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## **TCS Holding IPJSC reports IFRS results for 4Q and FY 2023**

**MOSCOW — 14 March 2024.** International public joint stock company TCS Holding (MOEX: TCSG) (“TCS”, the “Group”, the “Company”, “Tinkoff”), a leading provider of financial and lifestyle services via its digital ecosystem, today announces its consolidated IFRS results for the three months and twelve months ended 31 December 2023.

- **Total revenues increased 33% to RUB 487.7 bn in FY’23 (FY’22: RUB 366.0 bn)**
- **Net income grew 3.9 times year-on-year to RUB 80.9 bn (FY’22: RUB 20.8 bn)**
- **Non-credit business lines accounted for 52% of revenues**
- **Total customers rose 32% to 40.4 mn in FY’23 (FY’22: 30.7 mn)**
- **ROE reached 33.5% in FY’23 (FY’22: 10.9%)**

**Stanislav Bliznyuk, CEO of Tinkoff Group, commented:**

“Tinkoff Group demonstrated outstanding results in 2023. Our net profit increased almost fourfold to a record level, exceeding RUB 80.9 billion. The number of active clients increased by 30% to approximately 28 million people, surpassing our most ambitious expectations, and our total customers exceeded 40 million. In 2023, our credit portfolio crossed the significant milestone of RUB 1 trillion.

In the second half of the year, when interest rates rose in Russia, Tinkoff seized the opportunity to attract deposits, the volume of which tripled by the end of 2023 compared with the previous year, reaching RUB 619 billion. Despite the increase in funding costs at the end of the year, we demonstrated a high level of return on equity, 33.5%, in 2023.

Throughout last year, we implemented innovative developments based on artificial intelligence and supported education in IT. A major event in 2023 was the opening of our new headquarters, Tinkoff Space, which provides employees with the perfect work–life balance. We continued to develop the Tinkoff Pay service to replace Google Pay, which exited Russia, and the Tinkoff ID online authentication service for any platform.

In 2024, we are beginning a new chapter in our history as a public company, which has spanned more than 10 years. Redomiciling our parent company to Russia will strengthen



corporate governance and expand our capabilities to pursue inorganic growth and distribute profits to shareholders.

The Group plans to publish guidance later in 2024, and it also intends to present its long-term development strategy and dividend policy by the end of the year.”

**Chairman of the Board of Directors of Tinkoff Group, Alexey Malinovsky, said:**

“Over the past few years, despite the challenging macroeconomic environment, Tinkoff Group has increased its total customer base considerably, to 40 million customers. This provides a solid foundation for the Group to further strengthen its position in the Russian financial market. Its successful redomiciliation and the establishment of a robust corporate governance structure enables the Group to launch strategic initiatives aimed at accelerated growth, including inorganic growth.

Taking into account the complementarity of their business models and possible synergies from economies of scale, TCS Holding’s Board of Directors plans to ask shareholders to consider a proposal to integrate Rosbank PJSC, which would bolster the Group’s position in the financial market considerably.

Following the merger, the Group would become the No. 5 player in the financial market in terms of customer deposits and the No. 4 player in terms of loan portfolio size, and it would be one of the top five players in the market when it comes to the banking group’s total capital, which would drive further rapid growth and high returns on equity while also maximising the Group’s shareholder value.

To make this initiative a reality, TCS Holding’s Board of Directors plans to hold an extraordinary meeting of shareholders where it will put the matter of integrating Rosbank into TCS Holding to a vote. TCS Holding plans to use an additional stock issue as the main source of financing for the deal.”

**KEY OPERATING METRICS**

Key metrics, mn	4Q’23	3Q’23	4Q’22	Q-o-Q Change, %	Y-o-Y Change, %
Total customers	40.4	37.6	30.7	7%	32%
Active customers	27.9	26.0	21.4	7%	30%
Monthly active users (MAU)	28.2	26.4	22.5	7%	25%
Daily active users (DAU)	12.7	11.6	9.3	9%	37%



## OVERVIEW OF FINANCIAL AND OPERATING PERFORMANCE

RUB bn	4Q'23	4Q'22*	Δ	3Q'23	Δ	2023	2022*	Δ
Interest income	93.8	53.2	76%	78.4	20%	300.3	205.8	46%
Interest expense	-24.0	-11.3	112%	-15.2	58%	-64.8	-57.8	12%
Net interest income	68.1	40.8	67%	61.8	10%	230.3	143.9	60%
Net interest income after provisions	54.9	24.3	126%	48.1	14%	180.1	76.4	136%
Fee and commission income	37.0	27.0	37%	34.2	8%	128.1	118.0	9%
Fee and commission expense	-15.8	-9.2	70%	-15.4	3%	-55.0	-41.0	34%
Net fee and commission income	21.2	17.8	19%	18.8	13%	73.1	77.1	-5%
Total operating expenses	-57.2	-41.2	39%	-50.4	14%	-193.3	-135.4	43%
Profit before tax	27.3	14.2	92%	29.9	-9%	103.3	29.8	247%
<b>Net profit</b>	<b>20.7</b>	<b>10.2</b>	<b>102%</b>	<b>23.6</b>	<b>-12%</b>	<b>80.9</b>	<b>20.8</b>	<b>290%</b>

\* Revised figures for 2022 are provided due to the adoption of IFRS 17 in relation to retrospective recognition of insurance assets and liabilities from 1 January 2022.



Ratios	4Q'23	4Q'22*	Δ	3Q'23	Δ	2023	2022*	Δ
Return on equity	30.4%	20.5%	9.9 p.p.	37.8%	-7.4 p.p.	33.5%	10.9%	22.6 p.p.
Net interest margin	15.4%	13.4%	2.0 p.p.	15.9%	-0.5 p.p.	14.8%	12.2%	2.6 p.p.
Cost of risk	5.9%	9.3%	-3.4 p.p.	6.2%	-0.3 p.p.	6.2%	9.9%	-3.7 p.p.

\* Revised figures for 2022 are provided due to the adoption of IFRS 17 in relation to retrospective recognition of insurance assets and liabilities from 1 January 2022.

RUB bn	31 Dec 2023	30 Sep 2023	Δ	31 Dec 2022	Δ
Total assets	2,270	1,917	18.4%	1,597	42.1%
Net loans and advances to customers	972	888	9.5%	606	60.3%
Cash and treasury portfolio	724	465	55.9%	512	41.6%
Total liabilities	1,986	1,657	19.8%	1,391	42.8%
Customer accounts	1,713	1,381	24.1%	1,192	43.7%
Total equity	284	260	9.0%	206	37.9%

Ratios	31 Dec 2023	30 Sep 2023	Δ	31 Dec 2022	Δ
Share of NPLs	9.5%	9.7%	-0.2 p.p.	12.1%	-2.6 p.p.
Tier I capital ratio	16.9%	18.0%	-1.2 p.p.	17.5%	-0.6 p.p.
Total capital ratio	16.9%	18.0%	-1.1 p.p.	17.5%	-0.6 p.p.

In FY'23, the Group's total revenue grew by 33% year-on-year to RUB 487.7 bn (4Q'23: RUB 147.4 bn, +61%YoY). Gross interest income increased by 46% year-on-year to RUB 300.3 bn (4Q'23: RUB 93.8 bn, +76%YoY), driven by significant growth in the customer base.

Gross yield on the loan portfolio reached 26.4% in 4Q'23 (4Q'22: 24.6%), mainly as a result of changes in the loan mix. The interest yield on the Group's securities portfolio increased to 7.3% (4Q'22: 5.2%) in connection with growing rouble interest rates towards the end of the year.



In FY'23, interest expense grew by 12% year-on-year to RUB 64.4 bn (4Q'23: RUB 24 bn, +113% YoY) due to the significant expansion of our customer base and an increase in interest rates towards the end of the year. The Group's cost of borrowing declined and amounted to 4.5% (FY'22: 5.4%), while it reached 5.9% in 4Q (4Q'22: 4.0%), which reflects rate changes in the market.

In FY'23, net interest income grew by 60% year-on-year to RUB 230.3 bn (4Q'23: RUB 68.1 bn, +67% YoY).

Fee and commission income increased by 9% to RUB 128.1 bn (4Q'23: RUB 37 bn, +37% YoY) due to growth in the customer base and expansion of the product range. Net fee and commission income decreased by 5% in FY'23 to RUB 73.1 bn due to the high base at the beginning of 2022 (4Q'23: RUB 21.2 bn, +19% YoY).

The cost of risk fell to 6.2% in FY'23 (FY'22: 9.9%), while it reached 5.9% in 4Q'23 (4Q'22: 9.3%). The risk-adjusted net interest margin in FY'23 was 11.5%, compared with 6.5% a year earlier. In 4Q'23, this metric reached 12.4%, versus 12.3% in the previous quarter (4Q'22: 8.0%).

In FY'23, non-credit business lines accounted for 52% of the Group's revenue (FY'22: 54%).

At the end of 4Q'23, the Group had:

- over 33.5 mn current account customers with a total balance of RUB 1,347 bn across all accounts and deposits;
- over 1.2 mn SME customers, with a total account balance of RUB 268 bn;
- over 3.5 mn Tinkoff Investments customers.

In FY'23, the Group's total operating expenses increased by 43% from a year earlier to RUB 193.3 bn (4Q'23: RUB 57.2 bn, +39% YoY), driven by the expansion of our customer base and our investments in IT platforms and talent.

The Group's net profit grew 3.9 times in FY'23, reaching a record level of RUB 80.9 bn (FY'22: RUB 20.7 bn). ROE for FY'23 was 33.5% (FY'22: 10.9%).

In FY'23, the Group's total assets grew by 42% year-on-year to RUB 2,270 bn (31 Dec'23: RUB 1,597 bn).

The Group's net loan book increased by 60% year-on-year to RUB 972 bn (31 Dec'22: RUB 606 bn), while the gross loan book grew by 53% to RUB 1,121 bn (31 Dec'22: RUB 732 bn).

The Group's NPL ratio was 9.5%, showing improvement compared with both the previous year (31 Dec'22: 12.1%) and the preceding quarter (30 Sep'23: 9.7%). The ratio of credit loss allowance to non-performing loans was 140.2% as of 31 Dec'23 (31 Dec'22: 141.5%).



The Group's customer accounts increased by 44% to RUB 1,713 bn as of 31 Dec'23 (31 Dec'22: RUB 1,192 bn).

Total equity increased by 38% to RUB 284 bn (31 Dec'22: RUB 206 bn) on the back of net profit capitalization.

### **SHARE BUYBACK**

TCS Holding Group hereby announces that its Board of Directors has decided to launch a share buyback in order for the Company to repurchase up to 19 million shares in the market, which amounts to no more than 10% of its current equity capital.

Shares will be repurchased up until the end of 2024 or until the maximum number of shares to be repurchased is reached unless the programme is extended or terminated earlier. Shares may be purchased on Moscow Exchange or in the over-the-counter market.

The decision to launch the share buyback programme reflects the confidence of the Company's Board of Directors in the Group's long-term development prospects and in its business fundamentals.

Given the high level of competition for talented tech workers, the Board of Directors sees the need to further strengthen the Group's incentive programmes. The Group expects to increase the number of employees taking part in its MLTIP to 1,500 over the next few years.

These redemption rights are successive to similar rights available to the Group in Cyprus.

The buyback will be carried out directly or indirectly by Group subsidiaries and other companies in the interests of the Group; the acquired shares will be further used for employee incentive programmes and for other general corporate purposes.

### **PLANS FOR A SHARE CAPITAL INCREASE AND FOR ACQUISITIONS**

The Board of Directors of TCS Holding plans to convene an extraordinary general meeting of shareholders (EGM) to decide on the matter of issuing additional shares in order to increase the Group's capital, including for the acquisition of a stake in Rosbank PJSC.

The valuation of Rosbank PJSC for the purposes of the deal will be carried out on the basis of accepted market multiples for the financial sector and for an independent valuation.

The amount of the additional stock issue will include the amount needed for the acquisition of Rosbank PJSC as well as a reserve for the exercise of pre-emptive rights by existing shareholders. Any unused additional shares approved for issue will be cancelled.



If the Board of Directors decides to convene an EGM and if the EGM approves the proposal, the deal will be completed subject to the fulfilment of the usual corporate procedures (including due diligence and obtaining the necessary regulatory approvals).

## **KEY EVENTS DURING THE REPORTING PERIOD**

### **Innovative Products and Services**

- The Tinkoff Pay service, which was launched back in 2021, became available for all Android-based smartphones in 2023 and emerged as a reliable replacement for Google Pay, which ceased operations in Russia.
- In order to provide customers with more options for payment transactions, Tinkoff introduced transfers in Indian rupees, Thai baht, and Brazilian reais in 2023, and also expanded transfer capabilities in the currencies of Azerbaijan, Belarus, Kyrgyzstan, and Tajikistan.
- In 2023, the Group's secure online authentication technology, Tinkoff ID, was integrated into third-party platforms, including the Avito classifieds platform, the Rustore app store, electronic services provided by the Moscow government, and Moscow Exchange. Tinkoff ID also served as the basis for launching the first in Russia non-branded banking solution for authentication via a mobile phone number, which has already been implemented by the online stores Technopark and Brandshop.
- Tinkoff launched Investments for Business, a service for allocating a company's idle funds into stocks and bonds, as well as the free Compass geoservice, which helps entrepreneurs find the best business locations based on big data analysis.

### **Ecosystem Reliability and Security**

- Tinkoff launched the first service in the market that protects customers against phone scammers and includes refunds. The service, which detects fraudulent calls with over 99% reliability, leverages the synergy between the bank's security technologies and the Tinkoff Mobile operator. If a customer is victimized by scammers and transfers money to them, the bank will compensate the customer for their losses.
- In 2023, a humanoid robot factory began operating: the robots, which resemble real people, distract scammers and keep them on the phone line as long as possible. Within three months of their launch, the robots had kept nearly 87,000 phone scammers on the line, engaging them in conversations lasting some 575,000 minutes in total. The average duration of a conversation increased by 50%, reaching almost 4 minutes.
- Tinkoff began sending special mobile teams comprised of Tinkoff Protection employees to customers' homes to dissuade victims from transferring money to scammers. Over



the course of the year, with the help of Tinkoff Protection technologies and employees, Tinkoff prevented the theft of over RUB 21 billion from customers by scammers.

- Tinkoff became the first bank in Russia to launch a public bug bounty program. Throughout 2023, the bank expanded the number of public platforms for white-hat hackers offering the Tinkoff bug bounty program.

### **Artificial Intelligence**

In 2023, researchers from the Tinkoff Research Laboratory of Artificial Intelligence made a series of scientific discoveries in the field of reinforcement learning and recommender systems. These discoveries were recognized by the global scientific community and accepted at the most prestigious international AI conferences (NeurIPS, ICML, ACM RecSys). These discoveries included:

- the most efficient algorithms in the world for training and adapting artificial intelligence; and
- an algorithm that enables more accurate forecasting of consumer purchases online that takes into account the timing and frequency of purchases.

Additionally, the Tinkoff Artificial Intelligence Technology Centre announced the development of its own specialized large language models for wide-ranging AI integration into ecosystem products and assisted in launching numerous products based on other AI technologies throughout the year.

### **Attracting and Retaining IT Talent**

- In 2023, Tinkoff became a partner of Central University, Russia's first private university based on the STEM model, which integrates science, technology, engineering, and mathematics (STEM) to create a comprehensive approach to education. The university will help prepare professionals for the Russian IT sector, including Tinkoff.
- Throughout the year, major competitions were held for experienced developers and IT analysts, such as IT's Tinkoff Solution Cup and IT's Tinkoff Capture the Flag sport hacking competitions in Russia and Belarus.
- In 2023, over 13,000 students participated in an annual scholarship programme for talented students, with 200 winners from 29 Russian universities receiving financial support from Tinkoff, enabling them to focus on their studies and achieve outstanding academic results.
- The Group's new headquarters, Tinkoff Space, opened in the centre of Moscow in 2023, setting a new standard for integrating work and daily life. This space, created in line with the "city within a city" concept, includes cafes, restaurants, a medical clinic,





fitness facilities, a household services centre, and an observation deck for work and recreation.

### **Social Initiatives**

- In 2023, charitable, educational, and other non-profit organizations in Russia received RUB 3.1 billion thanks to the Tinkoff ecosystem. More than 3 million customers are directly involved in the Group's projects.
- Tinkoff's primary focus when it comes to social investments remains the development of quality education and the creation of opportunities for talented individuals in Russia. Participation in the establishment of Central University and nationwide Tinkoff Education projects have reached over 15,000 people across Russia.
- With the Group's support, a large-scale, two-year online course, called Maths Solutions, was launched for students in grades 4–6, and a grant competition called Investment in a New Generation was held for talented mathematics and computer science teachers, with payouts of RUB 150,000.

### **Public Recognition**

- Tinkoff was recognized as the most convenient online bank for everyday use, receiving the Frank Debit Cards Award 2023, and the expert community once again recognized it for its work with premium clients, awarding the Company a prize in the category for loyalty among premium clients in the Frank Premium Banking 2023 rating.
- Tinkoff received the award for the best mobile application at the Annual Banki.ru Awards, while the Tinkoff Pay payment sticker was the winner in the Project of the Year in the Banking Sector category at the Compare Awards.
- Tinkoff was recognized as the best fintech employer in 2023 according to the ECOPSY and Habr ratings.
- Tinkoff achieved platinum status – the highest possible – in the Forbes employer rating, improving its performance compared with the previous year by receiving a platinum award in two out of three categories (Employees and Society and Corporate Governance). In the Ecology category, Tinkoff received a gold award.
- Tinkoff entered the top tier in the RBC employer rating. The results were evaluated based on the following criteria: employees and working conditions, business efficiency and innovation, social responsibility, business reputation, and employee opinions.

The financial statements will be available on the Group's website <https://tinkoff-group.ru/ru/financials/quarterly-earnings/>



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### **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.*

### **About TCS Group**

TCS Group is an innovative provider of digital financial and lifestyle services. Branchless since its inception in 2006, TCS developed a full range of in-house proprietary technology solutions and services, including digital banking, brokerage, acquiring and other merchant solutions, insurance, SME banking and much more.