

TCS Group Holding PLC reports another quarter of record profit in 3Q 2019

- Net margin up 45% year-on-year to RUB 62.3 bn in 9M'19 (9M'18: RUB 42.9 bn)
- Net income of RUB 9.7 bn in 3Q'19 and RUB 25.1 bn in 9M'19
- Over 3.2 mn new credit accounts added in 9M'19
- Net loan portfolio growth of 61% YTD in 9M'19

LIMASSOL, CYPRUS - 20 November 2019. TCS Group Holding PLC (LI: TCS, MOEX: TCSG) ("Tinkoff", "We", the "Group", the "Company"), Russia's leading provider of online financial and lifestyle services via its Tinkoff ecosystem, today announces its interim condensed consolidated IFRS results for the third quarter and nine months ended 30 September 2019.

Oliver Hughes, CEO, commented:

"I am happy to report substantial growth in our customer base and net loan portfolio, as we continued to deliver record-high quarterly profit and achieve important technological milestones.

Tinkoff continues to deliver strong results amid the evolving regulatory environment and ongoing changes in Russia's consumer banking market. Our net loan portfolio grew by 61% in 9M'19, underpinned by strong customer base expansion. Meanwhile our net profit in the first nine months of the year rose by over 32% compared to the same period last year to reach RUB 25.1 bn.

A key focus of 2019 has been on further building the ecosystem and expanding our non-credit business lines, which accounted for 32% of our total revenue in the first nine months. The number of current account customers increased by 39%, while the number of customers in Tinkoff Investments increased 2.4x. These figures demonstrate that customers are increasingly turning to Tinkoff for a greater share of their lifestyle needs. We do far more than finance!

In the first days of the third quarter we completed a successful SPO on the London Stock Exchange, raising \$300 million in gross proceeds to further reinforce our capital position and support Tinkoff's continued growth. On 28 October, Tinkoff GDRs began trading on the Moscow Exchange, giving more Russian investors the opportunity to invest in a company they trust for all their financial and lifestyle needs. We are confident that this move will support the liquidity and market capitalisation growth of Tinkoff going forward.

Tinkoff has delivered an excellent quarter, and this is a result of our dedication to product, interface and customer service. Customers respond eagerly to our initiatives to improve our app and services by engaging more actively with the app and the broader Tinkoff ecosystem. We will continue this impressive growth on all fronts in 2020."

FINANCIAL AND OPERATING REVIEW

RUB bn	3Q'19	3Q'18	Change	9M'19	9M'18	Change
Credit accounts acquired (mn pcs)	1.0	0.7	+57%	3.2	1.7	+88%
Net margin	22.9	14.8	+55%	62.3	42.9	+45%
Net margin after credit loss allowance	15.0	11.7	+29%	42.9	33.4	+28%
Profit before tax	12.5	9.6	+30%	32.2	24.8	+30%
Net income	9.7	7.3	+34%	25.1	19.0	+32%
Return on equity	56.5%	80.4%	-23.9 p.p.	59.0%	72.9%	-13.9 p.p.
Net interest margin	21.9%	22.9%	-1 p.p.	22.0%	23.9%	-1.9 p.p.
Cost of risk	9.1%	6.2%	+2.9 p.p.	8.6%	6.7%	+1.9 p.p.

RUB bn	30 September 2019	31 Dec 2018	Change
Total Assets	507.6	375.5	+35%
Net loans and advances to customers	319.9	198.5	+61%
Share of NPLs	7.9%	9.4%	-1.5 p.p.
Cash and treasury portfolio	139.4	135.1	+3%
Total Liabilities	424.2	333.2	+27%
Customer accounts	346.7	280.9	+23%
Total Equity	83.4	42.3	+97%
Basel III Tier 1 capital ratio	20.1%	14.9%	+5.2 p.p.
Basel III Total capital ratio	20.1%	14.9%	+5.2 p.p.
CBR N1.0 (capital adequacy ratio)	11.9%	13.9%	-2.0 p.p.

In 3Q'19, the Group's total revenue grew by 50% y-o-y to RUB 43.6 bn (3Q'18: RUB 29.0 bn). Gross interest income increased by 51% y-o-y to RUB 28.8 bn (3Q'18: RUB 19.0 bn), thanks to the continued growth of our customer base and the expansion of our product range.

Gross interest yield declined to 32.3% in 9M19 due to the increase of the non-credit card share of our portfolio. The interest yield on the Group's securities portfolio decreased to 6.8% (3Q'18: 6.9%).

In 3Q'19, interest expense grew by 39% y-o-y to RUB 5.5 bn (3Q'18: RUB 3.9 bn), driven by both significant growth of customer base and new bond issues. At the same time, our cost of borrowing decreased to 5.7% in 3Q'19 following gradual decrease in deposit rates.

In 3Q'19, net margin grew by a remarkable 55% y-o-y to RUB 22.9 bn (3Q'18: RUB 14.8 bn), primarily as a result of solid net loan growth.

Cost of risk rose to 9.1% in 3Q'19 (2Q'19: 8.9%), reflecting high loan growth rates, front-loaded provisioning under IFRS9, and continued fine-tuning of our credit risk and approval models. Meanwhile, our risk-adjusted net interest margin decreased to 14.4% in 3Q'19 (3Q'18: 18.1%) due to the continued product diversification of our loan portfolio towards more secured and lower interest rate products.

Our non-credit business lines continue to deliver robust performance thanks to customer base growth, and represent 32% of the Group's total revenue in the first nine months of 2019. Fee and commission income rose by 33% y-o-y to RUB 9.4 bn in 3Q'19 (3Q'18: RUB 7.0 bn), accounting for 21% of total revenue, while Tinkoff Insurance more than doubled its income y-o-y to RUB 4.3 bn (3Q'18: RUB 2.0 bn).

As at the end of 9M19, the Group had:

- over 6.3 mn current account customers with a total balance of RUB 169.2 bn across all accounts
- over 514k SME customers, with RUB 45.3 bn in total on their current accounts
- 750k Tinkoff Investments customers.

Operating expenses decreased q-o-q from RUB 11.8 bn in 2Q'19 to RUB 11.5 bn in 3Q'19 (3Q'18: RUB 8.7 bn) due to lower advertising activity. The cost-to-income ratio decreased to 34.4% in 3Q'19 (3Q'18: 39.6%).

The Group reported record quarterly net income of RUB 9.7 bn in 3Q'19 (3Q'18: RUB 7.3 bn). Net income for 9M19 amounted to RUB 25.1 bn (9M18 RUB 19.0 bn). As a result, ROE for 9M19 stood at 59.0% (9M18: 72.9%).

In 9M19, the Group continued to maintain a healthy balance sheet with total assets growing by 35% since the start of 2019 to RUB 507.6 bn (31 Dec'18: RUB 375.5 bn).

The Group's gross loan book grew by 57% YTD to RUB 369.0 bn (31 Dec'18: RUB 234.7 bn), while the net loan book grew by 61% YTD to RUB 319.9 bn (31 Dec'18: RUB 198.5 bn).

The Group's NPL ratio rose to 7.9%, while our loan loss provision coverage remained stable at 1.68 non-performing loans.

The Group's customer accounts increased by 23% YTD to RUB 346.7 bn (31 Dec'18: RUB 280.9 bn).

Tinkoff's total equity increased by 97% YTD to RUB 83.4 bn (31 Dec'18: RUB 42.3 bn). As of 1 October 2019, the Group's statutory N1.0 ratio stood at 11.9%, and its N1.2 ratio was at 10.9%. N1.1 stood at a comfortable 8.4%.

UPDATED GUIDANCE FOR 2019

Following strong underlying growth year to date in 2019, the Group is pleased to update its FY'19 performance guidance:

- We expect net loan growth to be noticeably higher than 60%
- We expect cost of risk to be in the 8% area (previously 7-8%)
- We expect net income of over RUB 35 bn
- We expect cost of borrowing to be in the 6% area (previously 6-7%)

9M'2019 AND POST-REPORTING PERIOD OPERATING HIGHLIGHTS

Customer base and engagement growth has led to increased market share

- The Group had over 6.3 mn current accounts customers as at the end of 9M19
- As of 1 November 2019, Tinkoff app had over 17.3 mn installs, MAU stood at 4.6 mn, DAU stood at 1.5 mn
- Tinkoff Bank's credit card market share increased to 13.2% as of 1 November 2019, further solidifying its position as Russia's second largest credit card issuer

Superior and innovative offering combined with targeted marketing activities secure Tinkoff's place as Russia's leading fintech brand

- In July, Tinkoff launched sales of proprietary Tinkoff VoiceKit text-to-speech and speech-to-text technologies to corporate customers
- In September, Tinkoff signed an exclusive sponsorship contract with Russian tennis ace Daniil Medvedev
- In September, Tinkoff launched Pulse, a free social network for retail investors
- In September, Tinkoff reached a new milestone, issuing our 10 millionth Mastercard card
- In October, Tinkoff held a hackathon in partnership with McKinsey with a prize pool of RUB 1 mn
- In October, Tinkoff launched CloudTips, an app for paying tips
- In October, Tinkoff and Kassir signed an agreement with Crocus Group, one of the leading entertainment players in Russia, for Kassir to become the exclusive seller of tickets to events held at Crocus venues
- In November, Tinkoff launched a payments app for car refueling at BP stations in Russia
- In November, Tinkoff launched a series of debit cards featuring characters from the popular television show 'Rick and Morty'
- Tinkoff continued its educational outreach to retail investors: In November, Tinkoff Journal launched a free course for beginner investors. Earlier in October, Tinkoff launched a YouTube show for investors called 'Money Doesn't Sleep'

The investment community and industry associations recognize Tinkoff's strong performance

- In November, Institutional Investor and Moscow Exchange recognized Tinkoff as the Best IR Team among Russian mid-cap companies based on the results of the annual global Extel survey of portfolio managers and sell-side research analysts
- In October, Fitch upgraded Tinkoff Bank's credit rating to BB with a Stable Outlook. Earlier in the year, Moody's upgraded Tinkoff Bank's rating to Ba3 with a Stable Outlook while the Russian National Analytical Credit Rating Agency (ACRA) reaffirmed Tinkoff Bank's rating at A(RU) with a stable outlook

- In October, Tinkoff GDRs were admitted to trading on the Moscow Exchange, making the shares more accessible to Russian investors and supporting liquidity and market capitalization growth
- In October, Global Finance named Tinkoff the World's Best Corporate Digital Bank in Information Security, as well as the Best Consumer Digital Bank in Central and Eastern Europe
- In July, Tinkoff Group raised \$300 mn gross in additional capital through a successful SPO that was highly oversubscribed and saw significant interest from investors across a variety of regions, including strong demand from the US
- In August, Tinkoff was named Best Russian Consumer and Corporate Digital Bank in Global Finance magazine's 2019 World's Best Digital Banks in Central & Eastern Europe awards
- In August, Tinkoff was named indisputable leader in Markswebb's Internet Banking Rank for 2019
- In July, Tinkoff was named the most profitable bank in CEE by The Banker, a leading international financial publication which is part of the Financial Times Group

Focus on acquiring best talent to strengthen the Group

- On 1 November, Tinkoff appointed Dmitry Panchenko to lead its retail investment business
- On 6 November, Neri Tollardo joined Tinkoff IR team to focus on international IR and partnership projects

CONFERENCE CALL INFORMATION

The Tinkoff management team will host an investor and analyst conference call at 13:00 UK time (16:00 Moscow time, 8:00 U.S. Eastern Standard Time), on Wednesday, 20 November 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	3702106
Russian Federation	+7 495 646 9190
United Kingdom	+44 (0)330 336 9411
United States of America	+1 (646) 828-8193

A live webcast of the presentation will be available at: <https://webcasts.eqs.com/tcsgroup20191120>

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

For enquiries:

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About Tinkoff 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, management company Tinkoff Capital, Tinkoff Software DC, a network of development hubs in major Russian cities, and Tinkoff Education. The Group is currently developing Tinkoff ecosystem, which 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, a fully online bank that serves around 10 mn customers and forms the core of the Tinkoff ecosystem.

Tinkoff Bank is the second largest player in the Russian credit card market, with a share of 13.2%. The 9M 2019 IFRS net income of TCS Group Holding PLC amounted to RUB 25.1 bn. The ROE was 59%.

With no branches, the Group serves all its customers remotely via online channels and a cloud-based call centre. The centre is staffed by over 10,000 employees, making 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, and in 2019, 2018, 2016 and 2015, the Best Consumer Digital Bank in Russia. In 2017 and 2013, the Banker recognised Tinkoff Bank 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.

ISIN: US87238U2033
Category Code: QRT
TIDM: TCS
LEI Code: 549300XQRN9MR54V1W18
Sequence No.: 30308
EQS News ID: 917147

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