

29-Aug-2017 / 09:00 CET/CEST

Dissemination of a Regulatory Announcement, transmitted by EquityStory.RS, LLC - a company of EQS Group AG.  
The issuer is solely responsible for the content of this announcement.

# TCS Group Holding PLC Announces 2Q and 1H 2017 IFRS Results and Second 2017 Interim Dividend

**Moscow, Russia - 29 August 2017.** 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 second quarter and for the first six months ended 30 June 2017.

## KEY FINANCIAL HIGHLIGHTS

### 2Q 2017

- Net interest income up 37% y-o-y to RUB 11.2 bn (2Q16: RUB 8.2 bn)
- Profit before tax up 68% y-o-y to RUB 5.5 bn (2Q16: RUB 3.3 bn)
- Net income up 67% y-o-y to RUB 4.2 bn (2Q16: RUB 2.5 bn)
- ROE increased to 48.6% (2Q16: 41.5%)
- Net interest margin at 26.4% (2Q16: 25.9%)
- Cost of risk decreased to 6.0% (2Q16: 7.7%)

### 1H 2017

- Net interest income grew by 36% y-o-y to RUB 21.1 bn (1H16: RUB 15.5 bn)
- Profit before tax up 72% y-o-y to RUB 9.9 bn (1H16: RUB 5.8 bn)
- Net income up 72% y-o-y to RUB 7.6 bn (1H16: RUB 4.4 bn)
- ROE grew to 46.1% (1H16: 36.9%)
- Net interest margin at 26.1% (1H16: 25.7%)
- Total assets increased by 23% to RUB 215.3 bn (YE16: RUB 175.4 bn)
- Gross loans and advances to customers up 16% to RUB 139.5 bn (YE16: RUB 120.4 bn)
- Net loans and advances to customers up 18% to RUB 121.2 bn (YE16: RUB 102.9 bn)
- Share of non-performing loans (NPLs) down to 9.4% (YE16: 10.2%)
- Customer accounts increased by 13% to RUB 140.2 bn (YE16: RUB 124.6 bn)
- Total equity up by 22% to RUB 35.9 bn (YE16: RUB 29.5 bn)

## KEY HIGHLIGHTS FOR 1H 2017

- In 1H17, over 770,000 new active credit card customers were acquired
- In April 2017, Tinkoff Bank announced its plans to launch an MVNO, Tinkoff Mobile, and started pre-collecting applications for its SIM-cards
- In April 2017, Tinkoff Bank successfully placed a 5-year RUB 5 bn bond with a 9.65% coupon
- In April 2017, Tinkoff Bank joined Russia's FinTech Association
- In May 2017, ACRA assigned Tinkoff Bank an A(RU) rating, outlook Stable
- In May 2017, Tinkoff Bank introduced Android Pay for its customers
- In June 2017, Tinkoff Bank signed a partnership agreement with the Skolkovo Foundation
- In June 2017, Tinkoff Bank issued (through TCS Finance D.A.C., its Irish SPV) a USD 300m perpetual bond with a 9.25% coupon. This is a Basel III compliant instrument approved by the CBR for the inclusion into the N1.2 statutory CAR calculation.
- In June 2017, Tinkoff Bank launched the Tinkoff Property service for searching and buying properties on the primary market as part of its Tinkoff.ru financial supermarket

## KEY HIGHLIGHTS POST 1H 2017

- As of 1 August 2017, Tinkoff Bank's credit card market share grew to 11.5%, further solidifying its position as the second largest credit card issuer in Russia
- In July 2017, Tinkoff Bank was named the most profitable bank in Central and Eastern Europe by The Banker magazine
- In July 2017, Tinkoff Bank won awards in two categories in Global Finance's 2017 World's Best Consumer Digital Banks awards in Central and Eastern Europe (Best Online Deposit, Credit and Investment Product Offerings Award and Best in Social Media Award)
- In August 2017, Tinkoff Bank started the gradual deployment of its own ATM network

## Second Interim Dividend Announcement

In line with the Group's dividend policy, the Board of Directors on 28 August approved the 2017 a second interim gross dividend for 2017 of USD 0.20 per share/per GDR (with each GDR representing one share), with a total dividend payment of USD 36.5 mn (RUB 2.1 bn).

Subject to the London Stock Exchange regulations, indicatively the dividend will be payable on Monday, 11 September 2017, to those shareholders on the Group's register as at the record date of Friday, 8 September 2017. The ex-dividend date will be 7 September 2017.

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

## UPDATED GUIDANCE FOR 2017

Following its strong underlying growth, the Group has revised its FY17 net income guidance from at least RUB 14 bn to at least RUB 17 bn.

The Group has also updated its guidance for:

- cost of risk to be around 7-8% (previously, in the range of 9-10%),
- net portfolio growth to be around 35% (previously, of at least 20%),
- cost of funds to be below 8% (previously, around 9%).

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

'In 1H 2017, the Group delivered a strong set of results underpinned by two key drivers - the continued accelerated growth of our core credit card business and the sound performance of our new business lines which have been launched over the past few years as part of the Tinkoff.ru financial supermarket.

This year, the diversification of our business has become visible not just in the top-line but in the bottom-line result as well. Some non-credit products have already broken even, and the rest are expected to do so in 2H17. The new business lines started primarily as cross-sell to our existing customer base, but now they are being sold mainly to the open market, as we attract new customers to our growing eco-system. In 2Q17, non-credit card products made up RUB 3.3 bn of total income, and by year-end we expect their share to grow to around 20%.

While the new non-credit business lines are producing promising results, we continue to grow our credit business. The economics of our credit portfolio are improving as credit quality remains solid and the cost-of-funds reduces.

We generated a record net income of RUB 4.2 bn in 2Q17 and RUB 7.6 bn in 1H17. Thanks to this quarter's robust performance, we are revising our 2017 guidance upwards, and we are now expecting to deliver a net profit of over RUB 17 bn for the full year. We are also delighted to announce that, in line with the Group's dividend policy, the Board of Directors has approved the payment of RUB 2.1 bn in dividends.'

## FINANCIAL AND OPERATING REVIEW

RUB bn	2Q17	2Q16	Change	1H17	1H16	Change
<b>Credit cards issued ('000 pcs)</b>	570	330	+73%	1,020	620	+65%
<b>Credit card transactions</b>	64.9	42.5	+53%	119.4	78.0	+53%
<b>Net interest income</b>	11.2	8.2	+37%	21.1	15.5	+36%
<b>Net interest income after loan impairment</b>	9.2	6.1	+51%	16.7	11.0	+53%
<b>Profit before tax</b>	5.5	3.3	+68%	9.9	5.8	+72%
<b>Net income</b>	4.2	2.5	+67%	7.6	4.4	+72%

RUB bn	30 June 2017	31 December 2016	Change
<b>Total Assets</b>	215.3	175.4	+23%
<b>Net loans and advances to customers</b>	121.2	102.9	+18%
<b>Cash and treasury portfolio</b>	73.0	49.5	+47%
<b>Total Liabilities</b>	179.4	145.9	+23%
<b>Customer accounts</b>	140.2	124.6	+13%
<b>Total Equity</b>	35.9	29.5	+22%
<b>Tier 1 capital ratio</b>	24.7%	14.8%	+9.9pp
<b>Total capital ratio</b>	25.1%	16.3%	+8.8pp
<b>CBR N1 (capital adequacy ratio)</b>	11.96%	11.13%	+0.83pp

The Group delivered another strong set of results for 2Q and 1H17 following accelerated growth of its core credit card business and excellent performance of its new business lines.

As a result, the Group reported a net income for both 2Q17 and 1H17 of RUB 4.2 bn and RUB 7.6 bn respectively. This translated into ROE of 48.6% for 2Q17 and 46.1% for 1H17.

In 1H17, the Group issued 1 mn credit cards, including 570,000 in 2Q17. The total volume of credit card transactions in 1H17 grew 53% y-o-y to RUB 119.4 bn (1H16: RUB 78.0 bn).

In 1H17, gross interest income grew by 21% y-o-y to RUB 27.3 bn (1H16: RUB 22.6 bn), while in 2Q17 it was up 23% y-o-y to RUB 14.3 bn (2Q16: RUB 11.6 bn), driven by the growth in both the loan book and securities portfolio. Gross interest yield stayed at 40.1% in 2Q17, while the interest yield on the Group's securities portfolio decreased to 7.3%. Gross yield for 1H17 amounted to 39.6% (1H16: 40.0%).

Interest expense stayed flat at RUB 2.9 bn in 2Q17, further reducing the cost of borrowing to 7.6%.

In 2Q17, net interest income grew by 37% y-o-y to RUB 11.2 bn (2Q16: RUB 8.2 bn), while in 1H17 it increased by 36% y-o-y to RUB 21.1 bn (1H16: RUB 15.5 bn). The net interest margin (NIM) stood at 26.4% in 2Q17 (2Q16: 25.9%) and at 26.1% in 1H17 (25.7% in 1H16). Due to lower cost of risk, the risk-adjusted net interest margin increased to 21.7% in 2Q17 (2Q16: 19.3%) and to 20.6% in 1H17 (1H16: 18.2%).

The Group continues to focus on controlling its cost of risk and efficiently managing the quality of its portfolio. In 2Q17, the cost of risk went down to 6.0% after a seasonal spike of 7.6% in 1Q17 (2Q16: 7.7%), with the 1H17 cost of risk decreasing to 6.8% from 8.6% in 1H16.

The Group continues to further develop its new business lines, all of which are demonstrating robust growth, with the SME business delivering the best performance. In 1H17, the Group's fee and commission income increased by 61% y-o-y to RUB 6.1 bn (1H16: RUB 3.8 bn).

At the end of 1H17, the Group had over 2.1 mn current accounts customers with a total balance of over RUB 55 bn across all their accounts. The Group's SME business had over 140,000 SME customers with over RUB 11.8 bn on their current accounts. This business line broke even in June 2017, with its fee and commission income amounting to RUB 0.8 bn in 1H17. The Group continues to develop its mortgage platform in partnership with seven banks, through which it has originated over RUB 1.5 bn of mortgage loans in 2Q17. The Group expects the mortgage platform to break-even in 2H17. Tinkoff Investments continues to demonstrate robust growth. With every fourth brokerage account currently opened via this service, the Group expects it to break even in 2H17.

In 2Q17, operating expenses increased by 14% q-o-q due to continued growth of acquisition expenses. The cost-to-income ratio decreased to 42.3% in 2Q17 following solid growth of interest income and fee and commission income.

In 2Q17, the Group reported a net income of RUB 4.2 bn (2Q16: RUB 2.5 bn). Net income for 1H17 amounted to RUB 7.6 bn (1H16: RUB 4.4 bn). As a result, ROE for 2Q17 reached 48.6%.

In 1H17, the Group continued to maintain a healthy balance sheet with total assets having increased by 23% to RUB 215.3 bn due to strong credit portfolio growth and proceeds from the Perpetual Subordinated Eurobond (YE16: RUB 175.4 bn).

In 1H17, the Group's gross loan book grew by 16% to RUB 139.5 bn (YE16: RUB 120.4 bn) due to the increased number of new customers with over 430,000 new active credit card customers in 2Q17 and over 770,000 in 1H17.

The Group's net loan book grew 18% to RUB 121.2 bn (YE16: RUB 102.9 bn). As a result, Tinkoff Bank's market share increased to 11.5% as of 1 August 2017, further solidifying its position as Russia's second largest credit card issuer.

The Group's portfolio quality continued to improve on a q-o-q basis with the NPL ratio dropping further to 9.4% in 2Q17 from 9.6% in 1Q17. The Group's loan loss provision coverage remained stable at 1.4x non-performing loans.

The Group's customer accounts increased by 13% over the period to RUB 140.2 bn (1Q17: RUB 123.3 bn; YE16: RUB 124.6 bn). In April 2017, Tinkoff Bank issued a 5-year RUB 5 bn bond with a put option in April 2019. In June 2017, Tinkoff Bank issued (through TCS Finance D.A.C., its Irish SPV) a USD 300m perpetual bond with a 9.25% coupon and with a call option in September 2022. Simultaneously, the Group bought back a substantial amount of its Tier 2 subordinated debt.

In 2Q17, the Group's total equity increased by 22% to RUB 35.9 bn (YE16: RUB 29.5 bn). The Group's Basel ratios went up following the inclusion of perpetual debt in additional Tier 1 capital. As of 1 August 2017, the Group's statutory N1.0 ratio went up to 16.6% and its N1.2 ratio increased to 14.3%. N1.1 stood at a comfortable 9.0%, and the Group expects it to go up after the inclusion of its audited 2Q17 net income in Tier 1 capital.

\*\*\*

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, 29 August 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:

<b>Conference ID</b>	<b>5383943</b>
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 888-349-9618

A live webcast of the presentation will be available at <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=4865>  
Please register approximately 10 minutes prior to the start of the call.

#### For enquiries:

Tinkoff Bank  
**Darya Ermolina**  
Head of PR  
+ 7 495 648-10-00 (ext. 2009)  
[d.ermolina@tinkoff.ru](mailto:d.ermolina@tinkoff.ru)

Tinkoff Bank  
**Larisa Chernysheva**  
IR Department  
+ 7 495 648-10-00 (ext. 2312)  
[ir@tinkoff.ru](mailto:ir@tinkoff.ru)

#### 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, a 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 1,800 representatives to ensure the smooth delivery of its products. The network covers all of Russia and allows next day delivery to most of its 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).

As at 1 August 2017, the bank was the second largest player in the Russian credit card market, with a market share of 11.5%. The 1H 2017 IFRS net income of TCS Group Holding PLC amounted to RUB 7.6 bn, ROE stood at 46%.

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.*

---

The EquityStory.RS, LLC Distribution Services include Regulatory Announcements, Financial/Corporate News and Press Releases.  
Archive at [www.dgap.de/ukreg](http://www.dgap.de/ukreg)

---

Language: English

Company: TCS Group Holding PLC  
2nd Floor, Sotiri Tofini 4, Agios Athanasios  
4102 Limassol  
Cyprus  
Phone: +7 495 648-10-00  
Fax: +7 495 645-59-09  
E-mail: [media@tinkoff.ru](mailto:media@tinkoff.ru)  
Internet: <https://www.tinkoff.ru>  
ISIN: US87238U2033  
Listed: Foreign Exchange(s) London, Moscow  
Category Code:IR  
TIDM: TCS  
LEI Code: 549300XQRN9MR54V1W18  
Sequence No.: 4567

End of AnnouncementEquityStory.RS, LLC News Service