

# TCS Group Holding PLC Posts Record High Net Income in 4Q and FY2018, Announces 1<sup>st</sup> 2019 Interim Dividend

**Limassol, Cyprus - 12 March 2019.** TCS Group Holding PLC (**TCS LI**) (the "Group"), Russia's leading provider of online financial and lifestyle services via the Tinkoff.ru ecosystem, today announces its consolidated IFRS results for the fourth quarter and twelve months ended 31 December 2018.

## KEY FINANCIAL HIGHLIGHTS

### 4Q'2018

- Net margin up 24% y-o-y to RUB 16.1 bn (4Q'17: RUB 13.0 bn)
- Profit before tax up 24% y-o-y to RUB 10.5 bn (4Q'17: RUB 8.5 bn)
- Net income up 27% y-o-y to RUB 8.1 bn (4Q'17: RUB 6.4 bn) - a record quarterly net income for the Group
- ROE increased to 81.2% (4Q'17: 63.1%)
- Net interest margin at 21.8% (4Q'17: 24.5%)
- Cost of risk at 4.2% (4Q'17: 2.7%)

### FY 2018

- Net margin grew by 29% y-o-y to RUB 59.2 bn (FY17: RUB 46.1 bn)
- Profit before tax up 41% y-o-y to RUB 35.2 bn (FY17: RUB 25.0 bn)
- Net income up 43% y-o-y to RUB 27.1 bn (FY17: RUB 19.0 bn) - a record annual net income for the Group
- ROE grew to 74.7% (FY17: 52.8%)
- Net interest margin at 23.2% (FY17: 25.3%)
- Cost of risk at 6.0% (FY17: 5.5%)

All balance sheet numbers and ratios as of 31 December 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 balance sheet numbers and ratios also reflect the adoption of IFRS 9 from 1 January 2018.

- Total assets increased by 44.8% to RUB 375.5 bn (1 Jan'18: RUB 259.3 bn)
- Gross loans and advances to customers up 40.8% to RUB 234.7 bn (1 Jan'18: RUB 166.7 bn)
- Net loans and advances to customers up 53.0% to RUB 198.5 bn (1 Jan'18: RUB 129.7 bn)
- Share of non-performing loans (NPLs) decreased to 9.4% (1 Jan'18: 13.4%)
- Customer accounts increased by 56.9% to RUB 280.9 bn (1 Jan'18: RUB 179.0 bn)
- Total equity increased by 31.5% to RUB 42.3 bn (1 Jan'18: RUB 32.1 bn)

## GUIDANCE FOR 2019

Following strong underlying growth in 2018, the Group is pleased to announce the following performance guidance for 2019:

- \* net income of at least RUB 35 bn
- \* net loan portfolio growth to be around 40%
- \* cost of risk to be in the range of 6 - 7%
- \* cost of borrowing to be in the range of 6 - 7%

## KEY HIGHLIGHTS FOR 2018

- In 2018 over 2.7 m new active credit customers were acquired, underpinning net loan growth of 53%
- Tinkoff Bank's credit card market share stood at 11.8% at the end of 2018, strengthening its position as Russia's second largest credit card issuer
- 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 in March, 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
- In June, Tinkoff piloted home equity loans
- 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 wider choice 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 broadened its lifestyle offering by adding cinema tickets to its app, and now sells over 230,000 movie tickets per month
- Following the acquisition of a stake in Kassir.ru, Tinkoff launched theatre and concert tickets via its app in November
- 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
- Tinkoff Investments brought 285,000 new retail investors to the Moscow Exchange in 2018 which amounts to 40% of a total number of retail investments customers acquired by MOEX, more than any other brokerage according to the exchange's data
- In October, Tinkoff Bank joined forces with Mail.Ru Group, oneFactor, MegaFon, Sberbank and Yandex to set up the Big Data Association 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
- 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 cover 30 currencies
- 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
- 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

## KEY HIGHLIGHTS POST 2018

- In February, Tinkoff Bank was in the first wave of Russian banks to launch the Faster Payments System for its customers. The CBR introduced FSP to allow nationwide instant P2P payments using mobile phone numbers
- In February 2019, Tinkoff Bank won four accolades at the Bank of the Year awards by Banki.ru, Russia's leading banking news portal. Tinkoff topped the 2018 list in the categories Investment Company of the Year, Online Mortgage Application, The People's Ranking of banks and The People's Ranking for mobile operators (Tinkoff Mobile)
- Tinkoff mobile banking app has over 12 mn installs, MAU stands at 3.7 mn (95% growth compared to YE2017), DAU stands at 1.1 mn (120% growth compared to YE2017).

## FIRST 2019 INTERIM DIVIDEND ANNOUNCEMENT

In line with the Group's current dividend policy, the Board of Directors on 11 March 2019 approved a first interim gross cash dividend for 2019 of USD 0.32 per share/GDR (with each GDR representing one share), with a total dividend payment of around USD 58.4 mn.

Subject to London Stock Exchange regulations, indicatively the dividends will be payable around 25 March 2019, to those shareholders on the Group's register as at the record date of 22 March 2019. The ex-dividend date will be 21 March 2019.

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

The Group's new dividend policy announced on 28 December 2018 will take effect from 1 April 2019.

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

"I am pleased to report that we've had another excellent year, ending 2018 on a high note. We achieved a new record in net profit for both the fourth quarter and the full year of RUB 8.1 billion for the quarter and RUB 27.1 billion for the year, beating our guidance.

These strong results were driven by both credit and F&C business lines, as we continued to expand our financial and lifestyle ecosystem which now serves well over 8 million customers. In 2018, our non-credit business-lines generated over 30% of total revenue.

As we press further into non-financial territory, we added cinema, theatre and concert tickets to our app, which are proving very popular with customers. Our growing range of non-financial lifestyle services is translating into greater customer loyalty and engagement. More and more people are starting to view Tinkoff as a guide and partner for their lifestyle needs, rather than just a banking app.

As we ramp up Tinkoff Investments, we launched Tinkoff Investments Premium which offers access to over 10,000 global securities. Overall, Tinkoff Investments brought more new retail investors to the Moscow Exchange than any other player in 2018, as we were able to tap into demand from private individuals, a brand new group of investors for the Russian market.

With the more distant future in mind, we also launched the Tinkoff Junior app in October, offering banking services to children and teenagers, while providing their parents with all the requisite controls for their children's accounts.

Our current accounts for individual customers are continuing to grow quickly and remain the locomotive for growth of our ecosystem and lifestyle banking solutions. We opened 1.8 mn new current accounts last year. This was boosted by the introduction of a multi-currency platform which allows Tinkoff Black customers to keep their money in 30 currencies.

Our credit business-lines are growing very well. A total of 2.7 m new credit accounts were opened in 2018 and net loans increased by 53% for the year, beating our guidance. While credit cards continued to perform steadily, the share of other credit products -

personal loans, POS loans, car loans and home equity loans - grew to 26.9% of the net loan book by the end of 2018. At the same time, cost of borrowing decreased from 7.6% in 2017 to 6.1% in 2018 and our annualised cost of risk was 6.0% in 2018."

## FINANCIAL AND OPERATING REVIEW

RUB bn	4Q'18	4Q'17	Change	FY18	FY17	Change
<b>Credits issued ('000 pcs)</b>	1,010	580	74.1%	2,710	2,100	29.0%
<b>Credit card transactions</b>	112.9	80.0	41.1%	372.4	274.6	35.6%
<b>Net margin</b>	16.1	13.0	+23.6%	59.2	46.1	+28.5%
<b>Net margin after credit loss allowance</b>	13.7	12.0	14.6%	47.4	38.4	23.4%
<b>Profit before tax</b>	10.5	8.5	23.7%	35.2	25.0	41.0%
<b>Net income</b>	8.1	6.4	+26.6%	27.1	19.0	+42.6%

RUB bn	31 December 2018	1 January 2018	Change
<b>Total Assets</b>	375.5	259.3	+44.8%
<b>Net loans and advances to customers</b>	198.5	129.7	+53.0%
<b>Cash and treasury portfolio</b>	135.1	96.5	+40.0%
<b>Total Liabilities</b>	333.2	227.1	+46.7%
<b>Customer accounts</b>	280.9	179.0	+56.9%
<b>Total Equity</b>	42.3	32.1	+31.5%
<b>Tier 1 capital ratio</b>	14.9%	17.7%	-2.8pp
<b>Total capital ratio</b>	14.9%	17.8%	-2.9pp
<b>CBR N1.0 (capital adequacy ratio)</b>	13.9%	16.3%	-2.4pp

The Group delivered another strong set of results in 2018 thanks to the 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 4Q'18 and FY18 of RUB 8.1 bn and RUB 27.1 bn, respectively. Both numbers are record results for the Group. This translated into ROE of 81.2% for 4Q'18 and 74.7% for FY18.

In FY18, the Group issued 2.7 m credit products, including 1 m in 4Q'18. While credit cards continued to perform steadily, the share of other credit products - personal loans, POS loans, car loans and home equity loans - grew to 26.9% of the net loan book in 4Q'18 (4Q'17: 8.2%). The total volume of credit card transactions in FY18 grew 35.6% y-o-y to RUB 372.4 bn (FY17: RUB 274.6 bn).

In FY18, gross interest income grew by 27% y-o-y to RUB 75.5 bn (FY17: RUB 59.5 bn), while in 4Q'18 it was up 25% y-o-y to RUB 20.7 bn (4Q'17: RUB 16.6 bn), driven by growth in both the loan book and securities portfolio. Gross interest yield decreased slightly to 34.1% in 4Q'18, while the interest yield on the Group's securities portfolio rose to 7.4%. Gross interest yield for FY18 amounted to 35.4% (FY17: 39.6%).

In 4Q'18, interest expense grew by 25% y-o-y to RUB 4.3 bn (4Q'17: RUB 3.4 bn). The cost of borrowing fell to 5.9% in 4Q'18 (4Q'17: 6.9%) as funding became less costly in both the wholesale and customer segments.

In 4Q'18, net margin grew by 24% y-o-y to RUB 16.1 bn (4Q'17: RUB 13.0 bn). Net interest margin (NIM) stood at 21.8% in 4Q'18 (4Q'17: 24.5%).

The Group continues to focus on controlling its cost of risk and efficiently managing the quality of its portfolio. Cost of risk stood at 4.2% (4Q'17: 2.7%), while the risk-adjusted net interest margin decreased to 18.6% in 4Q'18 (4Q'17: 22.6%), 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 FY18, the Group's fee and commission income increased by an impressive 77% y-o-y to RUB 27.4 bn (FY17: RUB 15.5 bn).

At the end of 2018, the Group had around 4.5 mn current account customers with a total balance of over RUB 137.6 bn across all their accounts. The Group's SME business has grown its customer base to 425k SME customers in 2018, with RUB 41.7 bn in total on their current accounts.

The newly relaunched Tinkoff Investments continues to develop rapidly, growing nearly 4x year-on-year and hitting 310 thousand brokerage accounts as of 31 December 2018. Transaction volumes have grown sixfold 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 31 December 2018, the Tinkoff Investments app had been downloaded more than 1.5 million times. One in three of all new retail investment accounts on the Moscow Exchange are opened via Tinkoff Investments. According to Moscow Exchange data for 2018, 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 8.0 bn of mortgage loans in 4Q'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 39% year-on-year in 2018 due to continued growth of acquisition expenses and new business development. The Group is maintaining its focus on controlling costs. Cost-to-income ratio for the year decreased to 42.2% (FY17: 43.2%).

In 4Q'18, the Group reported record net income of RUB 8.1 bn (4Q'17: RUB 6.4 bn). Net income for FY18 amounted to RUB 27.1 bn (FY17: RUB 19.0 bn).

In FY18 the Group continued to maintain a strong balance sheet, with total assets growing by 44.8% to RUB 375.5 bn (1 Jan'18: RUB 259.3 bn).

In FY18 the Group's gross loan book grew by 40.8% to RUB 234.7 bn (1 Jan'18: RUB 166.7 bn), while the net loan book grew by 53.0% to RUB 198.5 bn (1 Jan'18: RUB 129.7 bn).

As at 31 December 2018, the Group's NPL ratio stood at 9.4%. The Group's loan loss provision coverage stood at 1.6x non-performing loans.

The Group's customer accounts increased by 56.9% YTD to RUB 280.9 bn (1 Jan'18: RUB 179.0 bn).

In FY18, the Group's total equity increased by 31.5% to RUB 42.3 bn (1 Jan'18: RUB 32.1 bn). As of 1 January 2019, the Group's statutory N1.0 ratio stood at 13.9% and its N1.2 ratio had decreased to 13.2%. N1.1 stood at a comfortable 9.4%.

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The Tinkoff management team will host an investor and analyst conference call at 14:00 UK time (17:00 Moscow time, 10:00 U.S. Eastern Daylight Time), on Tuesday, 12 March 2019.

The press release, presentation and financial statements will be available on the Tinkoff website at <https://www.tinkoff.ru/eng/ir/financials/quarterly-earnings/>

To participate in the conference call, please use the following access details:

**Conference ID**                      **8281750**

Russian Federation - Local        +7 495 646 9190

United Kingdom - Local            +44 (0)330 336 9411

United States of America - Local +1 646-828-8144

A live webcast of the presentation will be available at <https://webcasts.eqs.com/tcsgroup20190312>

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. It includes Tinkoff Bank, mobile virtual network operator 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 11.8%. The full year 2018 IFRS net income of TCS Group Holding PLC amounted to RUB 27.1 bn (a record high full year net income in the Group's history), ROE grew to 75%.

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 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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