



TCS Group Holding PLC reports robust net income growth for 2Q and 1H'19

- Net margin up 41% year-on-year to RUB 39.7 bn in 1H'19 (1H'18: RUB 28.2 bn)
- Net income of RUB 15.4 bn in 1H'19 (1H'18: RUB 11.7 bn)
- Over 2.2 mn new credit accounts added in 1H'19
- Net loan portfolio growth of 46.3% YTD in 1H'19

LIMASSOL, CYPRUS — 20 August 2019. TCS Group Holding PLC (TCS LI) (“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 six months ended 30 June 2019.

Oliver Hughes, CEO of Tinkoff, commented:

“We’ve continued to deliver robust growth in the second quarter and first half of 2019 thanks to the momentum of our core credit business and ever-increasing revenue contributions from non-credit business lines, as well as significant development efforts across the entire Tinkoff ecosystem. In particular, for the first half of 2019, our net loan portfolio has demonstrated growth of 46.3% YTD, driven by new credit business lines, such as personal loans, POS loans, car loans and home equity loans. This translated into a 31% year-on-year increase in net income to RUB 15.4 bn in 1H'19.

To seize the current profitable growth opportunity and to maintain ample capital buffers in the future, we successfully raised \$300 mn gross in capital in July through an SPO that was highly oversubscribed and saw significant interest from investors across a variety of regions. These funds will enable us to continue to deliver the growth that the investment community has come to expect from Tinkoff Group.

Our revenue continues to become more balanced between credit and fees and commissions income, with our transactional and servicing business lines generating more than 30% of revenue despite rapid growth of the credit business for the past two quarters. We remain relentlessly focused on customer growth, and we have already begun to reap the rewards as we reached nearly 6 million current accounts customers in the second quarter and saw excellent results across our SME, Tinkoff Insurance and brokerage businesses.”

FINANCIAL AND OPERATING REVIEW

RUB bn	2Q'19	2Q'18	Change	1H'19	1H'18	Change
Credit accounts acquired (mn pcs)	1.1	0.5	+96%	2.2	1.0	+108%
Net margin	21.6	14.2	+52%	39.7	28.2	+41%
Net margin after credit loss allowance	14.9	11.1	+35%	28.2	21.9	+29%
Profit before tax	10.4	7.8	+34%	19.7	15.2	+30%
Net income	8.2	6.0	+36%	15.4	11.7	+31%



Return on equity	64.7%	69.3%	-4.6 p.p.	64.3%	69.3%	-5.0 p.p.
Net interest margin	23.1%	24.0%	-0.9 p.p.	22.4%	24.7%	-2.3 p.p.
Cost of risk	8.9%	6.6%	+2.3 p.p.	8.2%	7.0%	+1.2 p.p.

RUB bn	30 June 2019	31 Dec 2018	Change
Total Assets	452.1	375.5	+20%
Net loans and advances to customers	290.3	198.5	+46.3%
Share of NPLs	7.4%	9.4%	-2 p.p.
Cash and treasury portfolio	117.9	135.1	-12.7%
Total Liabilities	397.6	333.2	+19%
Customer accounts	315.0	280.9	+12%
Total Equity	54.5	42.3	+29%
Tier 1 capital ratio	14.2%	14.9%	-0.7 p.p.
Total capital ratio	14.2%	14.9%	-0.7 p.p.
CBR N1.0 (capital adequacy ratio)	11.1%	13.9%	-2.8 p.p.

In 2Q19, gross interest income grew by 52% y-o-y to RUB 27.4 bn (2Q'18: RUB 18.0 bn). This strong trend was underpinned by the growth of our customer base and the expansion of our product range, and despite a gradual decline in the loan book's gross interest yield, which amounted to 33.5% in 2Q'19 due to increase of the non-credit card share of our portfolio. Meanwhile, the interest yield on the Group's securities portfolio rose to 6.9% (2Q'18: 6.8%).

In 2Q'19, interest expense grew by 50% y-o-y to RUB 5.4 bn (2Q'18: RUB 3.6 bn), driven by both significant growth of customer base and review of salary costs so that they can be included in the effective interest rate rather than acquisition cost. At the same time, our cost of borrowing remained at a comfortable level of 6.1% in 2Q'19 thanks to strong inflows of customer accounts.

In 1H'19, net margin grew by a remarkable 41% y-o-y to RUB 39.7 bn (1H'18: RUB 28.2 bn), primarily as a result of solid net loan growth.

We continue to focus on controlling the Group's cost of risk and efficiently managing the quality of our portfolio. Cost of risk rose to 8.2% in 1H'19 (1H'18: 7.0%) due to the significant increase in the loan portfolio in 1H'19 combined with IFRS 9 requirement to recognize provisions earlier. Meanwhile, our risk-adjusted net interest margin decreased to 15.9% in 1H'19 (1H'18: 19.2%) due to the continued product diversification of our loan portfolio.

We have further developed and expanded our new non-credit business lines, all of which are delivering exceptional performance thanks to customer base growth, and now represent over 30% of the Group's revenue. In 2Q'19, the Group's fee and commission income increased by 36% y-o-y to RUB 8.6 bn (2Q'18: RUB 6.3 bn). In 2Q'19, Tinkoff Insurance doubled its income to RUB 2.9 bn (2Q'18: RUB 1.4 bn).



As at the end of 1H'19, the Group had

- over 5.7 mn current account customers with a total balance of RUB 154.8 bn across all their accounts
- over 484k SME customers, with RUB 39.7 bn in total on their current accounts
- 593k brokerage accounts, with nearly half of all retail accounts opened at MOEX in the second quarter coming through Tinkoff Investments. In July, Tinkoff investments broke even ahead of plan and despite the heavy investment in growth of the customer base.

In 2Q'19 operating expenses increased by 39% year-on-year to RUB 12.0 bn (2Q'18: RUB 8.6 bn) mainly due to rise in customer acquisition cost. The cost-to-income ratio decreased to 39.7% in 2Q'19 (2Q'18: 42.8%).

The Group reported net income of RUB 15.4 bn in 1H'19 (1H'18: RUB 11.7 bn). As a result, ROE for the reporting period reached 64.3% (1H'18: 69.3%).

In 1H'19, the Group continued to maintain a healthy balance sheet with total assets growing by 20% since the start of 2019 to RUB 452.1 bn (31 Dec'18: RUB 375.5 bn).

The Group's gross loan book grew by 42% YTD to RUB 333.0 bn (31 Dec'18: RUB 234.7 bn), while the net loan book grew by 46.3% YTD to RUB 290.3 bn (31 Dec'18: RUB 198.5 bn).

The Group's NPL ratio fell to 7.4%. The Group's loan loss provision coverage stood at 1.7x non-performing loans.

The Group's customer accounts increased by 12% YTD to RUB 315.0 bn (31 Dec'18: RUB 280.9 bn).

Tinkoff's total equity increased by 29% YTD to RUB 54.5 bn (31 Dec'18: RUB 42.3 bn). As of 1 July 2019, the Group's statutory N1.0 ratio had decreased to 11.1%, and its N1.2 ratio had decreased to 10.4%. N1.1 stood at a sufficient 7.7%.

As announced on 11 June 2019, the Group will pay no dividend for the remainder of 2019.

UPDATED FINANCIAL GUIDANCE FOR FY2019

- We expect net loan growth to be substantially higher than 60% (previously at least 60%)
- Given that the loan growth will be substantially higher than 60%, we therefore adjust the guidance for cost of risk to 7—8% (previously 6—7%)
- We expect net income of at least RUB 35 bn
- We expect cost of borrowing to be within 6—7%



1H'2019 AND POST-REPORTING PERIOD OPERATING HIGHLIGHTS

Customer base and engagement growth has led to increased market share

- The Group had over 5.7 mn current accounts customers as at the end of 1H'19
- As of 1 August 2019, Tinkoff mobile banking app had over 15.3 mn installs, MAU stood at 4.2 mn, DAU stood at 1.3 mn
- Tinkoff Bank's credit card market share increased to 13% as of 1 July 2019, further solidifying its position as Russia's second largest credit card issuer

Innovation and first-mover advantage cement our position as a fintech leader

- In June, Tinkoff launched 'Oleg', the world's first proprietary voice assistant for financial and lifestyle tasks developed by a financial organization.
- In April, Tinkoff Group announced it had built the most powerful supercomputer, the Kolmogorov cluster, among financial institutions. The cluster reduces time required for machine learning and artificial intelligence-related tasks
- In July, Tinkoff launched sales of proprietary Tinkoff VoiceKit technologies to corporate customers

Superior offering and targeted marketing activities galvanize loyalty to the Tinkoff brand

- Tinkoff Bank was a general partner of the St. Petersburg International Economic Forum (SPIEF) on 6-8 June 2019 for a second year in a row
- We launched a co-branded card with Yandex in April, offering up to 10% of cashback for one of 15 services available through Yandex.Plus
- In April 2019, we announced the expansion of our long-term management incentive and retention plan (MLTIP), making awards to 10 new participants
- In February, Tinkoff Investments rolled out a web-based platform for securities trading for advanced investors. In May, Tinkoff Investments offered its customers an opportunity to invest in IPOs
- In June, Tinkoff announced the launch of its own management company Tinkoff Capital which at the initial stage will offer customers Tinkoff's own ETFs
- In May, Tinkoff launched its own online travel agency
- In May, Tinkoff increased its stake in CloudPayments to 90%

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

- Tinkoff Group raised \$300 mn gross in additional capital in July 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 April, we placed a 3-year RUB 10 bn local bond with a 9.25% coupon
- Moody's upgraded our rating to Ba3 with a stable outlook from B1 in February. And in April, the Russian National Analytical Credit Rating Agency – ACRA – reaffirmed Tinkoff Bank's rating at A(RU) with a stable outlook
- 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.
- Tinkoff Bank won four accolades in February 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)

- 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 value-accretive opportunities to strengthen the Group

- In May, Tinkoff announced the discontinuation of Tinkoff Mortgage product offering to focus on higher margin business lines
- In August, Tinkoff management decided not to move the Group's headquarters to the yet-to-be-constructed Aquatoria business centre in 2022. Instead, Tinkoff is exploring other more attractive options for the Group headquarters

CONFERENCE CALL INFORMATION

The Tinkoff management team will host an investor and analyst conference call at 15:00 UK time (17:00 Moscow time, 10:00 U.S. Eastern Standard Time), on Tuesday, 20 August 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	5472536
Russian Federation	+7 495 646 9190
United Kingdom	+44 (0)330 336 9411
United States of America	+1 (929) 477-0402

A live webcast of the presentation will be available at:
<https://webcasts.eqsgroup.com/tcsgroup20190820>

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

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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 over 9 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%. The 1H 2019 IFRS net income of TCS Group Holding PLC amounted to RUB 15.4 bn. The ROE was 64.3%.

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.