook by ACRA, Analytical Credit Rating Agency

First Interim Dividend Announcement

In line with the Group's dividend policy, the Group's Board of Directors has today approved the 1Q 2017 interim dividend of USD 0.17 per share/per GDR (with each GDR representing one class A share) with a total amount allocated for dividend payment of around USD 31.0 mn (RUB 1.7 bn).

Subject to London Stock Exchange regulations, the dividend will be payable on 19 June 2017 to those GDR holders on the Group's register as at the record date of 16 June 2017. The ex-dividend date will be 15 June 2017.

According to the terms of the GDR deposit agreement, holders of the Group's GDRs will receive their dividends approximately 6 business days after the payment date.

Oliver Hughes, CEO of Tinkoff Bank, commented:

'In the first quarter, we delivered a strong net income of RUB 3.4 bn on the back of the solid expansion of the loan book along with noticeable growth in fee and commissions income. With ROE of 43%, this reaffirms our status as one of the most profitable banks globally.

We expect that this year our key non-credit business lines, Tinkoff SME, debit cards, and Tinkoff Mortgage, will break even, whilst all non-credit business lines have contributed 15.4% to the Group's total revenue in the reporting period. We see new opportunities for synergy and growth, and announced the launch of Tinkoff MVNO.

Robust growth of our business increasingly requires more human resources, and we are hiring not only in Moscow, but also in major Russian cities. In addition to the Tinkoff Development Hub launched in St. Petersburg in late 2016, we have opened new development hubs in Nizhny Novgorod, Novosibirsk, and Yekaterinburg. This will help us intensify production cycle and reduce time-to-market for new products.

Five months into 2017, the Group is well on track to deliver its full year targets. In line with our dividend policy, the Board has approved a dividend of RUB 1.7 bn.'

FINANCIAL AND OPERATING REVIEW

RUB bn	1Q17	1Q16	Change
Credit cards issued ('000 pcs)	450	290	55%
Credit card transactions	54.5	35.5	54%
Net interest income	9.9	7.3	35%
Net interest income after loan impairment	7.5	4.9	55%
Profit before tax	4.4	2.5	77%
Net income	3.4	1.9	79%

RUB bn	31 March 2017	31 December 2016	Change
Total Assets	176.8	175.4	1%
Net loans and advances to customers	111.5	102.9	8%
Cash and treasury portfolio	45.5	49.5	(8%)
Total Liabilities	143.3	145.9	(2%)
Customer accounts	123.3	124.6	(1%)
Total Equity	33.5	29.5	13%
Tier 1 capital ratio	16.8%	14.8%	2.0 p.p.
Total capital ratio	18.0%	16.3%	1.7 p.p.
CBR N1 (capital adequacy ratio)	12.7%	11.1%	1.6 p.p.

The Group has delivered a strong set of results for 1Q17. This was due to continued improvement in the Russian macroeconomic environment, robust performance of its core business, and strong growth of its new business lines. As a result, the Group reported a net income of RUB 3.4 bn in 1Q17.

In 1Q17, the Group issued 450,000 credit cards, whilst the total volume of credit card transactions grew by 54% to RUB 54.5 bn (1Q16: RUB 35.5 bn).

In 1Q17, gross interest income grew by 19% y-o-y to RUB 13 bn (1Q16: RUB 11 bn) and by 0.3% q-o-q (4Q16: RUB 12.9 bn). Gross interest yield decreased to 39.3% in 1Q17 due to a seasonally higher cost of risk.

In 1Q17, the cost of borrowing continued to decrease to 8.4% from 9.7% in 4Q16 and from 12.2% in 1Q16 as expensive deposits from 2015 were completely rolled off the books and the Group gradually decreased the deposit rates along with other peers.

Interest expense dropped by 16.8% y-o-y to RUB 2.9 bn in 1Q17 (1Q16: RUB 3.5 bn).

In 1Q17, net interest income grew by 35% y-o-y to RUB 9.9 bn (1Q16: RUB 7.3 bn) and by 4% q-o-q (4Q16: RUB 9.5 bn). The net interest margin stood at 26.6% in 1Q17. Risk-adjusted NIM increased to 20.2% in 1Q17 (1Q16: 16.9%).

The Group continues to prioritise its credit risk management. In 1Q17, the cost of risk amounted to 7.6% reflecting its usual seasonal spike (1Q16: 9.5%, 4Q16: 5.0%).

The Group's effort to diversify its income sources continued to yield positive results, with 15.4% of the Group's revenue for 1Q17 generated from non-credit sources. In 1Q17, fee and commission income increased by 52% to RUB 2.7 bn. This was due to the further development of non-credit business lines, primarily debit cards, online acquiring, and SME services (1Q16: RUB 1.8 bn). The Group expects this upward trend to continue further with the ongoing development of its Tinkoff.ru financial supermarket and with new business lines breaking even in 2017, including Tinkoff SME, Tinkoff Mortgage, and debit cards. The Group's current accounts business continues to grow attracting mass-affluent customers. As of 1 April 2017 the Group had almost 2 mn customers with current accounts with a total balance of RUB 48 bn across all their accounts. Current accounts generated RUB 0.6 bn of fee and commission income for the Group in 1Q17. In 1Q17, the Group doubled the number of its SME customers to over 90,000 in total, with their balances amounting to over RUB 7.3 bn in 1Q17. In 1Q17, the Group facilitated over RUB 0.9 bn mortgage loans through its Tinkoff Mortgage platform. Tinkoff Investments also grew steadily in 1Q17, with 25% of all new brokerage accounts in Russia opened with Tinkoff Investments.

In 1Q17, operating expenses increased by 38% y-o-y to RUB 5.3 bn due to continued investment in the Tinkoff.ru financial supermarket. Cost-to-income ratio stood at 43.1% (1Q16: 43.3%).

In 1Q17, net income grew by 79% to RUB 3.4 bn (1Q16: RUB 1.9 bn) driven by robust growth of our core business and continued improvement in the portfolio quality. As a result, ROE for 1Q17 amounted to 43%.

In 1Q17, the Group continued to maintain a healthy balance sheet with total assets up by 0.8% YTD to RUB 176.8 bn (YE16: RUB 175.4 bn) and by 20.5% y-o-y (1Q16: RUB 146.8 bn).

The Group's gross loan book grew 7.4% YTD to RUB 129.4 bn (YE16: RUB 120.4 bn, 1Q16: RUB 104.9 bn) due to an ongoing effort to increase organic customer acquisition, resulting in over 340,000 new customers acquired in 1Q17.

In 1Q17, the Group's net loan book continued its steady growth despite the tight underwriting policy and increased by 8% YTD to RUB 111.5 bn (YE16: RUB 102.9 bn). The net loan book amounted to 63% of the Group's total assets in 1Q17. Following its credit card portfolio growth, Tinkoff Bank expanded its market share to 11% as of 1 May 2017, further strengthening its number two position in Russia's credit card market.

The quality of the Group's portfolio continued to improve with the NPL ratio having dropped to 9.6% in 1Q17 from 10.2% in 4Q16. The Group's loan loss provision coverage stayed at 1.4 times non-performing loans.

In 1Q17, customer accounts were down by 1% YTD to RUB 123.3 bn (YE16: 124.6 bn). This was due to seasonal factors as well as a consistent reduction in Tinkoff Bank's deposit rates in line with the market trend throughout 2016 and 2017.

In 1Q17, the Group continued to maintain a robust capital position with the statutory CBR N1 total capital ratio of 12.7%, well above the required level.

In 1Q17, the Group's total equity increased by 13.4% YTD to RUB 33.5 bn. The Group's Core Tier 1 (or N1.1) and Tier 1 (or N1.2) capital ratios both stood at 9.4%, well above the 5.75% and 7.25% minimum requirements respectively.

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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 Daylight Time), on Tuesday, 30 May 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	**3795170**
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	+1 719-457-2086
United States of America - Toll Free	800-347-6311

A live webcast of the presentation will be available at: http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=4623

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. 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 May 2017, the bank was the second largest player in the Russian credit card market, with a market share of 11%. The 1Q17 IFRS net income of the parent company, TCS Group Holding PLC, which includes Tinkoff Bank and the insurance company Tinkoff Insurance, amounted to RUB 3.4 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 Markswebb 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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