ONWARDS AND UPWARDS: BUILDING OUT THE TINKOFF ECOSYSTEM

ANNUAL REPORT 2017
TCS GROUP HOLDING PLC

RUSSIA'S BANK OF THE YEAR 2017

According to The Banker, a monthly international financial magazine owned by The Financial Times Group. In choosing Russia's Bank of the Year 2017, The Banker's editorial team looked for strong financial performance and evidence of banks setting new standards for their local industries, whether it was by using new technology or coming up with innovative, cost-efficient ways of expanding their businesses.

CONTENTS

TCS Group is an innovative provider of online retail financial services in Russia operating through a high-tech branchless platform.

Contents

TCS Group or Tinkoff (or the Group) are the names used in this Report for TCS Group Holding PLC and its group of companies operating under the Tinkoff brand in Russia. These include Tinkoff Bank and Tinkoff Insurance.
Summary of presentation of financial and other information.
All financial information in this document is derived from the financial statements of TCS Group Holding PLC and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Cyprus Companies Law, Cap 113, which are for the year ended 31 December 2017 included in this document. A detailed description of the presentation of financial and other information is set out after page 59 of this document.
Market data used in this document, including statistics in respect of market share, have been extracted from official and industry sources TCS Group Holding PLC believes to be reliable and is sourced where it appears. Such information, data and statistics may be approximations or estimates. Some of the market data in this document has been derived from official data of Russian government agencies, including the CBRF, Rosstat and the FSFM. Data published by Russian federal, regional and local governments are substantially less complete or researched than those of Western countries.
Certain statements and/or other information included in this document may not be historical facts and may constitute "forward looking statements". The words "believe", "expect", "anticipate", "intend", "estimate", "plan", "forecast", "project", "will", "may", "should" and similar expressions may identify forward looking statements but are not the exclusive means of identifying such statements.
Forward looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, operations or performance, capital expenditures, financing needs, our plans or intentions relating to the expansion or contraction of our business as well as specific acquisitions and dispositions, our competitive strengths and weaknesses, our plans or goals relating to forecasted operations, reserves, financial position and future operations and development, our business strategy and the trends we anticipate in the industry and the political, economic, social and legal environment in which we operate, together with the assumptions underlying these forward looking statements. We do not make any representation, warranty or prediction that the results anticipated by such forward looking statements will be achieved.
Nothing in this document constitutes an invitation to invest in securities of TCS Group.

Tinkoff.

ONE-STOP SHOP FOR ALL YOUR DAILY FINANCIAL NEEDS

ONE CLICK

DAILY BANKING

- Debit cards
- Credit cards
- Payments
- P2P transfers
- Public services

SMALL BUSINESS

- Business account
- Salary project
- Overdraft
- Business loans
- Accounting

SAVINGS & INVESTMENTS

- Deposits
- Securities
- Pensions
- Investment strategy

6mn DOWNLOADS OF TINKOFF MOBILE APP

ru

REAL ESTATE

- Mortgage
- Insurance
- Valuation
- Legal support
- Utility bills, taxes
- Rent payments

MOBILE

- Own number
- Own mobile network code
- Own SIM cards

AUTO

- Fines
- Insurance
- Auto loans

INSURANCE

- Cars
- Travel
- Property
- Health
- Life

ENTERTAINMENT

- Ticketing
- Restaurant reservations
- Stories
- Travel

LIFE-STYLE BANKING IN YOUR MOBILE PHONE

1mn

ACTIVE DAILY USERS

PROVEN TRACK RECORD OF DRIVING SUSTAINABLE GROWTH

HIGHLIGHTS

Growth

- Gross loans up 31% to RUB157.8bn since YE2016
- More than 1.8 mn new credit card customers acquired in 2017 and over 1mn new debit cards issued
- SME business developing rapidly, over 234,000 SME customers acquired
- Customer accounts up 44% at RUB179.0bn

Key events

- Introduced a new dividend policy in March 2017
- In March 2017 the Group expanded and deepened its management long term incentive plan
- in June the Group issued a USD300mn perpetual bond 9.25% coupon with a 2022 call option
- In August the Group started rolling out its own ATM network, with over 200 now installed across Russia
- In October the Group acquired a 55% stake in CloudPayments, an innovative online payments solutions provider
- In December the Group successfully launched its own mobile virtual network operator Tinkoff Mobile
- Moody's upgraded long-term debt and deposit ratings of Tinkoff Bank to B1 from B2; outlook stable

Profitability

- FY2017 net income, a Group record at RUB19bn, with 3 consecutive quarters of record net income
- ROAE of 52.8% for FY2017
- Growing contribution from non-credit business income streams

Credit quality

- Ongoing focus on credit quality
- NPLs (90d+) dropped to 8.8% at YE2017
- Loan loss provision decreased to 1.26x at YE2017

Liquidity and capitalisation

- Total assets up by 53.3% over 2017 at RUB268.8bn, with cash and treasury portfolio up at RUB95.5bn
- Total equity up by 42.1% to RUB41.9bn at YE2017
- 31 December 2017 CBRF N1 statutory capital ratio of 16.3% and Tier 1 up at 21.0%
- Treasury portfolio of RUB71.7bn of highly liquid CBRF repoable bonds

179 RUBbn CUSTOMER ACCOUNTS

52.8% ROE 2017

268.8 RUBbn TOTAL ASSETS

2.4mn CREDIT CARDS ISSUED IN 2017

19.0 RUBbn NET PROFIT

16.3% N1.0 AT THE END OF 2017

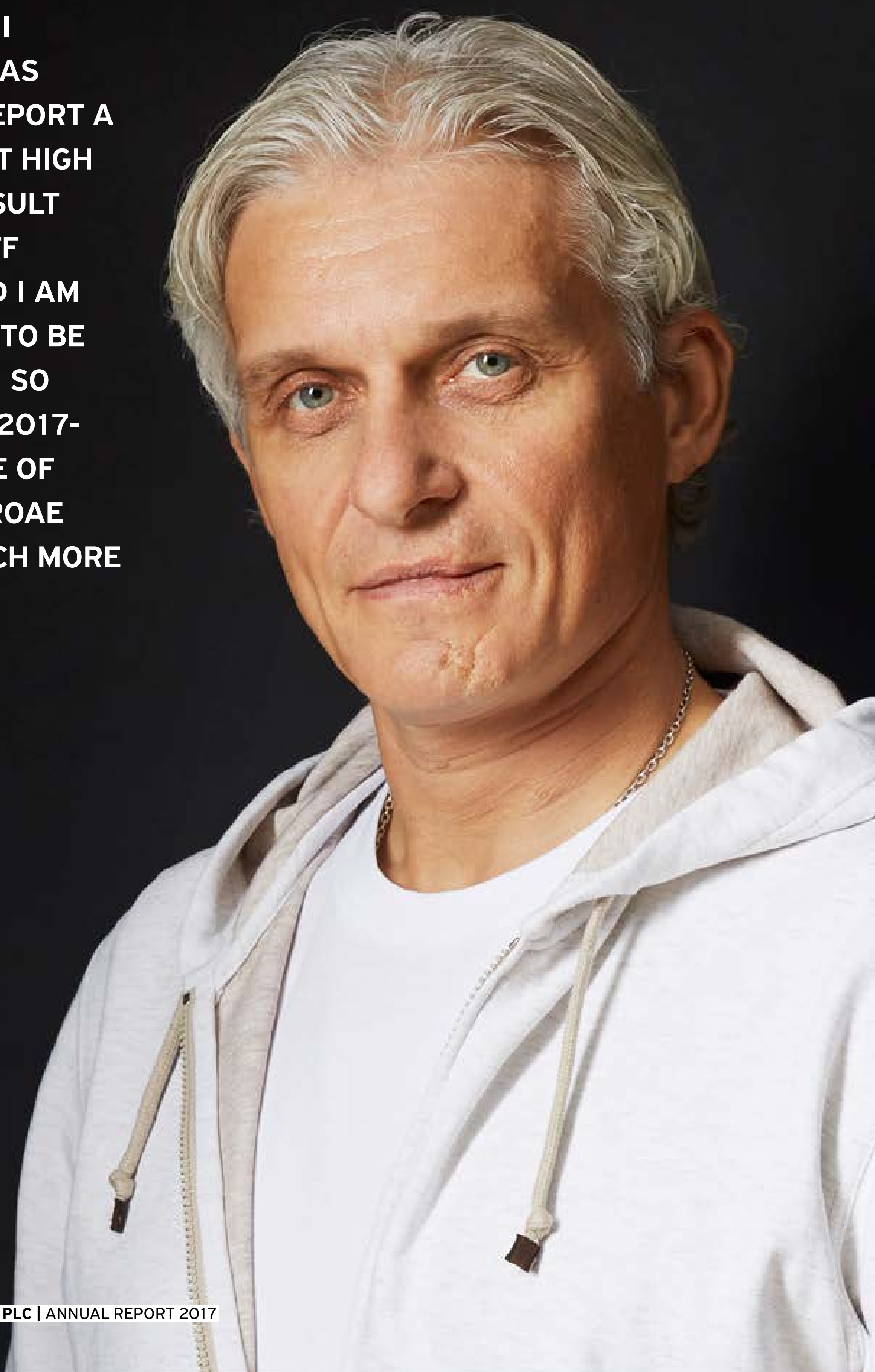
2017

OUR HISTORY

	Highlights of TCS Group's innovative development	Net loan portfolio growth (RUBmn)
2017	• Launch of Tinkoff Mobile • Roll-out of own ATM's across Russia • Acquisition of a 55% stake in CloudPayments • Launch of Stories for mobile app • Launch of Tinkoff Property • A partnership with Skolkovo Innovation Center announced • Tinkoff Bank was admitted to membership in the FinTech Association	140,245
'16	• Launched a network of software development hubs countrywide, the first in St Petersburg • Joined the Russian blockchain consortium • Introduced a face recognition system for scoring • Launched a new management long term incentive plan • One of the first launching Apple Pay and Samsung Pay in Russia	102,912
'15	• Acquired parts of Svyaznoy Bank's credit card portfolios • Became Russia's second largest credit card provider • Launched a range of new business lines, transitioning to online financial marketplace Tinkoff.ru • Issued new co-branded cards	82,067
'14	• New brand - Tinkoff Bank • Launch of a series of co-branded cards • Launch of a number of mono mobile applications	74,580
'13	• TCS Group IPO on the London Stock Exchange Main Market • Launch of Tinkoff Insurance • Launch of cash loans	73,962
'12	• Minority stakes sold to Baring Vostok and Horizon • Launch of online POS loan programme	47,784
'11	• Launch of mobile banking • Launch of the mobile and telesales sub-channels of Tinkoff Bank online customer acquisition platform	21,359
'10	• Launch of online acquisition channel for credit cards • Launch of "smart courier" service	9,643
'09	• Launch of the retail deposit programme • First debit card issued	5,254
'08	• Minority stakes sold to Goldman Sachs and Vostok Nafta • Launch of internet bank	4,117
'07	• First credit card issued	1,593
'06	**Tinkoff Credit Systems Bank was created by Oleg Tinkov**	

LAST YEAR I WROTE IT WAS GOOD TO REPORT A RECORD NET HIGH INCOME RESULT FOR TINKOFF GROUP, AND I AM DELIGHTED TO BE ABLE TO DO SO AGAIN FOR 2017- NET INCOME OF RUB19BN, ROAE 52.8%, MUCH MORE BESIDES

Oleg Tinkov
Founder and
Controlling Shareholder



FOUNDER'S STATEMENT

Dear Stakeholders

Last year I wrote that it was good to report a record high net income result for Tinkoff Group, and I am delighted to be able to do so again for 2017 - net income of RUB19bn, ROAE 52.8%, much more besides.

But beyond the headline numbers, great progress was made on further rolling out our financial supermarket, an advanced high-tech financial eco-system where our customers get our premium quality service in buying the full range of financial, transactional and insurance services - not only Tinkoff branded products but those of our chosen partners too. While diversifying our business adds in new sources of non-credit revenue, it also enables us to capture an ever increasing share of customers' wallets. And I am confident this process will continue, with new lines added going forward.

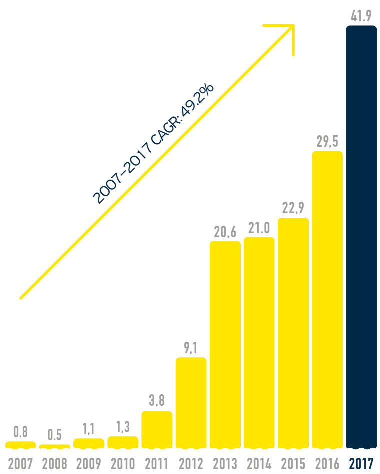
We have proved we can build and scale non-credit lines profitably. Tinkoff Business, Tinkoff Black and Tinkoff Mortgage all broke even in 2017, and good contributions all round, and I am confident we are well set for 2018 and beyond. And while there are so many highlights, positive contributions, impressive performances I could pick out and it is invidious to pick just one, nonetheless I am going do just that.

Last year I wrote about my long-term support for share based compensation and how we introduced it at Tinkoff from the early days. It has always been a key part of building an entrepreneurial spirit within the Company; now I feel we are making a contribution by helping the entrepreneurial spirit develop in Russia through Tinkoff Business.

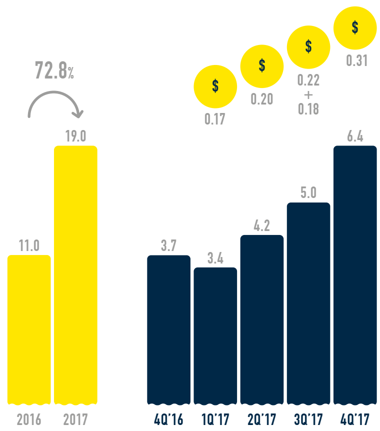
We launched Tinkoff Business in Q4 2016; it grew impressively from the outset, broke even in June 2017. At the end of 2016 we had around 50,000 customers, but this grew five-fold in 2017 to over 240,000 SME customers at year end. Whether it is help with cash management and payments, payroll, accounting, tax returns, recruitment, customs and logistics or recruitment, or dealing with the State authorities, for the full range of issues confronting start-up businesses, Tinkoff is there at the coalface too with innovative, digital, customer-friendly solutions.

Of course I treasure all our customers, but I have a special regard for the entrepreneurs, those whose instinct is see an opportunity and pursue it, those who want to establish their own business and not remain where they are, those who believe they can make a difference. Doers, risk-takers, optimists - there can never be enough of them. I wish them all the determination, self-belief, persistence, powers of persuasion and maybe even luck they deserve. One day they should get the wider recognition, the appreciation they truly deserve. And maybe some of them will join me in my ambition to launch a University of Entrepreneurship here in Russia.

Equity RUBmn



Net income & dividend per share/GDR



Finally, I want to record my thanks to all those who made a telling contribution to the successes of Tinkoff in 2017; they know who they are (and so do I).

Oleg Tinkov

Founder and Controlling Shareholder

BUSINESS MODEL

TCS GROUP IS EVOLVING RAPIDLY INTO A UNIQUE LIFE-STYLE BANKING SOLUTION AND WILL CONTINUE TO EXPAND THE RANGE OF PRODUCTS AND IMPROVE THE QUALITY OF ITS CUSTOMER SERVICE

OPERATING FLEXIBILITY

TCS Group has built an advanced platform that is highly suited for the Russian market and operating environment. The Bank's platform is entirely branchless, with a low fixed cost base and high degree of operating flexibility. Cost efficiencies are enhanced by the best-in-class centralised IT system.

The low level of retail financial services penetration in Russia, the rapid growth of online and mobile payments, and high margins and barriers to entry make our business model attractive in terms of sustainable profitability, growth potential and competitive edge.

ROBUST DATA AND RISK MANAGEMENT

TCS Group employs a highly scientific, data-driven and conservative risk management approach, which underpins the success of the business model. All aspects of the client life cycle – from acquisition to services and collections – are carefully monitored and evaluated. We make loan approval decisions based on a range of available information, including credit bureau data, a rigorous application verification process and proprietary scoring models.

DIVERSIFIED PROVIDER OF RETAIL FINANCIAL, INSURANCE AND QUASI-FINANCIAL SERVICES

Originally the first purpose built credit card focused lender in Russia, Tinkoff Bank has evolved into a focused online financial supermarket living in the cloud, providing a full range of its own retail financial services such as retail lending, transactional, savings products, insurance, SME, internet acquiring, mobile solutions as well as non-Tinkoff products through the full-cycle brokerage model where we started with mortgages and retail securities and have more to come soon.

Tinkoff Bank continues to operate in the mass market segment, and focus on expanding the mass affluent segment by way of offering a wide range of financial services and targeted recommendations, advice and entertainment features.

PREMIUM-LEVEL SERVICE AND BRAND

TCS Group is unusual among Russian retail financial services providers in offering a premium-level service to mass market and mass affluent customers. Our customers enjoy convenient 24 hours a day, 7 days a week access to their accounts and financial transaction services through the combination of Tinkoff Bank's free Internet, mobile and call centre service platforms.

POWERFUL DISTRIBUTION

Tinkoff Bank offers remote access customer service through its award-winning Internet banking as well as through mobile banking and high-volume call centres. Our use of direct marketing channels has revolutionised the way customers are acquired in Russia. Distribution channels, which include online (the Internet, mobile services and telesales), direct mail and direct sales agents, allow TCS Group to attract new customers right across the country. Supporting the branchless platform is a "smart courier" network which allows next day delivery.

HIGH LIQUIDITY AND WELL-BALANCED FUNDING BASE

Tinkoff Bank has established a robust liquidity risk management framework that ensures it maintains sufficient liquidity, including a significant cushion of liquid assets. TCS Group's funding strategy provides effective diversification in the sources and tenor of funding. The Group maintains strong relationships with market participants to promote effective diversification of funding sources.

Tinkoff Bank is an online financial supermarket offering customers the full range of financial, insurance and quasi-financial services. Through the platform www.tinkoff.ru we offer Tinkoff-branded products – credit cards, current accounts, deposits, cash loans, insurance and mobile solutions, as well as non-Tinkoff products through our full-cycle brokerage model starting with mortgages, retail securities trading, non-Tinkoff insurance and other products coming soon. For small businesses, we offer current accounts, transactional services, salary projects and online merchant acquiring. We deliver premium services to mass market and mass affluent customers in Russia through a unique online, branchless platform.

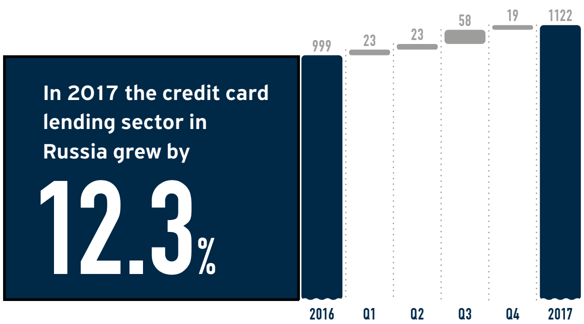
MARKET CONTEXT

Credit card lending

2017 was the first year of market growth after two consecutive years of sharp falls. The operating environment in Russia significantly improved and the consumer lending market showed first signs of recovery, supported by stronger oil prices, a rebounding Rouble and continued consumer deleveraging as the macroeconomic environment further improved and by the ongoing clean-up of the market. The competitive environment has been and still remains slow with many lenders struggling to find the right distribution model and customer value proposition in a market that has changed radically over the last three years.

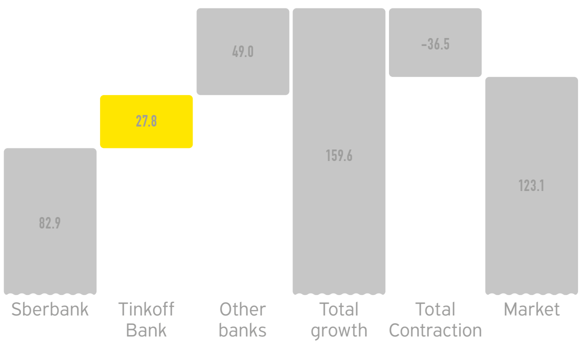
Despite the fact that the credit card market showed positive dynamics in 2017 (RUB1.1trn versus RUB999bn a year before (based on CBRF 101 form)), only a few participants managed to grow their loan books and increase their market share by the year end. Tinkoff Bank is one of them. Even taking into account the CBRF's increasing efforts to regulate the market, expectations are this sector should revive strongly as in Russia it is still underdeveloped and underpenetrated relative to the most developed economies as well as to certain high growth emerging economies.

Credit card market in Russia (RUBbn)

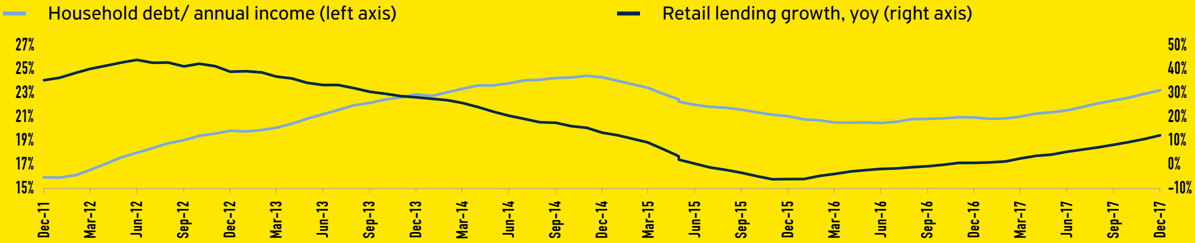


Source: CBRF

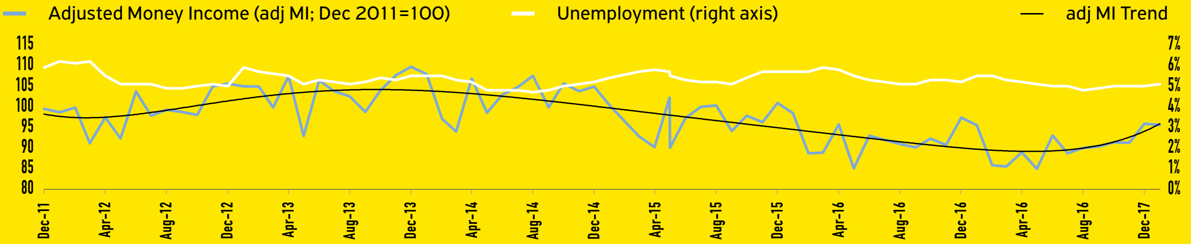
Market dynamics in 2017 (RUBbn)



Household debt returned to growth in 2017



- The capacity of households to service their debt has stabilized as adjusted money income started to recover in the second half of 2017
- Banks' underwriting standards remain tight, new vintages perform well



Note: Money income (MI) covers all sources of household revenue including salaries and pensions. MI adjusted for inflation (CPI) and seasonality.

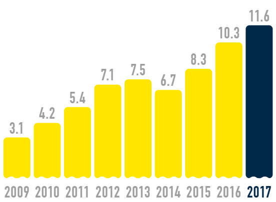
Sources: CBRF, Rosstat

MARKET POSITION

A leading credit card lender in Russia

In 2017 Tinkoff Bank managed to further improve its position on the market and cemented its position as the number 2 credit card player in Russia with its share of the Russian credit card market at 11.6% (the second largest non-delinquent credit card loan portfolio in Russia), thanks to tighter risk controls implemented in good time.

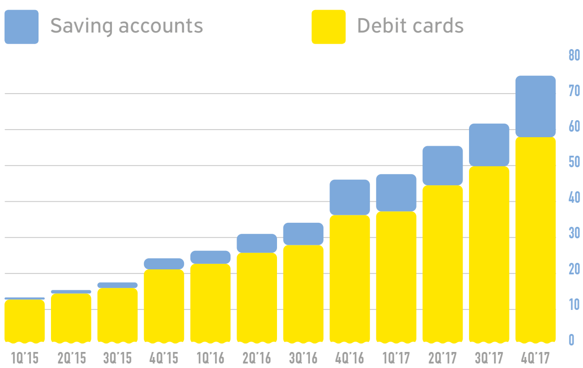
Tinkoff Bank credit card market share (%) (as of YE2017)



Tinkoff Black debit card is flying

In 2017 we brought our current accounts product to a new level of customer servicing and satisfaction with a Net Promoter Score (NPS) of 57, which is much higher than smartphones which came next with a NPS of 40. As a result the current accounts portfolio demonstrated x1.5 growth and allowed us to attract a very different customer base from our typical credit card customers. These customers spend more money and use internet, mobile bank and other services more frequently. They are the key target audience for the Tinkoff.ru platform.

Tinkoff Black: retail portfolio growing by 70-80% a year



Average NPS	Sector
57	Tinkoff Black
40	Smartphones
39	Auto Insurance
39	OnlineShopping
37	Laptop
35	Banking
34	Credit Cards
32	Supermarkets
31	Hotels
30	Online Games
24	Airlines
23	Travelwebsites
21	Pharmacies
21	Cellular Phone Service
19	Software & Apps
3	Cable/SatelliteTV Service
-3	Internet Service

A leader in the internet and mobile financial solutions in Russia

Tinkoff Bank is a widely-acknowledged leading provider of internet and mobile financial solutions for customers and continues to enhance and streamline its online platform. Tinkoff Mobile Bank provides a full scope of services from finance to entertainment to not only its existing customers but also to non-Tinkoff clients by way of easy authorization through their mobile phone number or even without it where the level of identification is directly linked to the scope of services the client may access at each stage.

In 2017 Tinkoff Bank launched Android Pay and made available the full spectrum of OS along with Apple Pay, Samsung Pay and Windows 10 - all are fully integrated into the Tinkoff mobile banking App – a touch free wireless payment solution for mobile devices. In 2017 Tinkoff Bank became the first bank anywhere in the world to introduce a Stories feature to its mobile app for iOS and Android, bringing new content to the almost 1 million people who use the Bank's award-winning app on a daily basis.

STRATEGY

TINKOFF'S STRATEGY IS TO BE A FULL SERVICE, ONLINE FINANCIAL SUPERMARKET THAT OFFERS PREMIUM QUALITY SERVICE AND CONVENIENCE.

01. Sell or cross-sell other new financial, insurance and quasi-financial products

By developing and cross-selling new products to existing customers, Tinkoff Bank expects to diversify its revenue streams, increase its revenue per customer and increase its customer retention rates.

Tinkoff Insurance

Tinkoff Insurance has developed a proprietary and advanced IT platform and leveraged the vast expertise of Tinkoff Bank to build a customised choice of insurance products, as well as a convenient claims settlement and sales process, which can be accessed online from anywhere in Russia. The new online insurance products are delivered to the Group's traditionally high customer service standards.

Tinkoff Insurance is currently offering personal accident insurance, property, travel and car insurance - KASKO and OSAGO. Tinkoff Insurance is rated as "A" (a high rate of reliability) by Expert-RA rating agency.

02. Maintain leadership in customer service

High-quality customer service has been a key driver of Tinkoff Bank's rapid growth. Tinkoff Bank invests to maintain and improve key components, such as our simple application processes, convenient and 24/7 access to accounts, the reach of our "smart courier" service, free loan repayments and straightforward complaints resolution process. Through the launch of a new financial supermarket portal Tinkoff Bank is now able to serve not only its existing customers but also non-clients when they are allowed to make transactions without full identification within the legislatively approved limit of 15,000 Roubles. This is a strategic step for Tinkoff Bank to increase its exposure throughout the financial market.

03. Support business expansion using advanced IT systems

Tinkoff Bank operates a low-cost, branchless model and seeks to outsource wherever feasible while retaining core functions in-house. This complementary outsourcing strategy allows us to retain focus on and develop core competencies to economise on capital expenditures, to manage workflow and to maintain a flexible cost base with low fixed expenses.

The Group's in-house IT team develops a significant part of the software used by Tinkoff Bank, including software used in its online customer acquisition and service platform. This enables Tinkoff Bank to regularly roll-out new products and services to customers or new versions with enhancements.

Tinkoff Bank intends to increase its technological advantages over traditional Russian banks. In 2016 Tinkoff Bank announced its IT expertise expansion through a number of IT development centers in big cities across Russia. To further strengthen its IT capabilities and position as a leading IT company, in 2017 Tinkoff Bank set up partnerships with Skolkovo Innovation Center as well as became a member of the Association for Financial Technologies Development.

04. High liquidity and well-balanced funding base

The Group has established a robust liquidity risk management framework that ensures it maintains sufficient liquidity, including a significant cushion of liquid assets. Tinkoff Group's funding strategy provides effective diversification in the sources and tenor of funding. The Group aims to maintain an on-going presence in a broad range of capital market segments and strong relationships with market participants to promote effective diversification of funding sources.

05. Develop and deploy transactional and payment products to acquire new customers and increase retention rates for existing customers

The technology and experience acquired by Tinkoff Bank in building its high-tech online customer acquisition and service platform has helped it to expand its transactional and payment products such as current accounts, SME solutions, online acquiring, and mobile mono-applications. We intend to support the growth of these products that constitute an important channel for acquiring new customers and for cross-selling other products, particularly credit cards. These transactional and payment products are also being offered to existing customers of Tinkoff Bank, helping to boost retention rates.

Tinkoff E-commerce products

Since the end of 2013 Tinkoff has focused on the high growth e-commerce market. Our existing electronic online and mobile platforms together with attractive growth opportunities in this sector give us significant advantages on the market. Since December 2013 TCS Group has released a number of mobile mono applications (traffic fines payments, card-to-card transfers, MoneyTalk, GoAbroad, Tinkoff SME, Tinkoff Investments) (and there are plans for more to follow) and established a network of partners available to provide loans to internet shoppers.

A wide range of insurance products, including car insurance, is also available online for customers. We have launched upgrades to our internet and mobile bank with additional features in 2017 and these initiatives have already been recognised and received awards from international leaders in this sector.

06. Effectively manage credit risk using sophisticated data analysis and modelling

As a data-driven organisation, the Group uses a wide range of databases in its loan approval processes and portfolio management and is constantly in search of new sources of relevant data. We take loan approval decisions based on a range of available information, including credit bureau data and scores, proprietary scoring models, a proprietary application verification process and sophisticated NPV models.

The Group will continue to develop credit risk management capabilities and to use increasingly more sophisticated data analysis and modelling to achieve this goal. Credit risk management remains one of the core strengths of Tinkoff and will remain critical to sustaining its competitive advantage.

07. Further improve cost-efficiency of Tinkoff's operations

The Group intends to further increase the cost-efficiency of its operations by placing an even greater emphasis on its Internet banking, mobile banking and Home Call Centre operations and constantly seeking new ways to achieve further reductions in operating and customer acquisition costs.

08. Develop the high-growth concept of the financial supermarket, a platform offering a choice of consumer lending, insurance and transactional and payment services of Tinkoff Bank as well as non-Tinkoff branded products

Credit card lending will remain Tinkoff Bank's core business. We intend to continue to extend the range of our credit card products, strengthen its existing credit card distribution channels and develop new channels including retail partners with large distribution networks, affinity programmes and cross-selling to customers using new products such as co-brand and payroll programmes, insurance, and mono applications. Tinkoff Bank will also continue to develop consumer lending products, such as point-of- sale lending to customers making online purchases through Internet retailers and cash loans to Tinkoff Bank's existing customers.

In addition, Tinkoff Bank introduced a new concept of a financial space where it will act as a full-cycle broker offering a variety of partners' products in addition to its own branded products. This will increase convenience for both existing and new customers by providing them with a one-stop financial shop, help in the retention of the customer base and increase Tinkoff Bank's revenue per customer.

Brokerage Platform

- New product first introduced in 2016
- Represents Tinkoff Bank's investment into the rapid growth of Russian e-commerce
- Allows customers to purchase Tinkoff partner products offered through the high-tech and well-known Tinkoff.ru platform at one click
- Full-cycle “door-to-door” service provided by the Tinkoff smart courier team

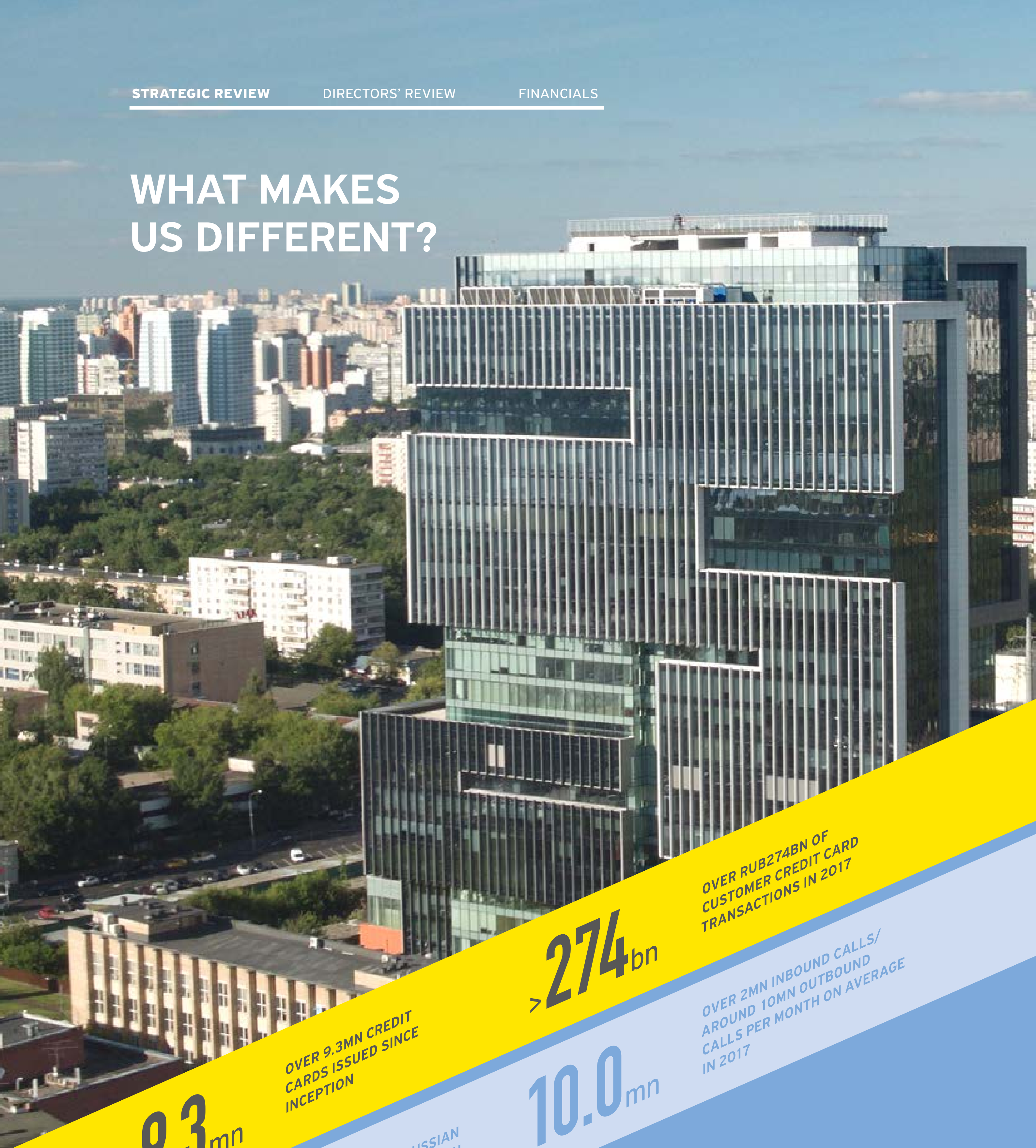
Products launched through the Brokerage Platform

- Mortgages
- Retail securities trading
- Travel
- Non-Tinkoff insurance

...and other products coming soon

- Car loans
- Cash loans

WHAT MAKES US DIFFERENT?



>9.3mn

OVER 9.3MN CREDIT CARDS ISSUED SINCE INCEPTION

>274bn

OVER RUB274BN OF CUSTOMER CREDIT CARD TRANSACTIONS IN 2017

11.6%

#2 PLAYER IN THE RUSSIAN CREDIT CARD MARKET WITH 11.6% MARKET SHARE[1]

10.0mn

OVER 2MN INBOUND CALLS/ AROUND 10MN OUTBOUND CALLS PER MONTH ON AVERAGE IN 2017

Tinkoff Bank is the Online Financial Supermarket in the Cloud providing high-utility day-to-day retail financial services in Russia.

1 As of 31 December 2017 based on CBRF data.

>2mn RECEIVED OVER 2,000,000 APPLICATIONS PER MONTH ON AVERAGE DURING 2017

RUSSIA'S BANK OF THE YEAR 2017[2] AND BEST MOBILE BANK APP[3]

Point of destination for daily banking

Tinkoff Bank is a top-2 credit card lender in Russia. In addition to our market-leading credit card offering, Tinkoff Bank has developed a successful online retail deposits programme, retail and car and other insurance, financial products in the fast emerging mobile payments and e-wallet segments. Leveraging its innovative approach, existing infrastructure and customer base, Tinkoff Bank has been expanding to bring additional partners' products and services through its full-cycle brokerage platform so now we make available to Russian consumers mortgage programmes, retail securities trading, and expected soon travel services, car loans and more.

High-tech virtual platform

Tinkoff Bank has built an advanced high-tech retail financial services platform that is highly suited for the Russian market and operating environment, particularly in underserved parts of the country. This platform is entirely branchless, with a low fixed cost base and high degree of operating flexibility. This high-tech platform includes the internet bank, mobile bank and a real-time voice authentication system which creates voice prints during the traditional Q&A verification process for each new caller; these voice prints are later used as a benchmark for verification when the customer next calls.

And we rolled out in December 2016 a face recognition platform, VisionLabs LUNA, to score potential clients. The VisionLabs LUNA face recognition system detects the face on an image and generates its digital template – to be used primarily for client verification.

2 According to The Banker
3 According to Markswebb Rank & Report

WHAT MAKES US DIFFERENT?

2,500

ALMOST 2,500 SMART COURIERS AND SALES AGENTS COVERING AROUND 2,100 CITIES AND TOWNS

DIVERSIFIED PRESENCE IN ALL REGIONS OF RUSSIA, INCLUDING UNDERBANKED SMALL CITIES AND TOWNS

55x

ALMOST 55X INCREASE IN EQUITY SINCE 2007

52.8%

ROAE 2017

TCS group is transforming the Russian financial services market and driving a differentiated customer proposition.

56.5%

56.5% NET LOAN PORTFOLIO CAGR IN 2007–2017

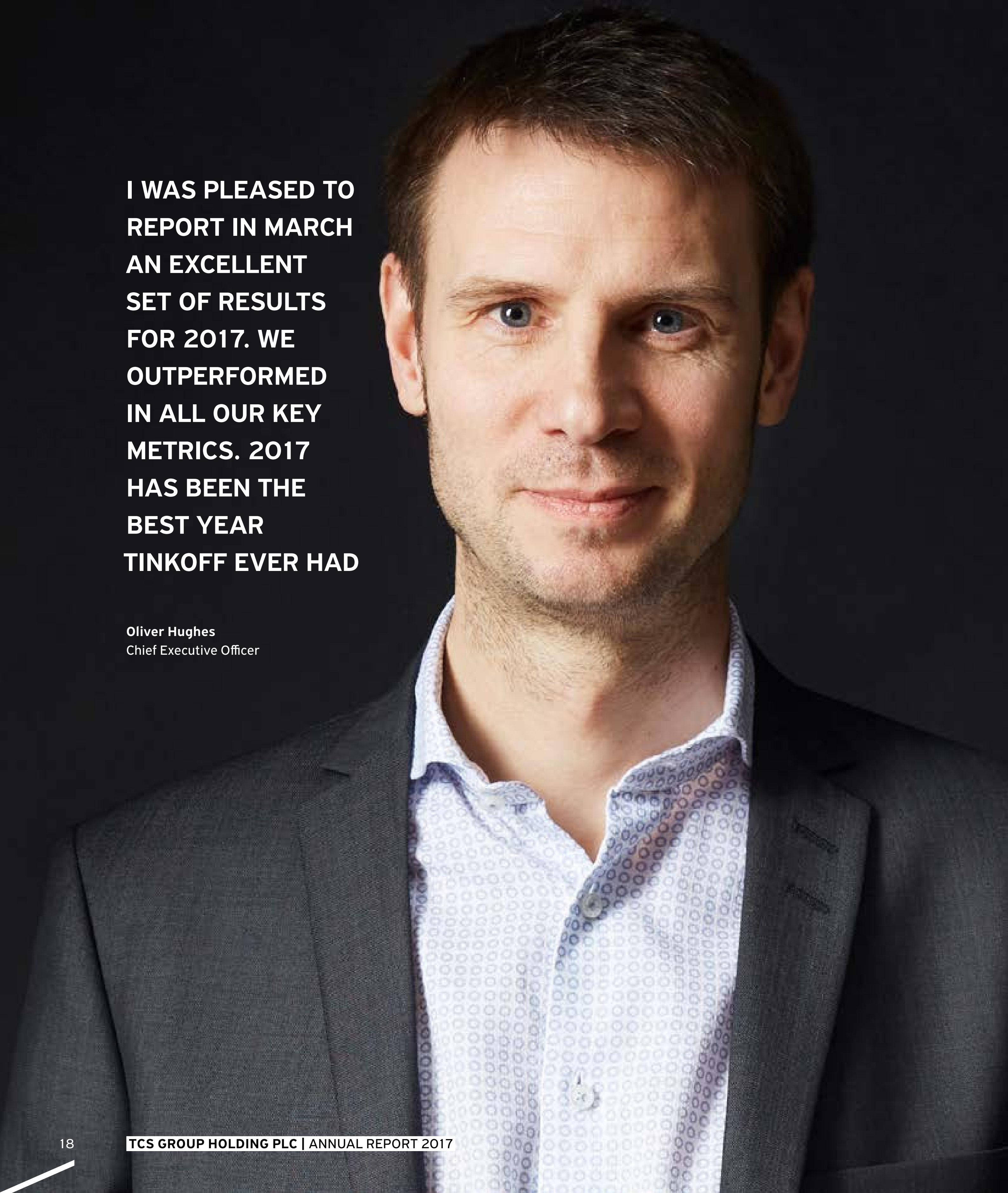
NETWORK OF PARTNERS (ON-LINE, PAYMENT TERMINALS, RETAIL AND OTHER)

Powerful distribution

Tinkoff Bank offers remote access customer service through its award-winning Internet banking as well as through mobile banking and high-volume call centres. Our use of direct marketing channels has transformed the way customers are acquired in Russia. Distribution channels, which include online (the Internet, mobile services and telesales), direct mail and direct sales agents, allow Tinkoff Bank to attract new customers anywhere in the country. Supporting the branchless platform is a "smart courier" network covering around 2,100 cities and towns in Russia which allows next day delivery. In addition, Tinkoff Bank's online origination process makes extensive use of online data and behavioural profiles, and gives it clear advantages over competitors in terms of underwriting.

Creating Value in Adverse Markets

Our entrepreneurial approach to products, premium-quality customer service and effective credit risk management, based on sophisticated data analysis and modelling, enable us to achieve a combination of sustainable growth and good returns even in a market downturn. The strong trend to adoption of online and mobile consumer technology in Russia, together with the low penetration and growth potential in the country's retail financial services, represent a tremendous opportunity for Tinkoff Bank to continue its success.



I WAS PLEASED TO REPORT IN MARCH AN EXCELLENT SET OF RESULTS FOR 2017. WE OUTPERFORMED IN ALL OUR KEY METRICS. 2017 HAS BEEN THE BEST YEAR TINKOFF EVER HAD

Oliver Hughes
Chief Executive Officer

CEO STRATEGIC REVIEW

Dear Investors

One year ago, I presented my fifth strategic review, for FY2016. At that time I reported to you that, as we celebrated our tenth year, 2016 had been the best year Tinkoff had ever had. The five main ‘big picture’ themes I identified - credit fundamentals, growth machine, payments business, brand awareness and diversification of business lines, were the major drivers of remarkable financial results in 2016 and I felt confident they would propel us into 2017 and beyond.

ROAE IS 52.8% AND TOTAL EQUITY CLIMBED TO RUB41.9BN

52.8% ROAE

Profitable growth

And so it has turned out. I was pleased to report in March an excellent set of results for 2017. We outperformed in all our key metrics. 2017 has been the best year Tinkoff ever had.

In 2017, we saw the resumption of cautious growth in the Russian consumer lending market – for the first time in four years. This growth accelerated in the second half of 2017, on into 2018. The macro-economic picture in 2017 was good, with unemployment and credit risks low; we believed then, and still believe now, there is room for quality growth for players with the right business model, commitment and brand like Tinkoff.

Delivering our revenue diversification plan

2017 for Tinkoff was a year when everything seemed to go in the right direction, when the non-credit business lines moved more centre stage, a trend we confidently expect will continue, and the investments made in earlier years all came good, exceeding their targets.

As of 1 February 2018 Tinkoff was the second largest credit card player in Russia with a market share of 11.7%*, acquiring 1.8 million new credit card customers last year. It is for this that we are perhaps best known. There is though much more to Tinkoff than that - over several years, we have invested in the launch and roll out of the online supermarket, with the consequent diversification of our revenue streams to non-credit lines.

In 2017 our strong revenue growth of 36%, from RUB58bn to RUB79bn, came from two main sources:

- the dynamic performance of our consumer credit businesses; and
- even stronger growth in our transactional and servicing business lines (including Tinkoff Business (for SMEs), Tinkoff Black, Tinkoff Mortgage, Tinkoff Investment, Merchant Acquiring and Tinkoff Insurance). As a result, our non-credit business lines made a positive and meaningful contribution to Net Income, the bottom line.

Our Net Income for 2017 grew by over 70% year-on-year and reached a record RUB19bn, and a very impressive ROAE.

Behind this headline lies a back-story of judgment, commitment, expertise, professionalism and hard work. Intensive, focused work on:

- building our brand,
- expanding our product range,
- enhancing customer experience,
- retaining laser-like focus on efficiency, tight control of risk

all the time coupled with extensive scaling up of the newer business lines we have built out and enhanced over the last 3-4 years.

To track our progress in building the Tinkoff.ru financial ecosystem, we have started prioritizing new retention metrics such as DAU/MAU in our mobile apps and Net Promoter Score (NPS) which is central to the ‘recommendation effect’ that drives customer acquisition. We now

* Bank's analytics based on CBRF 101 form

CONTINUED

CEO STRATEGIC REVIEW

have around 7 million customers. NPS for each of the Tinkoff Black and Tinkoff Business lines is close to 60 – this is a Tinkoff record high level for customer servicing and satisfaction.

We have close to 1 million daily users of the mobile banking app and this number has doubled over the last year. As well as frequency of use of the app, our customers are spending more and more time in our interfaces to check balances, make transfers, pay bills, apply for products, book restaurant tables, buy travel services, read 'Tinkoff Stories' and for a wide range of other purposes. 'Tinkoff Stories' is a key block as we significantly step up our efforts to build content. Along with the emphasis on content and product, we are investing in our corporate finance capability (a subject I will come back to later on), with a view to achieving a sharp increase in our active customer base in the next few years.

A look at the business lines' contributions

So, what drove the bottom line in 2017?

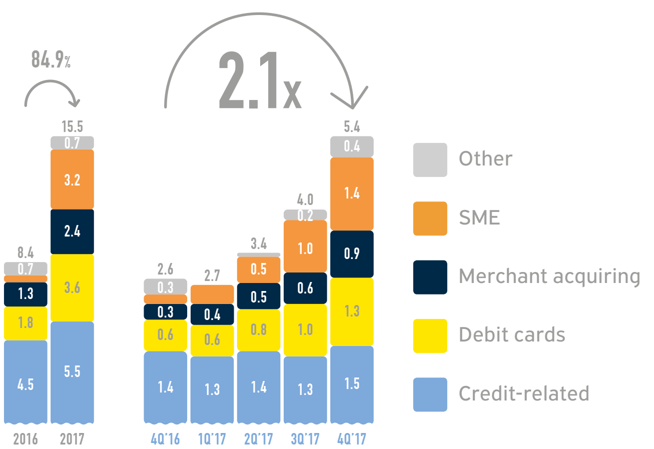
I will address this under two headings:

1. our transactional and servicing business lines; and
2. our credit business lines.

1 Transactional and servicing business lines

Our non-credit business lines grew at an impressive pace making a 21.2% contribution to the 2017 top line. As we scale these businesses up, our acquisition effort becomes more efficient and unit economics continue to improve as a result.

Fee and commission income (RUBbn)



Here is an overview of the main non-credit business lines:

- Tinkoff Business,
- Tinkoff Black,
- Tinkoff Mortgage,
- Tinkoff Investment, and
- Merchant Acquiring.

Tinkoff Business (SME services) is the largest driver of our fee-and-commissions revenue. It broke-even in June 2017 well ahead of targeted break even in H2 2017 and brought RUB830mn as seen in segment reporting in our 2017 IFRS accounts. We opened 240,000 new accounts by year-end representing an almost five-fold growth year-on-year.

We are now number two in Russia by number of accounts opened per month, averaging 20,000. We currently focus on the underpenetrated segment of micro and small business (up to 20 employees) and in 2017 we became the sixth largest player in terms of our market share of Individual Entrepreneurs*. We plan to expand the product range further, building new value-added services and adding lending products through our SME market place. An example of this is our proprietary cloud accounting solution for small businesses which is now used by 365,000 customers. SME is emerging as a growing bottom line contributor.

Tinkoff Black (individual current accounts) ramped up with almost 1.2 million cards issued in 2017 taking us to a total of over 2.8 million personal current accounts opened. We continue to see strong self-generated demand for Tinkoff Black which is important as this product is the locomotive through which we attract mass affluent customers into our ecosystem. The spend on Tinkoff Black debit cards doubled last year and as a result we are now number 4 in Mastercard Russia by total spend. Tinkoff Black became a break-even business (before acquisition cost) in FY 2016.

Tinkoff Mortgage (mortgage broker) now has increasing momentum, having broken-even on target in December. In 2017 we exceeded our targets and originated over RUB10bn of mortgage loans for our partner-banks of whom there are now eleven. Earlier this year we announced the launch of a joint venture with AHML, the Russian housing finance

* Bank's analytics based on CBRF 101 form

agency. This is a strategic initiative aimed at significantly increasing mortgage loan disbursement by combining our online expertise and origination platform with AHML's balance sheet, funding advantage and underwriting skills.

Tinkoff Investment (retail securities trading platform-broker) also exceeded expectations with over 70,000 brokerage accounts opened by year-end 2017. We see growing demand for our product and interface, fuelled by the steady decline in deposit rates across the market. In Q42017, every fourth new brokerage/MOEX account in Russia was opened through us. From May 2018 we will be rolling out our own platform and offering brokerage accounts directly to customers – we received from the CBRF in March 2018 a professional securities market license to offer brokerage and depositary services. This business line will grow significantly throughout the year as we enrich and expand our product and service offering.

Merchant Acquiring revenues have been growing nicely and Merchant Acquiring made a healthy contribution in 2017. Our newly-acquired subsidiary CloudPayments, an innovative Internet payments provider, will make a growing contribution to our bottom-line in this business line over time.

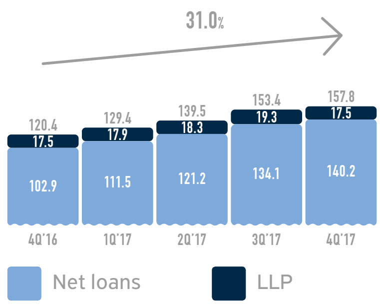
As a result, the overall contribution to total gross revenue from all non-credit-related business lines (including Tinkoff Insurance) doubled in 2017. Our publicly stated target for the end of FY2019 is to have 30% of net income from non-credit lines. By the end of FY2015, the revenue from non-credit lines was 10%, rising to 15% by the end of the following year, and up to 23% by the end of 2017. A definite trend that underlines my belief our 30% target is achievable. I am pleased that we are ahead of our own projections, but I believe that is just the start of this journey as we continue to invest in new non-credit business lines and build out our ecosystem.

2 The credit business-lines

Whilst we are excited by the results and potential of our non-credit business lines, we continue to treasure our core business.

Overall, we beat our internal target, exceeding 36% net loan growth for the year. The credit card business had another great year as we added almost 1.8 million new customers. Credit quality is good, the risk profile of incoming customers is stable and as a result, annualised cost-of-risk was down to 5.5% versus 7.6% in 2016. The cost-of-borrowing further decreased to 7.6% in 2017 from 11% in 2016. Along with a

Gross loans



stable cost-of-acquisition, this ensured good credit card economics for the year.

In addition to credit card portfolio growth, we grew our personal cash loan business by 3.2 times from RUB2.2bn to RUB7bn in 2017. Most of this business comes through cross-selling to mass affluent borrowers in our existing customer base. This business line gave us a strong positive contribution to Net Income. We also made strides in POS lending as we grew the book by 3.7 times and took this business line to break-even. We see good prospects to ramp this business up in the still uncrowded 'long-tail'.

This year we plan to launch new tests of car loans by leveraging the Tinkoff Broker platform that we have built for POS lending. We will also carry out other careful tests in the secured lending space. Our goal is to become a full spectrum retail financial player using a combination of smart balance-sheet and broker origination for partners.

2017 highlights

Other noteworthy events in 2017, to pick out only a few, were:

– the successful launch of Tinkoff Mobile, a mobile virtual network operator (MVNO) in partnership with Tele2, last December;

– the launch of Tinkoff's own ATM network in August, giving us over 200 ATMs to date with more to come;

– a large number of awards received throughout the year from reputable international and local institutions -including 'best consumer bank', 'best mobile app solution' and 'best customer experience and servicing'-these are featured under "Our recent awards" elsewhere in this Report;

– the acquisition of a controlling interest in CloudPayments, an innovative online payment solutions provider, in October.

CONTINUED

CEO STRATEGIC REVIEW

The next stage of our journey

We see no shortage of opportunities, quite the opposite. I have alluded to just a few of them already. With our strong revenue and capital generating capacity, we are very well placed to take maximum advantage. Our highly professional management team have demonstrated an ability to react swiftly to change, to spot opportunities before others do and to exploit them.

In 2018 so far we have:

- set up a joint venture with the Agency for Housing Mortgage Lending (AHML) to create an electronic platform for offering mortgage loans;
- opened a development hub at Skolkovo innovation centre focusing on business solutions based on blockchain as well as voice and face recognition technologies.

Tinkoff is playing a leading role in piloting various CBRF Fintech initiatives such as the beta version of the Unified Biometrics System ('UBS'), developed by the Ministry of Communication and the CBRF as a digital identity authentication platform. We are also gearing up to participate in the rapid retail payments system pilot in the coming months.

What else then do I see coming, further out in 2018? I'd like to touch on two more factors that should have a bearing on Tinkoff in the rest of 2018. The first is additional regulation, the second M+A.

1 Regulation of our industry

The financial sector in Russia is now fairly heavily regulated, and we expect there will be more consumer regulation to come. An interventionist CBRF has had considerable success in avoiding system-wide problems in the wake of the failures of some of Russia's largest privately- owned banks. It is also actively working to prevent the appearance of new consumer bubbles both in secured and unsecured consumer lending.

The next piece of regulation in the pipeline relates to payment-to-income ratios (PTIs) for unsecured lending. We are actively engaged in the consultations with the CBRF and expect that this initiative will be announced in Spring of this year; that it will at first be a recommendation and that, after a period of monitoring and analysis, it will become mandatory. As with all new regulatory measures, this will require some adjustment for Tinkoff, but given the nature of our business and the small loan sizes we offer, we expect to navigate this with only minimal impact. In reality we see opportunity rather than threat here.

Tinkoff welcomes these additional consumer protections and new regulatory initiatives such as possible payment to income ratio caps. This initiative is intended to have the effect of avoiding future consumer lending bubbles caused by irrational competition in the unsecured (and possibly in the future secured) lending space. Conceptually we support such measures and as a responsible lender that issues low credit limits to customers, we believe this should make the market safer for Tinkoff to operate in as Russia goes into the next market-wide growth phase and should work to the advantage of those lenders like Tinkoff who are focused on building long-term relationships with their customers and a sustainable lending business.

2 M+A

Tinkoff has traditionally grown organically. We have done very little M&A in the past, although we have made targeted small-scale asset acquisitions and we acquired a number of tranches of high quality credit card portfolios from Svyaznoy Bank in 2015. We are also continuously involved in evaluating acquisition proposals, some identified by us, others brought to us, at different stages to determine their fit into the Tinkoff ecosystem.

However, as we build our financial ecosystem we are entering a new phase and we may make moves to buy Fintech companies and content providers that are complementary to our existing business lines.

The deal with CloudPayments was the first of these. We believe that the template of the CloudPayments deal -where Tinkoff takes a controlling stake (with the right to buy out the balance) leaving a significant minority stake with the talented team of co-founders and managers to incentivize them to develop further the business they are firmly committed to, within the Tinkoff ecosystem- is one we should repeat.

To close I should like to thank those-our controlling shareholder, our management team, our business partners, our employees- who have made a contribution to our successes in 2017 and to welcome on board all those who joined us in 2017. A special mention too for all our customers; we truly value you and appreciate your ideas, your feedback and your loyalty.

Oliver Hughes

Chief Executive Officer

OUR RECENT AWARDS

The Banker

- Russia's 2017 Bank of the Year
- Most Profitable CEE Bank in Central and Eastern Europe

The Banker

Markswebb Rank&Report

- Best Mobile Application for iPhone, Android and Windows and iPad tablets
- Most effective solution for small businesses for Android (Tinkoff Business)

MarkswebbRank & Report

GLOBAL FINANCE

- Best Online Deposit, Credit and Investment Product Offerings and Best inSocial Media

GlobalFinance

USABILITYLAB

- Best Mobile Application on the iOS for convenience and functionality

Usabilitylab

IR magazine RUSSIA & CIS

- Grand prix for best overall investor relations, small cap

IR Magazine Russia & CIS

IN 2017 THE GROUP POSTED THE STRONGEST SET OF RESULTS IN ITS HISTORY. THESE RESULTS HAVE FURTHER CEMENTED TINKOFF GROUP'S PLACE AS THE SECOND LARGEST PLAYER IN THE RUSSIAN CREDIT CARD MARKET

Ilya Pisemsky
Chief Financial Officer

FINANCIAL REVIEW

Dear Investors

Just a year ago now, I wrote this: ‘in 2016 the Group posted the strongest set of results in its history. These results have cemented Tinkoff Group’s place as the second largest player in the Russian credit card market with a market share of 10.3% at the close of 2016.’

One year on, in 2017 the Group posted the strongest set of results in its history. These results have further cemented Tinkoff Group’s place as the second largest player in the Russian credit card market with a market share of 11.6% at the close of 2017.

The Group showed a quarterly all-time record profit of RUB6.4bn in the fourth quarter and RUB19bn for the year which is 72.8% higher than in 2016. Return on average equity reached 63.1% in the fourth quarter and 52.8% for the year.

Tinkoff Group is buzzing.

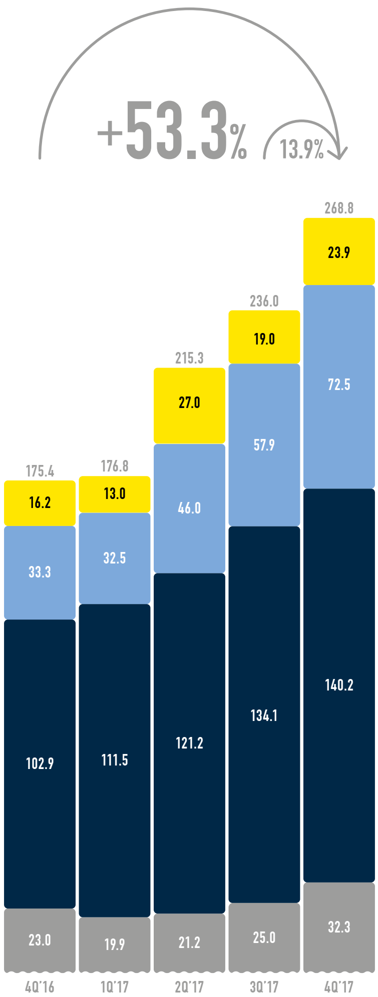
In my review I will share with you my observations on FY2017 and our financial highlights and look ahead a little to 2018 which as I write is nearly three months old. Before doing so I would like to raise some business highlights from FY2017 which show the range of business and capital markets initiatives the Group executed which underpin not just last year’s results but we firmly believe success in this and following years:

- in February Moody’s upgraded Tinkoff long-term local- and foreign-currency deposit ratings and local-currency senior unsecured debt ratings to B1 from B2, outlook — stable.
- in March the Group adopted a new dividend policy, with a target quarterly dividend payout ratio of 50% of the net income from the preceding quarter (this resulted in a total of USD1.08 per GDR declared in dividends based on 2017 earnings);
- in April, Tinkoff successfully placed a 5 year RUB5bn bond with a 9.65% coupon;
- in May ACRA assigned Tinkoff Bank an A(RU) rating, outlook stable;
- the Group introduced Android Pay for our customers, in May;
- also in May the Group launched a successful tender offer to buy back its USD200mn 14% eurobond due in 2018, resulting in nearly USD63mn of notes being accepted for purchase;
- in June the Group successfully launched its USD300mn perpetual callable bond with a 9.25% coupon (a Basel III compliant instrument approved by the CBRF for inclusion into the N1.2 statutory CAR calculation);
- in October the Group acquired a 55% controlling stake in CloudPayments, an innovative developer of online payment solutions;
- in December the Group relaunched its Euro-Commercial Paper Programme (ECP), with an issue of USD50mn at a competitive one year USD rate.

These are just my personal choices but there are others described elsewhere in this Report and many others in the pipeline, at a stage now where it would be premature to mention them.

Let me now turn to the 2017 financial statements and describe some of the dynamics and patterns that can be observed in our business through 2017. I will also discuss some of the implications of our move to IFRS9 from IAS39 this year.

Assets growth RUBmn



Cash and cash equivalents

Investment securities and REPO

Net loans

Other

CONTINUED

FINANCIAL REVIEW

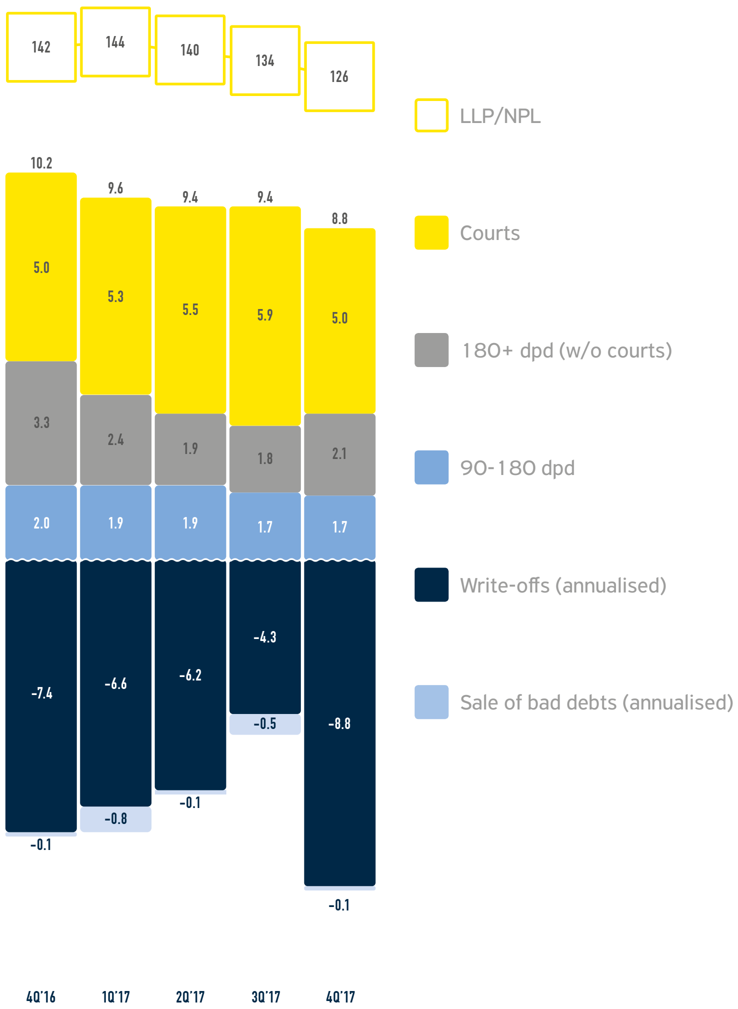
Balance sheet

I will start from the balance sheet, a very healthy balance sheet I would add, as our balance-driven business remained the major driver of our profits in 2017.

Total Assets of the Group grew by 53.3% year-on-year with 13.9% of that growth coming in the fourth quarter. Our net loan portfolio showed an impressive 36.3% growth for the year, slightly ahead of our guidance. This growth was driven not only by the credit card part of the portfolio, but by Cash and POS loans as well. Besides the credit portfolio we saw substantial growth in the investment portfolio which grew by a factor of 2.2. The reason for this dynamic is the strong positive development of the Tinkoff Black and SME business lines. We continue to maintain good quality and well-managed diversification of the bonds within the investment portfolio.

Our gross loan book grew by a solid 31.0% in 2017 which can be attributed to our average monthly credit card issuance rate of 200,000 as well as to the development of cash and POS loans business lines. In December the gross loan portfolio remained effectively flat because of significant increase in the repayment ratio but resumed its strong growth path in January 2018.

Conservative credit risk policy, % of gross loan portfolio



The quality of loans continued to improve. The Non-Performing Loans (NPL) ratio dropped to 8.8% at the year-end showing a decline of 140 basis points through the year. The NPL coverage ratio also declined to 126% under IAS39. The reason behind this reduction was the decrease in the share of restructured loans to delinquent customers in the total loan portfolio. Our funding base is growing strongly mirroring the assets growth. Customer accounts remain the primary source of funding with the 84% share from current accounts growing faster than term deposit balances. Most of the current account money funds our treasury portfolio while term deposits fund the loan portfolio. There is a small overlap in this fund distribution hence we have small short-term portion of loans which is POS loans and credit cards in grace period. At year-end this overlap constituted only 4% of the gross loan portfolio.

We saw rapid development in the SME business with customer account balances showing 4.3 times growth in 2017. It is now a visible balance of RUB23.7bn and is shaping up to be the fastest growing source of funding in 2018. Just as with retail current account money, we keep these funds in very liquid form – either cash or debt securities.

On the wholesale side the Group placed a RUB5bn bond in April and issued a USD300mn perpetual callable subordinated loan at mid-year (a Basel III compliant instrument approved by the CBRF for inclusion into the N1.2 statutory CAR calculation) at much the same time as making a significant buyback of our existing Tier II subordinated loan notes which will mature in June 2018. Just before year end we also placed a USD50mn ECP tranche. A part of our FX funding in the amount of USD248mn is converted to

RUB through a number of long term cross-currency swaps with the rates ranging from 3.8% to 4.6%.

Our Equity showed a stable quarterly growth through the year adding 42.1% in 2017 which ensures healthy margins above regulatory capital requirements. The Basel total and Tier I capital adequacy ratios almost coincide at the year-end following the Tier II subordinated debt buyback and its approaching maturity. Our statutory capital adequacy ratios are well above their respective regulatory minimum levels, with the N1.2 ratio boosted by the perpetual bond placed in June 2017.

In summary a healthy balance sheet; so now I will turn to the Income Statement.

Profit and loss statement

The Group's revenue showed a 36.1% increase in 2017 driven by growth of our core credit business as well as the development of the Group's transactional and servicing businesses. Now The share of non-credit related revenue makes a bigger share in the total despite the solid growth in the core credit business, increasing from 15% in 2016 to 23% in 2017.

In 2017 the Group showed a 25% growth in interest income. Our headline gross interest yield on the credit portfolio slightly decreased from 40.3% to 39.6%, which is a slower decline of gross margin than we anticipated, and the reason for that is higher-than-planned portfolio growth. New loans with smaller-than-average balances give a higher yield than seasoned vintages. Also due to the introduction this year of IFRS 9 gross yield should slightly increase in Q1 2018 (in the region of 1-1.5%), but the general long term reduction of gross yield into the 35% area should continue.

Interest expense showed a decline through 2017 of 6.0% on the back of continued decreases in deposit and market rates. We reduced our top line rate on RUB retail deposits from 8% to 7% during the course of the year and we reduced our top line rate on Tinkoff Black current account from 7% to 6% during 2017. Funding that we receive on SME accounts is also relatively cheap in the area of 2-3% and this also had an impact on total cost of funds reduction. The aggregate cost of borrowing dropped over the last financial year by 340 basis points to 7.6% as a result of declining retail deposit rates and the gradual growth of the weight of the individual and SME current accounts in the liability structure.

Net interest income increased by 37.3% in 2017, which is higher than the top line growth rate, since the interest income grows while interest expense is decreasing. The net interest margin showed an insignificant decline from 25.8% to 25.3% while the risk-adjusted margin grew by 140 basis points to 21.1%.

The reason for the growth of the risk adjusted net interest margin is the decrease of cost of risk during the year. Our cost of risk showed an annual decrease of 2.1% from 7.6% to 5.5% including a seasonal decrease in the fourth quarter to 2.7%. These are IAS 39 percentages; IFRS9 percentages would be 1-2% higher. The average write-off rate for FY2017 was 6.9%.

The Group continues to maximize recoveries in-house by collecting on delinquent loans through courts, installment processes and field collections.

In Q4 2017 we revised our loss-given default expectations on non-performing loans in our portfolio, including loans in court. This resulted in 5.5% reduction in provisioning levels for this category which led to RUB550mn pre-tax P/L effect. This is not a one-off adjustment but rather an effect that otherwise should be spread out through the whole of 2017. There are two reasons for this revision in our view – better market conditions and improved collection effectiveness through court procedures. Finally, this revision placed us closer to IFRS 9 requirements for loss-given default estimation that have been in place since the beginning of 2018.

Net interest income RUBbn

CONTINUED

FINANCIAL REVIEW

In 2017 the Group's fee and commission income demonstrated rapid growth of 84.9% and by 2.6 times if credit-related fees are excluded-this is due to the development of non-credit business lines primarily debit cards, online acquiring and SME services. Credit related fees are not growing especially and their impact on our business will we expect reduce in the next few years. Insurance premiums earned also doubled in 2017 to RUB2.7bn, showing an even higher growth in the auto segment, though we continue to view a more aggressive growth in the insurance business as premature.

With 2.8 million customers, the Group's current accounts business contributed RUB3.6bn in fee and commission income in 2017. We successfully introduced family banking and multi-currency debit cards. We continue to develop our product which we see as the cornerstone of our customer relationship, believing it as having the potential for subsequent cross-sell opportunities. We are intentionally keeping our bottom-line result on this business at break-even, seeing more value in customer base growth and potential synergetic effects with other business lines rather than a source of pure net income growth. Our award-winning mobile and internet banking applications ensure best-in-class customer experience.

Launched about two years ago our SME business line came to break-even in June 2017, emerging as a growing bottom line contributor. As at year-end we are serving about 250,000 customers; in 2017 that number grew five-fold. The SME business line contributed RUB3.2bn in 2017 fee and commission income and over RUB800mn in net segment income. We continue to expand the range of services for SME customers to support the growth and improve the economics of this business line.

Our mortgage broker business is looking to scale up without excessive pressure on operating profit. The volume of mortgage loans originated through our mortgage broker platform exceeded RUB10bn in 2017 compared to RUB3bn in 2016. This business line became break-even in the last quarter of 2017. Currently, we have 11 partners-two more banks have joined the partners' group- and we continue to optimize business processes for customers.

More than 60,000 accounts were opened in 2017. About 80,000 customers now use our Tinkoff Investments platform for buying or selling securities. In the fourth quarter the volume of deals exceeded RUB12bn with an average ticket of RUB60,000. This business has shown steady growth and is at break-even in partnership with BCS Broker, Russia's leading retail brokerage. Now though we are also developing our own brokerage solution which should push the total business line into small minus for 2018.

Now some comments regarding operating expenses. Operating expenses were up by 44.4% in 2017. In the fourth quarter we saw a seasonal growth which was attributed primarily to the salary review process and advertising campaign expenses. This influenced the cost-to-income ratio which ticked up to 45.5%. Overall, we showed a slight decline in cost-to-income ratio for the year from 43.9% to 43.2%.

BY THE END OF 2017 TINKOFF BANK HAD ISSUED OVER 9.3MN CREDIT CARDS

9.3mn CREDIT CARDS

>2.8mn

DEBIT CARDS

TINKOFF BANK ISSUED OVER 2.8MN DEBIT CARDS AT YE2016

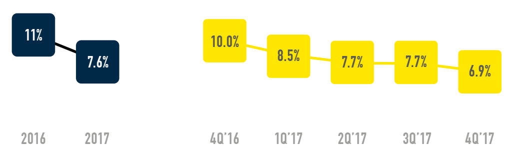
The Group is required to transition for this year from accounting standard IAS39 to IFRS9. I will summarize what I see as its main impacts. The one-time downward effect on Equity is around RUB9.7bn, which is higher than we predicted earlier, mostly for the reason of the higher growth of the gross loan portfolio.

IFRS9 also requires us to introduce provisioning for customers' unused credit limits. Instalment loans will be recognized as stage 3 loans. NPL calculated as 126% under IAS 39 would increase under IFRS9 to around 157.6%. NPL coverage calculated as 8.8% under IAS 39 would increase under IFRS9 to around 11.9%.

IFRS9 also impacts cost of risk as I discussed above.

It is important to remember that our capital adequacy requirements are measured on the basis of Russian accounting standards that are not affected by this change in standards. We have been preparing for this transition for a long time. We continue polishing our IFRS9 accounting model for our loan portfolios.

Cost of Borrowing



In summary FY2017 was a year of dynamic growth in the credit business, robust credit portfolio performance allied to a strong contribution from our transactional and servicing business lines. We sustained strong positive cost of borrowing and capital adequacy ratio trends, and our profitability was impressive.

Overall we go on into 2018 with a lot of forward momentum.

Ilya Pisemsky

Chief Financial Officer

ASSET, LIABILITY AND RISK MANAGEMENT

THE PURPOSE OF TCS GROUP'S ASSET, LIABILITY AND RISK MANAGEMENT STRATEGY IS TO IDENTIFY, ASSESS, MONITOR AND MANAGE THE RISKS ARISING FROM ITS ACTIVITIES.

The purpose of the Group's asset, liability and risk management ("risk management") strategy is to evaluate, monitor and manage the risks arising from the Group's activities. The main types of risk inherent in the Group's business are credit risk, market risk, which includes foreign currency exchange risk, interest rate risk and liquidity risk. The Group designs its risk management policy to manage these risks by establishing procedures and setting limits that are monitored by the relevant departments.

Risk Management Organisational Structure

The Group's risk management organisation is divided between policy making bodies that are responsible for establishing risk management policies and procedures (including the establishment of limits) and policy implementation bodies whose function is to implement those policies and procedures, including monitoring and controlling risks and limits.

Policy Making Bodies

The policy making level of the Group's risk management organisation consists of the Board of Directors, and at the Tinkoff Bank level its Board of Directors, the Management Board, the Finance Committee, the Credit Committee and the Business Development Committee.

These bodies perform the following functions within the Bank:

Board of Directors

The Board of Directors is responsible for the creation and supervision of the operations of the internal control system of the Group and approves the Group's credit policy ("Credit Policy") and approves certain decisions that fall outside the scope of the Credit Committee's authority.

Management Board

The Bank's Management Board, which, in addition to its Chairman, also includes the Group's Risk Director, Chief Financial Officer, Chief Accountant, Chief Legal Counsel, Chief Operational Officer and Head of Payment Systems, has overall responsibility for the Group's asset, liability and risk management operations, policies and procedures. The Management Board delegates individual risk management functions to each of the various decision making and execution bodies within the Group's risk management structure. Chairman of the Management Board appoints members of the Finance Committee and Credit Committee. It meets on a weekly basis.

Finance Committee

The purpose of the Finance Committee is to ensure the long term economic effectiveness and stability of the Group's operations. The Finance Committee establishes the Group's policy with respect to capital adequacy and market risks, including market limits, manages the Group's assets and liabilities, establishes the Group's medium term and long term liquidity risk management policy and sets interest rate policy and charges with respect to individual loan products. The Finance Committee must have at least five members (currently there are seven members) and the Chairman of the Management Board acts as the Chairman of the Finance Committee. It meets on a weekly basis.

Credit Committee

The Credit Committee supervises and manages the Group's credit risks. With respect to credit cards, the Credit Committee approves the consumer lending policy, the underwriting methodologies and the scoring models used for assessment of the probability of default, the initial credit limit assignment and subsequent account management strategies, provisioning rates and decisions to write off non-performing loans. This Committee must consist of at least five members (currently there are six members) and the Chairman of the Management Board acts as the Chairman of the Credit Committee. It meets when necessary, but at least once each month.

Business Development Committee

The Business Development Committee is responsible for the development, design and marketing of the Group's financial products and provides recommendations to the Group's risk management bodies with respect to changes to the Group's lending policies and procedures and the pricing of the Group's loan products. This Committee consists of 12 members appointed by the Management Board. It meets on a weekly basis.

Policy Implementation Bodies

The policy implementation level of the Group's risk management organisation consists of the Finance Department, the Risk Management Department, the Collections Department and the Internal Control Service.

Finance Department

The Finance Department is responsible for managing correspondent accounts, daily currency liquidity, money transfer control and daily money transfer modelling to support the required currency liquidity level for correspondent accounts and compliance with the CBRF's liquidity ratios.

The Finance Department is also responsible for closing international and local transactions in accordance with the Group's limits as approved by the Finance Committee and in compliance with the CBRF's regulations, as well as for short term placements, currency hedging and interest rate hedging.

Risk Management Department

The Risk Management Department is responsible for the development and implementation of the Group's consumer lending policy after the final approval of such policy by the Credit Committee. The Risk Management Department is also responsible for credit risk assessment of all proposed new products and related marketing communications, for approval of credit card applications and other loan products applications and for subsequent account management programmes.

Collections Department

The Collections Department is responsible for collection of amounts due but unpaid by delinquent the Group customers. The Management Board approves the Group's collections policy, which is then implemented by the Collections Department.

Internal Control Service

The Internal Control Service assesses the adequacy of internal procedures and professional standards, as well as their compliance with CBRF regulations. The Internal Control Service is controlled by, and reports to, the Board of Directors of the Bank.

Management Reporting Systems

The Group has implemented an online analytical processing management reporting system based on a common SAS data warehouse that is updated on a daily basis. The set of daily reports includes (but is not limited to) sales reports, application processing reports, reports on the risk characteristics of the credit card portfolio, vintage reports, transition matrix (roll rates) reports, reports on pre, early and late collections activities, reports on compliance with the CBRF's requirements, capital adequacy and liquidity reports, operational liquidity forecast reports and information on intraday cash flows.

Some reports are submitted for the review of the Bank's Board of Directors on a monthly basis. These include selected financial information based on IFRS and adjusted to meet the requirements of internal reporting, analytical reports on credit risk and lending, reports on the status of the Group's credit card business accompanied by management commentary and analysis and reports on the Group's performance versus budget and operational risk reports.

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ASSET, LIABILITY AND RISK MANAGEMENT

Overview of principal risks

The Group is subject to a number of principal risks which might adversely impact its performance.

The majority of the Group's assets and all its customers are located in or have businesses related to Russia. Consequently the Group is affected by the state of the Russian economy which is itself to a significant degree dependent on exports of key commodities such as oil, gas, iron ore and other raw materials, on imports of material amounts of consumer and other goods and on access to international sources of financing. During recent years the Russian economy has been significantly and negatively impacted by a combination of macroeconomic and geopolitical factors such as a significant decline in the price of oil, ongoing political tension in the region, economic sanctions imposed against Russian individuals and companies, economic restrictions imposed by Russia on other countries, capital outflows as well as depreciation of the Rouble and a decrease in Russia's international reserves. In addition emerging markets such as Russia are subject to greater risks than more mature markets, including significant political, economic and legal risks. This over-arching risk environment could impact one or more of the principal risks.

The principal activity of the Group is banking operations and so it is within this area that the Principal Risks occur. Management considers that those principal risks, are:

Credit risk;

Market risk;

Foreign currency exchange risk;

Interest rate risk;

Liquidity risk; and

Operational risk.

These are discussed in the following pages.

Credit Risk

The Group is exposed to credit risk, which is the risk that a customer will be unable to pay amounts in full when due. Credit risk arises mainly in the context of the Group's consumer lending activities.

The general principles of the Group's credit policy are outlined in the Credit Policy approved by the Board of Directors of the Bank. This document also outlines credit risk controls and monitoring procedures and the Group's credit risk management systems. Credit limits with respect to credit card applications are established by the Credit Committee and by officers of the Risk Management Department.

The Group structures the levels of its credit risk exposure by placing limits on the amount of risk accepted in relation to different online (Internet, mobile and telesales) and offline (sales through retailers) customer acquisition channels and sub-channels. Such risks are monitored on an ongoing basis and are subject to quarterly or more frequent review with the approval of the Management Board.

The Group uses automated systems to evaluate an applicant's creditworthiness ("scoring"). The system is regularly modified to incorporate past experience and new data acquired on an iterative basis. The Group performs close credit risk monitoring throughout the life of a loan.

Loan Approval Criteria and Procedures

The Group is primarily focused on reducing incoming credit risk at the acquisition stage. The Group's Credit Committee has established general principles for lending to individual customers. According to these principles, the minimum requirements for potential customers are as follows:

Citizenship of the Russian Federation;

Aged from 18 to 70 inclusive;

Possession of a mobile phone;

Longterm current employment;

Monthly income above five thousand roubles; and

Permanent or temporary place of residence.

In almost all cases, the decision to issue a credit card or other loan product to a potential customer is made automatically, based on the credit bureaus information, verification of the customer's identity and credit score of the applicant calculated using one of the acquisition channel-specific scoring models. In very rare cases, decisions to issue credit cards to high income or high net worth customers are taken manually by members of the Credit Committee, but the number of loans granted under such circumstances is immaterial.

The decision to issue a credit card or loan to a customer is made after completion of the following steps:

Solicitation – The initial step in the underwriting process that applies to one-to-one marketing channels (e-mails, phone calls, SMS messages and direct mail) is pre-screening of prospective customers. At this stage, the Group's loan officers check available information on prospective customers and remove potential non creditworthy customers, thereby reducing the cost of customer acquisition.

Validation – The purpose of this stage is to ensure the validity, completeness and quality of application data. The Group's system checks the integrity of the data and, if necessary, call centre staff call applicants to ask them to provide additional information or documentation.

Verification – At this stage, the Group's loan officers verify information provided by the applicant in their application form. This includes confirming the applicant's identity, for example through the telephone numbers from the credit bureau report; investigation of the applicant's financial situation during a phone interview; and verification of employment details (including verification that an applicant's employer is an officially registered legal entity, review of the employer's website to make sure that this entity exists and continues to operate, confirmation of the applicant's employment using telephone numbers of the legal entities from their registrars and, wherever possible, verification of the applicant's declared income with his or her employer). As part of the verification process, the Group's loan officers also gather as many phone numbers linked to the applicant as possible (land-line and mobile, personal and that of a friend and/or a relative) to facilitate future collection efforts.

Credit Bureaus – Subject to the prior consent of the applicants, the Group sends incoming applications to the largest credit bureaus in Russia including Equifax, Unified Credit Bureau (Sberbank, Experian, Interfax) and National Bureaus of Credit Histories, and requests applicants' credit histories. Typically, approximately 18 per cent. of applicants have no credit history in the credit bureaus but they are not automatically rejected and can be accepted on the basis of information provided in their application forms and other sources of information described below.

Scoring Model to Identify Fraud – At this stage, the Group investigates whether the applicant is currently in default according to credit bureaus reports, whether the applicant's passport is invalid according to the Federal Migration Service records, whether the applicant's name appears in any of the Group's proprietary databases or whether any application details (for example, telephone numbers or addresses) are identified as fraudulent in databases of other banks available through antifraud services provided by credit bureaus – Fraud Prevention Service (Equifax) and National Hunter (UCB).

Scoring Models for the Application – the Group has internally developed a set of acquisition channel-specific statistical models that rank all applicants according to their probability of default during the next 12 months. These models use, among other things, (i) demographic data from the application form (for example, age, gender, education and marital status), (ii) payment history, when available – both positive and negative – from the three largest credit bureaus in Russia, (iii) channel-specific marketing and behavioural information (for example, device used to fill in the application form, time between application and first call and the amount of time a web visitor spends on a website).

Application of the NPV Model and Final Decision – the Group has developed acquisition channel-specific models that, amongst other things, estimate a potential customer's net present value from one used credit card. The key components of every NPV model are the customer's probability of default, tendency to use a grace period, and other behaviour characteristics which are calculated using internal scoring models. For potential customers incoming from a particular acquisition channel, and taking into account such customers' estimated behaviour characteristics, initial credit limit and tariff plan, the models estimate the Group's future cash flows from each customer by modelling his or her behaviour in respect of, among others, credit limit utilisation levels, transactional activity, share of cash withdrawals in total card activity and repayment rates. The Group takes a NPV-positive approach to approval of all applications, which means that an application is approved only when the potential customer's net present value from the use of his or her credit card is positive. For all NPV calculations a discount rate of 30 per cent. is used.

The Group also maintains a flexible initial limit allocation system that allows it to reduce or increase the average initial limits in order to manage anticipated loan losses and liquidity.

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ASSET, LIABILITY AND RISK MANAGEMENT

Credit Line Management Procedures

Credit line management procedures for credit card products include the following:

Initial Credit Line Calculation

The customer's initial credit limit depends primarily on such customer's probability of default and his or her income. Lower probability of default and higher income have a positive impact on the initial credit limit. The initial limit cannot exceed three monthly salaries of the customer or RUB 120,000, whichever is lower.

Regular Update of Credit Line

Once the Group has received at least three minimum payments from a new customer and each six months thereafter, the Group reviews the customer's credit limit. As part of the process, the Group updates credit bureaus reports with respect to the customer and re-calculates such customer's probability of default with the help of internal behavioural scoring model. Based on the updated probability of default, the credit limit may be increased. For premium customers the credit limit may be increased further.

Loan Collection

The Group employs a multi stage collection process that seeks to achieve greater efficiency in the recovery of overdue credit card loans. Collections on loans that are overdue by 0 to 90 days are performed by the Group's internal Collections Department. After 90 days of delinquency, when it is clear that the early collection efforts are unlikely to be effective, customer's debt may be restructured into instalment loans (which is the option preferred by the Group), transferred to collections through courts or sold to its internal collection agency (Feniks) or external collection agencies.

The Group's collections methodology is based on customer behaviour and corresponding collection scores. Under this approach, at initial stage of collections (pre collections and early collections), delinquent customers are allocated to one of three groups depending on their risk profile (high risk of default, medium risk of default and low risk of default). This enables the Group to apply a variety of collections tools and collections treatments to different groups of delinquent customers.

All of the stages described below may be accelerated in cases where the Group has grounds to believe that the delinquent customer will not repay the debt voluntarily or that fraud has taken place. In such circumstances, the time periods between each collections stage are shortened or omitted (the respective loans are accelerated into collections used for non-performing loans) in order to increase the chances of recovery.

The Group's management uses monthly second payment default rate (percentage of accounts on which payment has not been received within 30 days of the first due date) as an important measure of asset quality that provides early indication of how non-performing loans levels and provisions might change in the future.

Pre Collections (Four Days Prior to Due Date). The Group sends to all customers a reminder about forthcoming payments and the amount due two to four days prior to the due date. The customer receives a SMS and/or an e-mail. High-risk customers also receive a call. Pre collections calling has proved to be an important way to combat delinquency.

Early Collections (0 – 30 Days). If payment is more than one day overdue, the customer receives reminders via SMS and email, as well as calls from the collections team. The level of contact is determined by behavioural scoring (their probability of default based on the customer's previous history with the Group and external credit bureaus scores) to ensure efficient use of collections resources.

"Soft" Collections (30 – 90 Days). Once a credit card loan becomes more than 30 days overdue (after the second payment default), the customer is switched to "soft" collections. On the 31st day of delinquency, the customer is sent a written notification of the missed payment and receives SMS and e-mail reminders at regular intervals, as well as follow up calls by members of the "soft" collections team. The Group's objective at the "soft" collection stage is to identify and assess the reasons why the customer has missed payments, to assist the customer in making payments, to collect payments and to identify early customers who should be transferred to collections used for non-performing loans. In rare circumstances, the Group provides temporary relief from credit card repayments for a period that usually does not exceed three months to borrowers with temporary financial difficulties but with a positive credit history. Monthly minimal payments are reduced to an amount that a borrower is able to repay during the relief period.

Non-Performing Loans Management. When loans are overdue by more than 90 days, the Group collection efforts consists of (i) the restructuring of credit card debt to personal instalment loans, which is the preferred option of the Group to handle such delinquency, or, if customers do not agree to such restructuring, then either (ii) collections through courts with the enforcement of judgments with the help of the Federal Service of Court Bailiffs of the Russian Federation or (iii) sales of non-performing loans to its internal collection agency (Feniks) or external collection agencies.

Conversion of Credit Card Debt to Personal Instalment Loans. Conversion of credit card debt to personal instalment loans was first introduced by the Group in 2010. This programme is based on regular instalments paid by delinquent customers. After consultations with the delinquent customer, the Group fixes the outstanding amount of the debt under the credit card loan and offers the customer an option to repay his or her debt in monthly instalments during a period limited to 36 months.

Recoveries through the Courts. The Group applies to courts through mailing standardised claims rather than appearing before a court to enforce overdue loans. The Group considers these generally straightforward and quick court proceedings as a preferred alternative to collection agency services in those locations in which court decisions can be obtained in approximately three months or faster. Most courts in Russia are able to resolve court cases initiated by the Group within this time framework.

Sales of Non-Performing Loans to Collection Agencies. Typically, loans delinquent for more than 150 days and not converted into instalment loans or being resolved through claims submitted to the courts, and loans with court orders with low collection rate are sold to in-house Feniks collection agency. In rare circumstances limited loan portfolios are sold to external collection agencies.

Fraud Prevention

The Group maintains a fraud prevention strategy which is based on the identification and fraud monitoring.

Access to customers' accounts is secured via smart identification system, which takes into account various customer profile parameters, including information on a device used and session data, and sets an identification level. Depending on such identification level, the customer needs to acknowledge the entry into the account by way of a login and password, four-digit access code, fingerprint, security question or a password sent to the customer's contact number. In securing access to customers' accounts a two-factor identification is used.

Customer support centres use a unified identification manager, which allows to request a customer's identification data and passwords without providing access to such data to the customer support service. In addition, a real-time voice authentication system is used to verify the identity of a caller. The system is based on the NICE Real-Time Voice Authentication System by Nice. The system is synchronised with the universal authentication manager processing customer calls to the centre. This technology enables customer voice identification during a regular phone call, reducing verification time from 40 seconds to 7 seconds. This dramatically improved customer experience by saving customer time and helped to reduce traffic costs and enhance security, given the prevalent risk of personal data in the age of social engineering.

Payment operations are generally secured via one-time SMS codes. Any operations with cash and movements on customer accounts are only carried out upon confirmation using a code sent via SMS and push notifications. IMSI system is used to check to authenticate a sim card.

Unauthorised operations are prevented by fraud monitoring system, which is based on IBM Safer Payments solution. The system allows to effectively prevent fraud at various stages of a payment process using a cross-channel monitoring. This secures online banking, emission, acquiring, deposit withdrawals, sms-banking, operations on accounts of legal entities.

The monitoring system may, inter alia, automatically reject or suspend a payment, block an account or send an alert report of a suspicious operation. Once a suspicious transaction is identified a customer may confirm such operation by phone, sms-bank or mobile application

When suspicious transactions are identified, the Bank gives the customer a choice - to confirm transactions by phone or for cases with the presence of a card through the sms-bank or mobile application. In more than 90 per cent. of cases, the customer does not have to contact the bank by phone, which is especially important for customers abroad.

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ASSET, LIABILITY AND RISK MANAGEMENT

Provisioning Policy

Provisioning policy falls under the responsibility of Tinkoff Bank's Management Board that approves internal documents regulating the determination of delinquency groups and creation of allowances for potential losses in connection with the Group's loan portfolio.

IFRS provisioning

The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group's management makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The primary factor that the Group's management considers as objective evidence of impairment is the overdue status of the loan.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. In accordance with internal methodology for the provision estimation, the Group uses all available loss statistics for the whole period of its operations. Starting from 2010, the Group's management uses a seven month horizon for assessment of probabilities of default in calculating the provision for impairment as these statistics provide better information to estimate and project loan losses.

CBRF Provisioning

For CBRF regulatory purposes, the Group currently applies a methodology based on RAS to calculate loan provisioning and determine expected losses. Under CBRF regulations, provisions for loan impairment are established following the borrower's default under the loan or where there is an objective evidence of potential inability of the borrower to repay the loan. In the case of consumer lending, the Group creates provisions by reference to homogenous loan portfolios including groups of loans consolidated on the basis of a certain credit risk criteria (such as type of loan product, region of residence, debt terms or month of issue) as well as individual loan products. Provisions with respect to individual loan products are calculated based on the borrower's financial condition and debt service quality.

CBRF requires banks to classify their loans into the following five risk categories and to create provisions in the corresponding amount at their discretion:

Loan classification	Status of loan and loss potential	Provisioning range (in %)
Category I	Standard loans, without credit risk	0
Category II	Non-standard loans, moderate credit risk	1-20
Category III	Doubtful loans, considerable credit risk	21-50
Category IV	Problem loans, high credit risk	51-100
Category V	Bad loans	100

Write Off Policy

The Management Board makes decisions on loans to be written off based on information provided by the Risk Management Department. Generally, loans recommended to be written off are those in respect of which further steps to enforce collection are regarded as not economically viable. Loans sold to external collection agencies are also written off from the Group's balance sheet.

Market Risk

The Group's exposure to market risk arises from open interest rate and foreign currency positions, which are exposed to general and specific market movements.

The Group is generally not engaged in trading operations. It has mismatches in its foreign currency positions that arise generally due to relatively short term lending in Roubles and relatively long term borrowings in U.S. dollars. The Group manages the positions through hedging, matching or controlled mismatching.

The CBRF sets limits on the open currency position that may be accepted by the Group on a stand-alone level, which is monitored on a daily basis. These limits prevent the Group from having an open currency position in any currency exceeding five per cent. of the Group's equity.

Foreign Currency Exchange Risk

The Group suffered from the rouble devaluation in November 2008 to February 2009 and has implemented a "low foreign exchange risk tolerance" policy to minimise exposure to foreign currency exchange risks. The policy imposes neutral hedging that matches assets and liabilities by currency, foreign exchange hedging of funding received in foreign currency and prohibits foreign exchange trading for speculative purposes.

Non-monetary assets are not considered to give rise to any material currency risk.

Interest Rate Risk

The Group's exposure to interest rate risks arises due to the impact of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also decrease or create losses in the event that unexpected movements arise. The Group's management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group has no significant risk associated with variable interest rates on loans and advances provided to customers or loans received.

The Group monitors interest rates for its financial instruments.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts and due to banks. The Group does not maintain cash resources to meet all of these needs as experience shows that only a certain level of calls will take place and it can be predicted with a high level of certainty. Liquidity risk is managed by the Financial Committee of the Bank.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to institutional investors, corporate and retail customer deposits and debt securities. Debt securities in issue consist of Rouble-denominated domestic bonds with maturities of up to five years, in particular RUB3bn 11.7 per cent. domestic bonds due 2021 with 18 months put option and RUB5bn 9.65 per cent. domestic bonds due 2022 with a two year put option.

The Group keeps all available cash in diversified portfolios of liquid instruments, such as a correspondent account with the CBRF and overnight placements in high rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group believes that the available cash at all times is sufficient to cover (i) debt repayments due within a month and accrued interest for one month ahead and (ii) a deposit liquidity cushion calculated as at least 15 per cent. of total retail deposits (but in practice usually maintained at a level between 20 and 25 per cent.). The Group believes that it has a proven ability to control loan portfolio cash flows to maintain levels of liquidity reflecting changing market realities. The Group also believes that its loan portfolio is responsive to change in inputs (such as stopping the issuance of any new credit cards or other loans and any increases in credit card limits) and that the Group can go from being cash-negative to being cash positive in a short period of time (estimated to be two weeks), as it was able to do in November 2008 and in September 2011.

The Group's liquidity management requires (i) considering the level of liquid assets necessary to settle obligations as they fall due; (ii) maintaining access to a range of funding sources; (iii) maintaining funding contingency plans; and (iv) monitoring balance sheet liquidity ratios against applicable regulatory requirements.

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ASSET, LIABILITY AND RISK MANAGEMENT

Tinkoff Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the CBR, based on stand-alone RAS information of Tinkoff Bank, which is substantially different from the Group's IFRS results. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly liquid assets to liabilities payable on demand. The minimum statutory ratio permitted by the CBRF is 15 per cent.
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The minimum statutory ratio permitted by the CBRF is 50 per cent.
- Long term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The maximum statutory ratio permitted by the CBRF is 120 per cent.

For purposes of managing the Group's liquidity risk, the CFO regularly receives extensive information about the liquidity profile of the financial assets and liabilities. Monitoring of the Group's liquidity position includes, among other things:

- Monthly credit card loan portfolio trends monitoring, which covers transaction and repayment levels, delinquency levels, first month utilisation levels and backlog utilisation levels. This information allows the Group management to exercise control over longer-term cash flows and portfolio size and to plan for debt repayments one to two years ahead;
- Daily monitoring of transactions, repayments and deposits with data for the day updated each evening;
- Close deposit monitoring through daily reports and periodic deposit portfolio/behavioural analysis;
- Daily monitoring of credit card, deposits and cash balances with a one-day lag for all balances;
- Daily monitoring of movements on CBRF and Nostro correspondent accounts; and
- Daily monitoring of payments flows, which consists of tracking incoming and outgoing payments including all future payments for up to three days in advance.

All daily reports also include week-to-day and month-to-day comparisons.

On the basis of all these reports, the CFO then ensures the availability of an adequate portfolio of short term liquid assets, made up of an amount in the correspondent account with the CBRF and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Group as a whole.

The Group's assets and liabilities management and liquidity policy takes into account certain relatively stable characteristics of the credit card loan portfolio, such as, among others, (i) regular monthly repayments of 12 to 14 per cent. of outstanding receivables, (ii) average utilisation of approximately 80 per cent. of the total portfolio limit, (iii) average utilisation of approximately 45 per cent. of the added amount within three months after regular credit limit upgrades; (iv) positive NPV on a credit card after 12 to 18 months; (v) risk profile of the portfolio, with decreasing delinquency rates resulting in increases in both repayments and transactions and (vi) seasonality, with a spike in usage in December of each year and a slowdown in usage in January and August.

Regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions and credit card portfolio behaviour is reviewed by the CFO.

All the investment securities available for sale are classified within demand and less than one month as they are easy repoable in the CBRF or on the open market securities and can provide immediate liquidity to the Group. All current accounts of individuals are classified within demand and less than one month.

The allocation of deposits of individuals considers the statistics of autoprolongations and top-ups of longer deposits with the funds from shorter deposits after their expiration in case when the customers have more than one active deposit. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Operational Risk

The Group is exposed to operational risk which is the risk of losses resulting from inadequate management and control procedures, fraud, poor business decisions, system errors relating to employee mistakes and abuse by employees of their positions, technical failures, settlement errors, natural disasters and misuse of the Group's property.

The Group has established internal control systems intended to comply with Basel guidelines and the CBRF's requirements regarding operational risk. The Board of Directors of the Bank adopts general risk management policy, assesses the efficiency of risk management, approves the Group's management structure, adopts measures designed to ensure continuous business activities of the Group including measures designed for extraordinary and emergency situations and supervises other executive bodies in respect of operational risk management. The Management Board generally oversees the implementation of risk management processes at the Group including relevant internal policies, adopts internal regulations on the Group's risk management, determines limits for monitoring operational risks and allocates duties among various bodies responsible for operational risk management.

Regular monitoring of activities is intended to detect in a timely manner and correct deficiencies in policies and procedures designed to manage operational risk, which can reduce the potential frequency and/or severity of a loss event. Dedicated the Group personnel track all problems the Group encounters in its operations and record all operation errors/issues and remedial measures taken on a special help-desk system. Reports on such errors or issues are sent to key managers and all such errors are issues are recorded in incident log. In order to minimise operational risk, the Group strives to regularly improve its business processes and its organisational structure as well as incentivise its staff.

The Group insures against operational risks through several insurance policies that cover, among other things, property risks in respect of the Group's offices, IT infrastructure and certain third-party liabilities.

The Group has not experienced any material operational failures in recent years. In order to minimise potential losses from such failures, ensure business continuity in case of disruption to IT systems and provide reliable and continuous access to business data and services, the Group's IT systems are located in two dedicated data centres each connected to separate and independent power supply sources. Critical IT systems are operated in the most accessible, primary data centre with primary Tier-III facilities, while secondary systems and back up facilities are located in a physically separate data centre. Both data centres provide 24 hours a day, seven day a week, year round power, cooling, connectivity and security capabilities to protect mission-critical operations and preserve business continuity for IT systems. Moreover, the Group keeps additional hardware on its premises for back-up purposes and has stand-by servers for each key system, including active standby for critical systems such as processing and transaction authorisation. Data connections to the data centres are 100 per cent. reserved via separate physical lines.

Anti-Money Laundering and Anti-Terrorist Financing Procedures

As a member country of the FATF, Russia adopted the Anti-Money Laundering Law. Subsequent to the adoption of the Anti-Money Laundering Law, the CBRF promulgated a number of anti-money laundering regulations specifically for the banking sector.

The Group has adopted internal regulations on anti-money laundering that are based on, and are in full compliance with, the requirements of the Russian anti-money laundering regulations, related instructions of the CBRF and international standards. The supervision of the Russian anti-money laundering regime is shared by the CBRF and the FSFMT.

The Group has created a specialised unit and appointed an authorised officer who coordinates activities aimed at preventing money laundering and terrorism financing. The Group conducts identification and review of its customers, customer's representatives, beneficiaries and beneficiary owners, money laundering and terrorism financing risk management, personnel training as well as daily analysis of banking operations, verifies information on operations that are subject to monitoring and sends all required information to the relevant state authorities. Employees of the Group have to take mandatory training on the Group's policies and procedures for preventing money laundering and terrorism financing both as part of the initial training after being hired and as part of the subsequent training activities.

Mandatory internal control checks are conducted by the Group's Internal Control Service. External control is provided by the CBRF and, within an annual audit, by a statutory auditor.

The Group cooperates with the FSFMT by timely addressing their requests regarding certain entities or operations.

CORPORATE AND SOCIAL RESPONSIBILITY

Corporate and Social Responsibility (CSR)

Overview

2017 was a year of important achievements and marked a watershed in the history of TCS Group. We continued developing the Tinkoff.ru ecosystem and integrating innovative technologies into our operational processes, with the aim of ongoing enhancement of operating efficiency.

Aside from strong financial performance, the Group continued to apply innovative technologies in product development and customer service in 2017. For example, chat bots that answer 20% of all the incoming queries without connecting customers and employees helped us to reduce the cost of service.

All this was made possible only through the efforts of our talented team. Throughout 2017, we were hiring the best professionals on the market to support our new lines of business.

By the end of 2017, the Group's headcount totalled more than 18,000 people, with 9,143 being permanent office-based employees and 8,300 employees working remotely. Mathematicians and IT specialists account for 60% of the total headcount at the Company's headquarters.

TCS Group average employment term is more than four years, with 15% of employees working at the Company for over five years. The share of vacancies filled internally is 15%, and the average period of reviewing new candidate applications ranges from three to seven days. According to a study by banki.ru, Russia's leading financial portal, 55.2% of the Company's employees post positive employee feedback.

Our team is still among the youngest on the market: the average age of employees Group-wide stands at 26.

Human resources: key principles

TCS Group adopts an unconventional recruitment approach. Lack of finance or banking background is often viewed as an advantage. We hire people with no stereotypes who are eager to reshape the financial services landscape. People with an analytical mind and the ability to handle huge amounts of data are our first choice.

Tinkoff Bank is a general partner of the Quiksilver New Star Camp 2017 held at the Rosa Khutor alpine resort in Sochi.

Tinkoff Bank is an official sponsor of Red Bull Flug Tag 2017. A challenge for the most courageous and creative pilots who dare to design and pilot self-made flying machines.

The Group's recruitment policy focuses on:

- bringing together smart people with analytical experience;
- a transparent structure with zero tolerance of bureaucracy or hierarchy;
- a smart working environment;
- an effective learning environment;
- encouraging initiative and taking on responsibility;
- creativity and open dialogue between employees;
- promotion of team spirit and entrepreneurial culture;
- broad employee capabilities and delegation of responsibility;
- an environment where employees can experiment, make mistakes and learn lessons;
- promotion of the Test and Learn framework.

In line with our Test and Learn approach we test many concepts and implement the most successful. Our employees are not afraid of making mistakes and failures: in our quest for the most successful models we support any experiments and promote open communication between colleagues.

We welcome innovative ideas to solve challenges in many different ways and we believe in the idea of an environment granting talented people far-reaching authority. Greater rights and opportunities for our people is a crucial element of our success. To deliver on the Group's objectives, we use various channels to establish communication between employees: email, online chats, meetings, etc. Any employee can address anyone in the Company regardless of their position.

Recruitment and training

We seek to recruit the best talent on the market using various tools to motivate and retain people. TCS Group recruits new team members via advertising and job sites, student forums, social networks and other online channels. We actively look for the best students at the top national and global universities, including winners of contests in mathematics, physics and programming. We offer career growth and training opportunities for professionals at every level.

Education projects

Tinkoff Fintech School

Twice a year we recruit students and graduates of top-ranking universities for our Tinkoff Fintech School, where lectures and hands-on seminars are delivered by the Bank's VPs and leading experts. They explain modern technology in the banking industry, mobile banking, social media, artificial intelligence, blockchain and cryptocurrencies.

Education at the Fintech School is provided free of charge. All applicants pass an online exam. The educational course including practical sessions lasts three months. To date, 500 people have completed the training. Currently, the Fintech School is training 250 students across Russia (in Moscow, St Petersburg, Nizhny Novgorod, and Novosibirsk).

The most promising graduates are invited to a job interview at Tinkoff. Since the opening of the Fintech School, 79 graduates have joined Tinkoff Bank's team.

MIPT Master's programme

In April 2017, we launched the Master's programme and a department at the Moscow Institute of Physics and Technology (MIPT). The first admission round took place last summer and saw 22 students enrolled. The MIPT Master's programme is a basic Financial Technologies Department in the Phystech School of Applied Mathematics and Informatics at the Moscow Institute of Physics and Technology. Key Tinkoff Bank employees hold professorial positions at the department. To be admitted to the Master's programme, candidates need to pass an internal examination and interview at Tinkoff, as well as MIPT admission exams. The department provides two-year education free of charge. Graduates receive diplomas from the Department of Control and Applied Mathematics and the Department of Innovation and High Technology. The course schedule enables students to study and work at the same time.

Specialised courses at the Moscow State University's Department of Mechanics and Mathematics (MSU Mech-Maths)

In December 2017, Tinkoff Bank started collaborating with the MSU Mech-Maths' corporate Department of Mathematical and Computer Methods of Analysis. Tinkoff Bank's senior executives and analysts developed specialised courses for the University's curriculum incorporating real-life business cases from Tinkoff Bank. The course curriculum gives students advanced training in programming, machine learning, business analytics,

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EMPLOYEES AND CORPORATE SOCIAL RESPONSIBILITY

big data fundamentals, etc. Admissions will start in September 2018. The course is 2-3 years and provided free of charge.

Tinkoff Bank also actively cooperates with other leading national universities: Bank employees deliver specialised courses at the Bauman Moscow State Technical University, the Faculty of Computer Science of the Higher School of Economics, and MIPT. They also participate in careers fairs.

Partnership project with the Skolkovo Foundation

In 2017, Tinkoff Bank became a partner of the Skolkovo Foundation. The collaboration includes R&D projects run at the Foundation's facilities by a partnership centre of Tinkoff Development Hub.

Under the agreement, Tinkoff Bank employees will participate in R&D conferences and other public events held by Skolkovo. Such events will give the Foundation's resident startups an opportunity to receive feedback on their products and mentoring from Tinkoff Bank's experts, and to partner with the Company.

Paid summer internships

Analysts and developers, first to fifth-year students and recent graduates, are welcome to enrol in annual summer internship at Tinkoff Bank each year and work on real-life projects. The duration of the programme is 1–2 months. During this period, students are familiarised with the banking industry and choose their further career path. A total of 50 students in Moscow and eight in St Petersburg participated in the summer internship in 2017.

Online contests

We launch online projects on a regular basis: computer vision contests, mathematical games, programmer contests, analyst days, machine learning competitions, etc. To date, almost 45,000 people across the globe have participated. In November 2017, Tinkoff Bank held an online contest in satellite imaging recognition. The event was open to anyone interested in computer vision and remote sensing. The panel of judges selected four winners to receive prizes of RUB150,000, RUB100,000 and two of RUB50,000. The best performing participants were invited to a job interview at Tinkoff Bank.

FinTech Youth Day at Finopolis Forum

In the autumn of 2017, Tinkoff Bank became a general partner of the first FinTech Youth Day at Finopolis, a forum of innovative financial technologies. The event was attended by students of specialised colleges and universities, post-graduates and recent graduates selected within an admission contest held by the Bank of Russia and the FinTech Association. George Chesakov, CEO of the Tinkoff Mobile MVNO, delivered an open lecture for forum participants titled Three Secrets of a Successful FinTech (out of 20) and told them about the lessons learned by Tinkoff Bank and its team over 12 years of successful business development.

Free canteen for Tinkoff Bank's employees with a daily offer of balanced meals and fresh fruits including takeaways.

Tinkoff Bank development hubs

In June 2017, Tinkoff Bank launched development hubs in Yekaterinburg, Novosibirsk, Nizhny Novgorod, Kazan (Innopolis) and Rostov-on-Don. By that time the project had already been launched in St Petersburg.

Hub employees work on developing a universal financial platform and financial services such as online banking, personal investment management, insurance, etc. The hub is also tasked with developing mobile apps for individuals and expanding the ecosystem of SME applications.

The regional hubs help the Group source talented software developers across a wider territory, ensure even task distribution, enhance the production cycle as employees work in different time zones, and reduce the time to bring new products to market.

Sporting and other events

TCS Group encourages a healthy lifestyle and supports the cultural development of its employees and society as a whole. Tinkoff Bank takes a regular part in the biggest and culturally important national events related to music, sports, science and education.

Tinkoff Bank is the chief sponsor of the Moscow Bike Parade arranged by the Let's Bike It! project aimed to promote the cycling culture and by the Moscow Department for Transport and Road Infrastructure Development.

In May 2017, Tinkoff Bank became the chief sponsor of the Moscow Cycling Parade arranged by the Let's Bike It! project (aimed to promote cycling culture) and Moscow Department for Transport and Road Infrastructure Development. Oleg Tinkov, the founder of Tinkoff Bank, attended the opening ceremony and rode the route together with other cyclists. The big Moscow Cycling Parade saw 40,000 participants occupying the entire Garden Ring Road at the start. In July 2017, there was a Night Cycling Parade sponsored by Tinkoff Bank. Its goal was to support the cycling infrastructure development and road safety. The Night Cycling Parade, which started at 10 pm on Frunzenskaya Embankment, was attended by 10,000 participants. The route length was 14 kilometres. Group employees are keen to support the Bank's corporate values related to a healthy lifestyle, and are highly proactive and willing to personally participate in cycling parades and other sporting events.

Also in July 2017, 16 top European and Russian teams gathered at Tinkoff Moscow Open – a basketball tournament within a FIBA international challenge. The event was attended by 450 amateur teams from Russia. All in all, 15,000 people took part in the tournament. Tinkoff Moscow Open was part of the Day of Sports programme hosted by the Luzhniki Stadium. About 100,000 people attended the event during the two days.

The GrelkaFest ski festival. Two lively weekends at Sheregesh, with all alpine skiing and snowboarding entertainments gathered in one place.

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EMPLOYEES AND CORPORATE SOCIAL RESPONSIBILITY

Tinkoff Bank is also a general partner of the Quiksilver New Star Camp 2017 held at the Rosa Khutor alpine resort in Sochi. Rosa Khutor gained international acclaim during the Olympic Games and successfully keeps maintain its exclusive status. Quiksilver New Star Camp is one of the main snowboard parks in Russia. Attendees enjoy special terms and offers from Tinkoff Bank at all stages of its operation. In addition to snowboarding competitions, the festival programme includes a series of lectures by influential speakers from the action sports industry, yoga workshops, snow schools for children, and a high altitude FMX and Snowmobile show.

Compensation and incentives

TCS Group offers its employees a unique working environment and a transparent system of career growth. We provide fixed-rate salaries and bonuses, regularly assess the employees' performance against their KPIs, determine amount of compensation and give feedback for future career development. TCS Group has a market-based salary structure, with KPI-related pay-rises and bonuses.

On 1 February 2017, the Group announced an expansion of its long-term management incentive plan. The number of eligible employees was increased from 51 to 69 people. New participants will share in equity-linked compensation. The target equity pool for all the programme participants will amount to 5.6% of the Group's issued share capital.

This plan aims to ensure that managers' and the shareholders' interests are aligned in order to increase the Group's value. The plan is designed for four years and is subject to meeting annual KPIs, with each annual compensation taken into account during the following three years. The managers' shareholding in the Group's equity is an effective tool for motivating and retaining employees.

Health and safety

TCS Group creates a safe and comfortable work environment for its employees in full compliance with Russia's labour laws. We offer annual medical check-ups, vaccinations, voluntary health insurance, free membership of our in-house fitness gym at Tinkoff Bank's headquarters, and other healthcare initiatives. TCS Group encourages a healthy lifestyle and regularly holds corporate competitions in football, volleyball, basketball, alpine skiing and chess.

Tinkoff Moscow Open 2017. A basketball tournament within a FIBA international challenge. About 100,000 people attended the event during the two days.

Quiksilver New Star Camp 2017. The festival programme includes snowboarding competitions, a series of lectures by influential speakers from the action sports industry, snow schools for children, and a high altitude FMX and Snowmobile show.

Diversity and inclusion

Tinkoff Bank's flexible business model, based on a high-tech contactless platform, allows individuals with disabilities to join our team. This helps us expand and diversify the Group's staff and recruit people based on professional skills and merits.

In 2017, we continued developing our home call centre where people can work for the company at any hours and locations convenient for them. This working format is suitable for those residing in remote areas with limited access to transportation as well as for those who can only work remotely (for example, for women on maternity leave). Such employees are trained online, and all the necessary corporate tools and materials are stored in a special cloud environment. 8,300 people throughout the country worked at our home call centre as at the end of 2017.

CSR

We are committed to supporting sustainable social development, and encourage our employees and customers to contribute to improving the quality of life of vulnerable groups in Russia. We also seek to promote various charitable funds among our customers, who can donate money via the Bank's website or mobile app. TCS Group and its employees provide not only financial support but also practical assistance to several non-profit entities, including assisted-care facilities and orphanages, as well as projects for homeless people and those in need of medical care. Our employees have raised funds to be spent on repair and maintenance of facilities and purchase of food, essentials and medications.

TCS Group supports the charitable Galchonok Foundation, which helps children with organic central lesions. In September 2017, Tinkoff Bank took part in Galafest 2017, an annual inclusive festival attended by more than 7,000 guests. The festival is a family event, where children with special needs play and study with their peers on an equal footing to them.

At the festival, Tinkoff Bank opened Galabank, a special children's branch where children of different ages could make a bank card with their own hands. All day long, under the guidance of professional artists and teachers, the children invented and brought to life their designs, and then used the cards for real, buying "growing" crayons with the festival's virtual currency via a specialised terminal. In just one day, Galabank issued more than 700 cards.

The Big Moscow Bike Parade 2017. Tinkoff Bank's employees believe in and embrace the corporate values related to a healthy lifestyle and are willing to personally participate in all sporting events.

BOARD OF DIRECTORS

Constantinos Economides (42)

Chairman of the Board of Directors

Constantinos Economides has been a director of TCS Group Holding PLC since November 2008 and Chairman since June 2015.

Mr. Economides is also the Managing Director of Royal Pine & Associates Ltd since January 2016. He was previously the Managing Director of Orangefield Cyprus from October 2006 to December 2015. Prior to 2006, he worked with Deloitte Ltd in Cyprus from 2003 to 2006 and Ernst & Young in the United Kingdom from 1999 to 2002.

Mr. Economides is a Fellow Member of the Institute of Chartered Accountants in England & Wales (ICAEW) and holds an MSc in Management Sciences from Warwick Business School, United Kingdom. In addition, he is a Licensed Insolvency Practitioner of the Institute of Certified Public Accountants of Cyprus (ICPAC) since October 2015.

Alexios Ioannides (41)

Member of the Board of Directors

Alexios Ioannides has been a director of TCS Group Holding PLC since November 2008. Mr. Ioannides previously worked for Deloitte from 2001 to 2008 where he trained and qualified as a Chartered Accountant in 2004. Mr. Ioannides is also the director of AXEPT Limited since 2008 and a member of the Board of Directors of The Copperlink Partners Limited since 2015.

Mr. Ioannides is a fellow member of the Institute of Chartered Accountants in England & Wales (ICAEW) and a member of the Institute of Certified Public Accountants of Cyprus (ICPAC) and holds a BSc. in Business Administration from the University of Alabama, USA.

Philippe Delpal (44)

Member of the Board of Directors
Non-Executive Director
Member of the Audit Committee
Member of the Remuneration Committee

Philippe Delpal has been a non-executive director of TCS Group Holding PLC since October 2013.

Mr. Delpal is an Operational Partner for Financial Services in Baring Vostok Capital Partners, one of the largest private equity businesses in Russia. He is also currently serving as a non-executive director of Orient Express Bank, First Collection Bureau, HMS Group (Russia), Renaissance Insurance Group (Russia) and Komercijalna Banka AD (Serbia). He has had a career in banking, most recently as chief executive at BNP Paribas in Moscow.

Mr. Delpal holds a degree in information technology, telecoms and economics from the Telecom Paris University, France.

Martin Cocker (58)

Member of the Board of Directors
Independent Non-Executive Director
Chairman of the Audit Committee
Member of the Remuneration Committee

Martin Cocker has been a non-executive director since October 2013.

Mr Cocker also serves on the boards of Etalon Group plc, Northumberland Tyne and Wear National Health Service Foundation Trust, Beverley Building Society, Nostrum Oil and Gas PLC and Headhunter Group plc. Mr. Cocker previously held positions at Ernst & Young, Amerada Hess, Deloitte & Touche and KPMG in the United Kingdom, Russia and Kazakhstan.

Mr. Cocker is a member of the ICAEW and holds a bachelor of science (joint honours) degree in mathematics and economics from the University of Keele, United Kingdom.

Directors of the Company gathered at the offices of the Company in Limassol after the Company's board meeting in March 2018.
Left to right: Alexios Ioannides, Philippe Delpal, Martin Cocker, Constantinos Economides (Chairman) and Maria Trimithiotou.

Jacques Der Megreditchian (58)

Member of the Board of Directors
Independent Non-Executive Director
Chairman of the Remuneration Committee
Member of the Audit Committee

Jacques Der Megreditchian has been a non-executive director since October 2013.

Mr. Der Megreditchian previously served as Chairman of the Exchange Council of the Moscow Exchange. Mr. Der Megreditchian has almost 30 years of experience in finance from CCF, Societe Generale and Troika Dialog where he held the position of Chief Business Officer.

Mr. Der Megreditchian holds a degree in business administration from the European Business Institute, France and in financial analysis from the French Center for Financial Analysis, France.

Maria Trimithiotou (40)

Member of the Board of Directors

Maria (Mary) Trimithiotou has been a director since May 2012.

Mrs. Trimithiotou previously worked for Deloitte Ltd holding the position of audit manager from October 2001 to February 2009 and, subsequently, moved to Orangefield Fidelico Ltd where she held the position of Director from 2012 until 2015. Currently, Mrs. Trimithiotou is a member of the Board of Directors of Royal Pine & Associates Ltd.

Mrs. Trimithiotou is a Fellow Chartered Certified Accountant and a Member of the Association of Chartered Certified Accountants, as well as Member of the Institute of Certified Public Accountants of Cyprus (ICPAC). Mrs. Trimithiotou is also a Licensed Insolvency Practitioner since October 2015.

Dear stakeholders

2017 has been another remarkable, transformational year in the life of the Company as the financial supermarket branches out, augmenting the hugely successful core credit card business. As I have mentioned in the past, stellar financial performance such as the Group delivered in FY2016 and again in FY2017 is the result of many years of groundwork, of informed and astute decisions taken and well targeted investments, allied to complete professionalism, passion for the Tinkoff business and devotion to serving our customers. And above all, true entrepreneurial instinct.

The Group's CFO Ilya Pisemsky's detailed commentary on the operating and financial results is included in this Report in his 'Financial review' as is Oliver Hughes our CEO's 'Strategic review' of 2017 and insights into what 2017 brought and what might lie ahead. I won't attempt to precis them. These two talented managers have a high profile, not least in this Report but they are very ably supported by a wider team of core managers numbering about 50.

Everyone appreciates that the Russian operating environment is not the easiest, throws out more than its fair share of challenges at managers and business lines and recent months have been no exception. Let us not forget the international dimension either. Yet the Group has been able to thrive whatever the challenges, whatever the environment.

Inside the Company; the work of the Board of Directors which I chair, continues. We have sound corporate governance mechanisms in place, but we are always looking to upgrade them, looking at how our peers operate and adapting their better ideas for our entrepreneurial culture. This past year has seen a number of positive developments within the Group's internal audit and information security divisions, to mention just two. More are under active consideration. Our annual appraisal of the Board, its committees and individual directors, their individual and collective strengths and weaknesses, his, her and their performance and effectiveness, was conducted in-house as has been our practice to date, though external assessors may be introduced in the future. The recent appraisal in Q12018 for FY2017 found us in good shape- but we do not take success as a given. It threw up some interesting ideas; we will be looking to develop these in the near future.

I would like to express my particular thanks and gratitude to our founder and controlling shareholder Oleg Tinkov for his vision and offer my congratulations to him and all the Tinkoff management team for their outstanding success.

May 2018 bring more of the same!

Constantinos Economides

Chairman of the
Board of Directors

CORPORATE GOVERNANCE

THE ROLE OF THE BOARD IS TO PROVIDE LEADERSHIP TO THE GROUP WITHIN A FRAMEWORK OF PRUDENT AND EFFECTIVE CONTROLS WHICH ENABLES RISK TO BE ASSESSED AND MANAGED.

GDRs of TCS Group Holding PLC (a Cyprus incorporated company), with each GDR issued under a deposit agreement dated on or about 24th October 2013 with JPMorganChase Bank N.A. as depositary representing one Class A share, are listed (with a standard listing) on London Stock Exchange and the Company is required to comply with its corporate governance regime to the extent it applies to foreign issuers of GDRs. No shares of TCS Group Holding PLC are listed on any exchange.

The Company has not adopted corporate governance measures of the same standard as those adopted by UK incorporated companies or companies with a Premium listing of equity shares regardless of whether they are incorporated in the UK or elsewhere. The Company's Home State is Cyprus.

As the Class A shares themselves are not listed on the Cyprus Stock Exchange, the Cypriot corporate governance regime does not apply to the Company and accordingly the Company does not monitor its compliance with that regime.

A description of the terms and conditions of the GDRs can be found at 'Terms and Conditions of the Global Depositary Receipts', 'Summary of the Provisions relating to the GDRs whilst still in Master Form' and 'Description of Arrangements to Safeguard the Rights of the Holders of the GDRs' in the Prospectus issued by the Company dated 22 October 2013 and on the website at www.tinkoff.ru/eng.

Copies of the Articles of Association of the Company adopted on 21 October 2013, the terms of reference of the committees, and other corporate governance-related as well as investor relations-related materials can also be found on that website, on the Company's page on the London Stock Exchange website and at the official site of the Department of Registrar of Companies, Cyprus (http://www.mcit.gov.cy/).

The Board of Directors

The role of the Board is to provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management's performance. The Board also sets the Group's values and standards and ensures that its obligations towards the shareholders and other stakeholders are understood and met.

The Board operates under a formal schedule of matters reserved to the Board for its decision, approved by shareholders in 2013.

The authorities of the members of the Board are specified by the Articles of Association of the Company and by law. The current six strong Board of directors is comprised of three executive directors including the chairman, and three non-executive directors two of whom are independent. There was no change in the composition of the Board in 2017. The board of directors currently contains no Directors B.

The longest serving director Mr Constantinos Economides took over the role of Chairman of the Board of directors in June 2015. The names of the people who served on the Board during 2017 are listed at F-2. The Group has established two Committees of the Board. Specific responsibilities have been delegated to those committees as described below.

The Board is required to undertake a formal and rigorous evaluation annually of its own performance, that of its committees and of its individual directors. That review was carried out in early 2018, in-house, in relation to 2017, looking at overall performance in late 2016 and 2017. All directors completed detailed questionnaires on the Board's performance. Analysis of the resultant feedback, which was discussed at a meeting of the Board of Directors in early 2018 did not show up any deficiencies in the performance of the Board, its committees or individual directors of a nature that required changes to be made.

The Board has not appointed a senior independent director. There are only two independent directors of whom at least one will retire each year. The role of assessing the performance of the Chairman for FY2017 was performed by the Chairman of the Audit Committee.

Number of directors

Unless and until otherwise determined by the Company in general meeting, the number of directors shall be no less than four, of whom two must be non-executive, and shall not exceed seven, so long as Class B Shares are in issue. Thereafter there shall be no maximum number of directors.

The Articles of Association of the Company provide for the retirement by rotation of certain directors at each Annual General Meeting. In 2017 the two directors who retired by rotation were Mr Philippe Delpal and Mr Martin Cocker. Both were duly reappointed by vote of the shareholders.

Director's powers

The business of the Company is managed by the directors, who are empowered to exercise all such powers of the Company as are not, by the Cyprus Companies Law or by the Articles of Association, required to be exercised by the shareholders in general meeting, subject nevertheless to any provisions of the Articles of Association, of the Companies Law and of any directions given by the general meeting by ordinary resolution; but no alteration of the Articles of Association and no direction made by the Company in general meeting shall invalidate any prior act of the directors which would have been valid that alteration or direction not been made or given.

Proceedings of the Board of Directors

The quorum necessary for the transaction of the business of the directors shall be at least four directors.

Questions arising at any meeting of the board of directors shall be decided by a majority of votes. In the case of equality of votes, the chairman shall have a second or casting vote. A director may, and the secretary on the requisition of a director shall, at any time, summon a meeting of the directors. A resolution in writing signed or approved by letter, telex, facsimile or telegram by all directors or their alternates or in relation to a committee by all its directors, shall be as valid and effectual as if it had been passed at a meeting of the board of directors or (as the case may be) at a committee meeting duly convened and held. Any such resolution in writing signed may consist of several documents each signed by one or more of the persons described.

Any notice shall include an agenda identifying in reasonable detail the matters to be discussed at the meeting together with copies of any relevant documents.

The directors may delegate any of their powers to a committee or committees consisting of one or more members of their body as they think fit; any committee so formed shall, in the exercise of the powers so delegated to it, comply with the rules which may have been imposed on it by the directors, in respect of its powers, composition, proceedings, quorum or any other matter.

Attendance table for Board of Director and Committee meetings, FY2017

Director	Board attendance FY2017	AC attendance FY2017	RC attendance FY2017
Constantinos Economides (Chairman)	4/4	n/a	n/a
Maria Trimithiotou	4/4	n/a	n/a
Alexios Ioannides	4/4	n/a	n/a
Martin Cocker	4/4	6/6	4/4
Philippe Delpal	3/4	6/6	4/4
Jacques Der Megreditchian	4/4	6/6	4/4

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CORPORATE GOVERNANCE

Committees of the Board of directors

The Company has established two Committees of the Board of directors: the Audit Committee and the Remuneration Committee and their terms of reference are summarized below. Both Committees were constituted in October 2013. The Board reserves the right to amend their terms of reference and arranges a periodic review of each Committee's role and activities and considers the appropriateness of additional committees.

Committees-current composition

The Audit Committee is chaired by an independent non executive director Mr Martin Cocker, and has two other members both non executive directors, one of whom is independent.

The Remuneration Committee is also chaired by an independent non executive director Mr Jacques Der Megreditchian, and has two other members both non executive directors, one of whom is independent. Details of the non executive and independent non executive directors are set out under 'Board of Directors'.

The current terms of reference of both Committees are available to the public and can be found on the Company's website. A short summary of both is set out below.

Role of the Audit Committee

The Audit Committee's primary purpose and responsibility is to assist the Board in its oversight responsibilities. In executing this role the Audit Committee monitors the integrity of the financial statements of the Group prepared under IFRS and any formal announcements relating to the Group's and the Company's financial performance, reviewing significant financial reporting judgments contained in them, oversees the financial reporting controls and procedures implemented by the Group and monitors and assesses the effectiveness of the Company's internal financial controls, risk management systems internal audit function, the independence and qualifications of the independent auditor and the effectiveness of the external audit process. The Audit Committee is required to meet at appropriate times in the reporting and audit cycle but in practice meets more often as required.

Under its terms of reference the Audit Committee is required at least once a year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Audit Committee met this obligation in two main ways, through members participating in the main Board review described above in early 2018 and by arranging a complementary committee review on a rolling basis driven by the audit cycle

Martin Cocker

Independent Non-Executive Director, Chairman of the Audit Committee, Member of the Remuneration Committee.

Philippe Delpal

Non-Executive Director, Member of the Audit Committee, Member of the Remuneration Committee.

Jacques Der Megreditchian

Independent Non-Executive Director, Chairman of the Remuneration Committee, Member of the Audit Committee.

March to March. After consideration of the Audit Committee's own review, no further changes to those adopted in the preceding year were proposed to the committee's terms of reference. During the second half of 2016 the Audit Committee determined to set a more structured framework around the extensive work it had been doing between its quarterly meetings to review the financial statements by adding at least two additional meetings to its annual schedule, at least one of which would be held at the Bank's head office in Moscow, to consider specific non-financial statement related areas within its terms of reference such as risk management issues including internal audit procedures, and the financial and reputational dimensions of cyber security measures put in place by the Group. Two such meetings were held in 2017 with a further two at least in 2018 planned.

The Audit Committee has developed a risk matrix which constantly evolves to reflect new risks, the perceived impact of, and the Group's appetite for, any given risk and the measures taken to mitigate those risks. This matrix is run in conjunction with the internal audit function.

In 2017 the Group reorganised its internal audit function, to clarify the demarcation between its internal audit and internal control (CBRF compliance and regulatory) functions while materially increasing the resources overall within the internal audit team.

In addition a new post of chief information security officer was created in 2017 and filled, with additional personnel expert in cyber-security recruited to support the Group's ever-increasing efforts to stay ahead of trends and threats in this sphere. The Committee met 6 times in FY2017.

Role of the Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing among other things the framework of remuneration of the executive directors, senior management and its overall cost and the Group's remuneration policies. The objective is to ensure that the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contributions to the success of the Group. The Remuneration Committee's Terms of Reference include reviewing the design and determining targets for any performance related pay schemes and reviewing the design of all share incentive plans for approval by the Board. The Remuneration Committee is required to meet at least twice a year but in practice meets more often.

The Remuneration Committee continued work into 2017 on its ongoing review of the operation of the Group's equity based incentive and retention plan for key, senior and middle management (MLTIP) which launched in 2016 and in considering additional awards to both existing and new participants for this and subsequent years.

Under its terms of reference the Remuneration Committee is required at least once a year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Remuneration Committee met this obligation through members participating in the main Board review (described above) under which detailed questionnaires were completed by all directors assessing the operation of the Board and both committees. Although earlier reviews had resulted in certain minor changes to the Remuneration Committee's terms of reference to clarify certain procedural matters and to align them more closely with how the committee operated in practice, no further changes were felt required in 2017/18.

The Committee continues to meet as required. It did not identify a need to schedule additional regular meetings, but in 2017 it convened 4 times.

Appointment, rotation and removal of directors

The directors of the Company are appointed by the general meeting of shareholders with the sanction of an ordinary resolution. Such an appointment may be made to fill a vacancy or as an additional director. But no director may be appointed unless nominated by the board of directors or a committee duly authorized by the board of directors or by a shareholder or shareholders together holding or representing shares which in aggregate constitute or represent at least 5% in number of votes carried or conferred by the shares giving a right to vote at a general meeting.

Notwithstanding that, one or more Directors B (a special category of director) may be appointed only by Class B shareholders, together holding or representing Class B shares which constitute or represent in aggregate over 50% in nominal capital paid up on the Class B shares upon serving notice to the Company.

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The board of directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director and every such director shall hold office only until the next following annual general meeting and shall not be taken into account in determining the directors who are to retire by rotation.

One third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) shall retire by rotation at every annual general meeting. Directors holding an executive office and Directors B are excluded from retirement by rotation.

Directors including Directors B may be removed from office by the shareholders at a general meeting with the sanction of an ordinary resolution, subject to giving 28 days' notice to that director in accordance with the Articles of Association. Directors B may at any time be removed from office by Class B shareholders together holding or representing Class B shares which constitute or represent over 50% in nominal capital paid up on the Class B Shares upon giving notice to the Company.

The office of director shall be vacated if the director:

- becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- becomes prohibited from being a director by reason of any court order made under Section 180 (disqualification from holding the position of director on the basis of fraudulent or other conduct) of the Cyprus Companies Law; or
- becomes, or may be, of unsound mind; or
- resigns his office by notice in writing to the Company left at the registered office; or
- is absent from meetings of the board for six consecutive months without permission of the board of directors and his alternative director (if any) does not attend in his place and the board of directors resolves that his office be vacated.

At any time when Class B Shares cease to exist by virtue of conversion into Class A Shares, each Director B shall thereby become (undesignated) a director and shall remain in office until the next annual general meeting and such director will not be taken into account in determining the directors who are to retire by rotation at such meeting.

Share capital

As at 31 December 2017, the Company's issued share capital is USD7,305,553 divided in to 182,638,825 shares, each of nominal value of USD0.04 per share and fully paid. Of these 96,239,291 are Class A Shares and 86,399,534 Class B Shares, each with a nominal value of USD0.04 per share and fully paid. As of 31 December 2017, the Company's authorized share capital was USD7,619,180.

All of the Class B shares are held directly or indirectly by Mr Oleg Tinkov, the controlling shareholder. Holding all Class B Shares equates to a 47.3% economic interest in the Company and a voting interest of 89.98%.

Neither the Company nor any of its subsidiaries has any outstanding convertible securities, exchangeable securities or securities with warrants or any relevant acquisition rights or obligations over the Company's or any of the subsidiaries' authorised but unissued capital or undertakings to increase its issued share capital.

Certain rights of pre-emption are conferred, by the Cyprus Companies Law and the Articles of Association of the Company, on existing shareholders for issue of new shares to the Company in cash. Please refer to the section below on pre-emption rights for further information.

Articles of Association

In this section Cyprus Companies Law means the Companies Law, Cap. 113 of Cyprus and any successor statute or as the same may from time to time be amended.

The Company's current Articles of Association were adopted on 21 October 2013. The following is a brief summary of certain material provisions of the Articles of Association, in force as at 31 December 2017.

Rights of shareholders

Except for the additional voting rights attached to Class B Shares, the right to requisition a general meeting of the shareholders and the right to appoint a Director B, none of the shareholders of the Company has any rights different from any other holder of shares of the Company. A summary of the rights attached to the shares of the Company is set out below.

Meeting of shareholders

The Company is required to hold an annual general meeting each year on such date and at such place as the directors may determine provided that not more than 15 months should elapse between annual general meetings.

The board of directors or any director may convene general meetings. The board of directors will also convene:

(a) extraordinary general meetings of the Company on the requisition of:

(i) a shareholder or shareholders together, holding or representing in aggregate, shares (being shares of either of the Class A Shares and Class B Shares) which constitute or represent at least five per cent. of the total number of votes carried or conferred by the Class A Shares and Class B Shares; or

(ii) a Class B shareholder;

(b) a separate meeting of the Class A shareholders on the requisition of a Class A shareholder or Class A shareholders together, holding or representing Class A Shares which in aggregate constitute or represent at least five per cent. in nominal capital paid up on the Class A Shares; and

(c) a separate meeting of the Class B shareholders on the requisition of any Class B shareholder,

and any shareholder or shareholders as aforesaid may add items to the agenda of a meeting which they are entitled to attend.

An annual general meeting and a meeting called at which a special resolution will be proposed shall be called by at least twenty-one days' prior written notice. All other general meetings may be convened by the board by issuing at least 14 days' prior written notice.

General meetings of the Company may be called by shorter notice and shall be deemed to have been duly called if it is so agreed:

- in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving the right to attend and vote at the meeting.

Notice to persons

All shareholders are entitled to attend the general meeting or be represented by a proxy authorised in writing. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands, every member present (if a natural person) in person or by proxy or, (if a corporation) is present by a representative not himself being a member, shall have one vote for each Class A Share of which he is a holder and shall have 10 votes for each Class B Share of which he is a holder, and on a poll, every member shall have one vote for each Class A Share of which he is a holder and shall have 10 votes for each Class B Share for which he is a holder.

The quorum for a general meeting will consist of such number of shareholders holding in aggregate more than 50 per cent. of the issued capital. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the following week, at the same time and place or to such other day and at such other time and place as the chairman of the general meeting may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the shareholders present shall be a quorum.

The above quorum does not apply to every separate meeting of the shareholders of any class, in that any shareholder (present in person or by proxy) holding or representing shares of the class which in aggregate constitute or represent at least one-third in nominal capital paid up on the shares of the class, shall constitute a quorum and a meeting.

A resolution in writing which has been signed by or on behalf of shareholders conferring in aggregate at least 75 per cent. of the votes exercisable on such resolution at general meeting of the Company is valid and effectual as if the resolution were sanctioned by the general meeting, provided that a notice of the intention to propose the resolution together with a copy of the resolution, are given to all the shareholders conferring the right to vote on the resolution, at least 30 days prior to the date of the resolution. Such a resolution in writing may consist of several documents in the like form each signed by, or on behalf of, one or more shareholders.

Pre-emption rights

Under the Cyprus Companies Law, each existing shareholder has a right of pre-emption to subscribe for any new shares to be issued by the Company in cash, in proportion to the aggregate number of such shares of the shareholder. There are no pre-emption rights with respect to shares issued for non-cash consideration.

Specifically, all new shares and/or other securities giving rights to purchase shares in the Company, or which are convertible into shares in the Company that are to be issued for cash, shall be offered to the existing shareholders on a pro-rata basis to the participation of each shareholder in the capital of the Company, on a specific date fixed by the directors. Any such offer shall be made upon written notice to all the shareholders specifying the number of the shares and/or other securities giving rights

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to purchase shares in the Company, or which are convertible into shares in the Company, which the shareholder is entitled to acquire and the time periods (which shall not be less than 14 days from the [date of notification of the offer (or)/from the date of the dispatch of the written notice]), within which the offer, if not accepted, shall be deemed to have been rejected. If, until the expiry of the said time period, no notification is received from the person to whom the offer is addressed or to whom the rights have been assigned that such person accepts all or part of the offered shares or other securities giving rights to purchase shares in the Company, or which are convertible into shares of the Company, the directors may dispose of them in any manner that they deem fit.

These pre-emption rights may be dis-applied by a resolution of the general meeting which is passed by a specified majority, being a majority in favour of over one half of all the votes cast if the attendance represents not less than half the issued share capital and a majority in favour of not less than two-thirds of the votes cast in all other cases ("Special Majority Resolution"). In connection with such a waiver, the directors have an obligation to present to the relevant general meeting a written report which explains the reasons for the proposed disapplication of the pre-emption rights and justifies the proposed issue price of the shares. A dis-application of pre-emption rights as aforesaid is regarded as a variation of class rights carried by or conferred on the Class A holders (including the depositary) and Class B holders. Separate prior consent is therefore required from both Class A holders and Class B holders.

Voting rights

Subject to any special rights or restrictions as to voting attached to shares, every holder of shares who is present (if a natural person) in person or by proxy or, (if a corporation) is present by a representative, shall have one vote for each Class A Share of which he is a holder and shall have 10 votes for each Class B Share of which he is a holder.

The Class A Shares carry the right to one vote per Class A Share and confer on the Class A shareholders the right:

- on a Hands Vote, to one vote per Class A shareholder; and
- on a Poll Vote, to one vote per Class A Share held by each Class A shareholder,

but no Class A Share carries or confers any right to vote, on a resolution or proposed resolution for the removal from office of a Director B.

"Director B" means a director appointed or deemed to have been appointed by Class B shareholders in accordance with the Articles of Association.

The Class B Shares carry the right to 10 votes per Class B Share and confer on the Class B shareholders the right:

(a) on a Hands Vote, to 10 votes per Class B shareholder; and

(b) on a Poll Vote, to 10 votes per Class B Share held by each Class B shareholder.

Every resolution put to the vote of a general meeting shall be decided on a Hands Vote unless a Poll Vote is demanded in accordance with the Articles of Association.

No shareholder shall be entitled to vote (either in person or by proxy) at any general meeting unless all calls or other sums presently owed by him in respect of those shares have been paid or the Board of Directors otherwise determine.

Conversion rights

Class A Shares are generally not convertible into Class B Shares.

Each Class B Share confers on its holder the right to convert each Class B Share into one Class A Share at any time at the absolute discretion of a relevant Class B shareholder by serving a written notice to the Company setting out the number of Class B Shares the relevant holder is willing to convert. The conversion referred to above shall take place automatically at the expiration of one Business Day from the date that the relevant notice is received by the Company. Once Class B Shares are converted into Class A Shares, the Class A Shares that result from such conversion shall rank pari passu in all respects with the existing Class A Shares in issue.

Without prejudice to the rights of the holders of Class B Shares for the conversion of their shares into Class A Shares, Class B Shares shall be automatically converted into Class A Shares, on a one-to-one basis, in the following circumstances:

(a) in the event that any Class B Share has been transferred to, or is held by, a person other than a Qualified Person (defined below) or otherwise who has ceased to be a Qualified Person, and such person (the "Disqualified Holder") does not become or is not re-instated as, a Qualified Person within 45 days of the service on the Disqualified Holder of a notice from the Company to that effect (the "Conversion Event"), each Class B Share held by the Disqualified Holder shall, with effect of the Conversion Event, automatically be re-classified and re-designated as a "Class A Share" ranking pari passu in all respects and for all purposes with all and each of the pre-existing (outstanding) Class A Shares:

provided that:

(i) If a Class B shareholder has no knowledge that such holder has become a Disqualified Holder and it is unreasonable to expect the Disqualified Holder to have such knowledge, such shareholder shall be deemed not to have become a Disqualified Holder or otherwise ceased to be a Qualified Person, unless or until such shareholder shall be made aware of this by notice in writing from the Company.

(ii) The Company may at any time require any Class B shareholder to furnish the Company with any information, supported (if the Company so requires) by statutory declaration which the Company may consider necessary for the purpose of determining whether or not such shareholder is a Qualified Person.

(b) Notwithstanding Paragraph (a), in the event that the Class B Shares constitute or represent in aggregate less than 10 per cent. in nominal capital paid up only on the Class A Shares and Class B Shares (the "Total Conversion Event"), each existing (issued) Class B Share shall, with effect of the Total Conversion Event, automatically be re-classified and re-designated as a "Class A Share" ranking pari passu in all respects and for all purposes with all and each of the pre-existing (outstanding) Class A Shares.

(Qualified Person, for the purpose of these paragraphs means a Class B shareholder or a person connected with such Class B shareholder or a person, or persons jointly, as the trustee or trustees of any trust or settlement (whether or not conferring the trustees discretionary powers) for the benefit of such Class B shareholder or a relative, or relatives, of such Class B shareholder.)

Dividend and distribution rights

The Class A Shares and Class B Shares have the right to an equal share in any dividend or other distribution paid by the Company, and any dividend or other distribution may only be declared and paid by the Company to the holders of the Class A Shares and Class B Shares together.

Variation of rights

The special rights carried or conferred by the shares of any class, may, without prejudice to the rights of the shareholders under section 70 of the Cyprus Companies Law, be varied or abrogated with the consent:

(a) in writing of the sole shareholder of, or the shareholders holding in aggregate at least two thirds in nominal capital value of, the Shares of that class; or

(b) of the general meeting of the shareholders of the Shares of that class with the sanction of a majority resolution, being a resolution sanctioned:

(i) by a majority of over one-half of the votes cast by the shareholders present in person or by proxy and entitled to vote, in the case where all the shareholders present in person or by proxy and entitled to vote, hold or represent in aggregate not less than 50 per cent. in nominal capital value of the entire issued share capital of the Company; or

(ii) by a majority of not less than two-thirds of the votes cast by the shareholders present in person or by proxy and entitled to vote in all other cases, at a general meeting of which not less than 14 days' notice specifying the intention to propose the resolution as a "majority resolution" has been given.

Shareholders voting against the variation of that class who between them hold or represent not less than 15 per cent. of the issued shares of that class may apply to the Courts of Cyprus to have the variation set aside.

October 2013 Shareholders' Agreement: automatic termination in 2017

A shareholders' agreement was made in October 2013 between Tadek Holding & Finance SA and four other companies controlled by Mr Oleg Tinkov, and four additional pre IPO investors, (1) ELQ Investors II Limited (ELQ), an entity wholly owned by The Goldman Sachs Group, Inc., (2) Vostok Emerging Finance (Cyprus) Limited (VEF) (following a reorganization from the original party Vostok Komi (Cyprus) Limited), (3) Rousse Nominees Limited (BV) a nominee company holding interests for limited partnerships comprising Baring Vostok Private Equity Fund IV, and (4) Lorimer Ventures Limited (Lorimer), an entity wholly owned by Emerging Europe Growth Fund II LLP, managed by its general partner Horizon Capital GP II LLC.

Lorimer had already ceased to be a party to the Shareholders' Agreement on disposing of its entire interest in the Group. While ELQ, VEF and BV remained significant shareholders and/or GDR holders in the Group, the Shareholders' Agreement automatically terminated last year (2017) when their aggregate holdings fell below 10%.

MANAGEMENT TEAM

Oliver Hughes (47)

**CEO,
Chairman of the Management Board of Tinkoff Bank**

Oliver oversees the strategic direction of Tinkoff Bank.

He joined Tinkoff as CEO in 2007 and has been at the helm every step of the way, helping Tinkoff grow into the world's largest independent digital bank by customer base. Before joining Tinkoff, Oliver worked for Visa International for a decade, including as Head of Visa in Russia from 2005 until 2007. Prior to Visa, he held various positions including at Reebok, Shell UK and the British Library.

Oliver holds a Master of Arts degree in International Politics from Leeds University and a Master's degree in Information Management and Technology from City University in London. He also has a Bachelor's (First Class) degree in Russian and French from the University of Sussex.

Ilya Pisemsky (42)

**Chief Financial Officer,
Deputy Chairman of the Management Board of Tinkoff Bank**

Ilya is responsible for financial management, corporate strategy and planning. He has been Chief Financial Officer at Tinkoff since July 2008 and Deputy Chairman of the Management Board since April 2010. Prior to joining Tinkoff, he was Deputy Chief Financial Officer at Bank Soyuz and held a managerial position at Ernst & Young CIS.

Ilya graduated from the Finance Academy under the Government of the Russian Federation in Moscow and holds an MBA from the F.W. Olin Graduate School of Business at Babson College in Wellesley, Massachusetts.

Sergei Pirogov (47)

**Head of Corporate Finance,
Member of the Board of Directors of Tinkoff Bank**

Sergey has been responsible for capital raising and debt portfolio management at Tinkoff as Head of Corporate Finance since January 2010. Since July 2016, he has served on Tinkoff Bank's Board of Directors. Previously Sergey worked at Citigroup, where he was Director of Corporate Finance for Russia and the CIS from 2002 to 2008. Prior to that, he was Programme Coordinator and Head of Investment Projects at IBS Intertraining.

Sergey graduated from the Moscow State Institute for International Relations. He also holds an MBA from the Darden Graduate School of Business at the University of Virginia, USA.

Artem Yamanov (36)

SVP,
Business Development Director

Artem is in charge of business development at Tinkoff. He has been with the company every step of the way, starting his career as head of products at Tinkoff and growing with the company into his current role of senior vice president. Before joining Tinkoff, he held various positions at Russian Standard Bank and Raiffeisen Bank, including overseeing credit card operations in Russia.

Artem holds a Master's degree in Applied Physics and Mathematics from the Moscow Institute of Physics and Technology.

Stanislav Bliznyuk (37)

Chief Operating Officer, Deputy Chairman of the Management Board of Tinkoff Bank

Stanislav oversees operations at Tinkoff. Before being appointed Chief Operating Officer in June 2012, he was Head of Technologies at the bank from 2006. Prior to this, Stanislav worked in the banking sector, including as Process & Project Director at Raiffeisen Bank Russia.

Stanislav graduated from Moscow State University with a Master's degree in Mathematics and Economics.

Darya Ermolina (30)

Communications Director

As head of communications for Tinkoff, Darya oversees strategic communications and media relations for the Tinkoff group of companies. Before joining the Tinkoff team in January 2014, Darya worked as a senior manager for international media relations for Rosneft Oil Company. Prior to Rosneft Darya worked as a media analyst for PBN Hill+Knowlton Strategies (part of WPP).

Darya graduated from the Moscow State University of International Relations (MGIMO) with a bachelor and a masters degree in international relations.

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MANAGEMENT TEAM

Anatoly Makeshin (45)

Head of Payment Systems, Deputy Chairman of the Management Board of Tinkoff Bank

Anatoly has been responsible for Tinkoff's payments systems since 2006. He has also been a member of Tinkoff's Management Board since September 2012.

Anatoly graduated from Moscow Power Engineering Institute and holds a PhD in Technical Science from the Russian Academy of State Service.

Viacheslav Tsyganov (42)

Chief Information Officer

Viacheslav has been with Tinkoff Bank from the beginning of its story. He is in charge of information technology and computer systems at Tinkoff. Viacheslav has been Chief Information Officer since 2009 after transitioning from his role as Head of IT Architecture and Development at the bank.

Viacheslav holds a Master's degree in Computer Science from Southwest State University.

Evgeny Ivashkevich (47)

Risk Director, Deputy Chairman of the Management Board of Tinkoff Bank

Evgeny is in charge of risk management at Tinkoff. He has been in his current role since 2007, having also joined Tinkoff Bank's Management Board as Deputy Chairman in 2011. Before joining Tinkoff, he was a portfolio manager at Renaissance Capital Bank and Head of Product Development at Russian Standard Bank.

Evgeny graduated from the Moscow Institute of Physics and Technology and obtained a PhD in Theoretical Physics from the Joint Institute for Nuclear Research.

George Chesakov (45)

Head of Tinkoff Mobile

George Chesakov is responsible for Tinkoff's mobile virtual network operator (MVNO Tinkoff Mobile) and has been in this role since January 2017. He also served as Chief Operating Officer and Chairman of the Management Board from 2006 until 2011. Prior to his returning to Tinkoff in February 2016, George was President of OTP Bank and co-founder of Revo Technology.

Prior to Tinkoff, George worked at McKinsey & Company, Russian Standard Bank and launched a consumer finance business at Investsberbank (now OTP Bank).

George holds a Master's degree in Computer Science from Princeton University and a Master's degree with honors in Mathematics from Moscow State University.

Natalia Izyumova (55)

Chief Accountant, Member of the Management Board of Tinkoff Bank

Natalia oversees Tinkoff's accounting. She stepped into her current role and became a member of Tinkoff Bank's Management Board when she joined the bank in February 2011. Natalia has also been a member of the Financial Committee of Tinkoff Bank since November 2011. Prior to joining Tinkoff, Natalia held a number of senior-level positions, including that of CFO and Deputy Chairwoman of Dvizheniye Bank's Management Committee.

Natalia graduated from Moscow State University with a degree in Economics and holds a PhD in Economics from the Research Institute of Economy.

Valeria Pavlyukova (34)

Chief Legal Officer, Deputy Chairman of the Management Board of Tinkoff Bank

Valeria has overseen all legal matters at Tinkoff as Chief Legal Officer and Deputy Chairman of the Board since January 2017. Before joining the bank, she was Head of Legal for Sberbank's international division and a Legal Director for InBev for/in Russia.

Valeria graduated from the International University in Moscow and studied finance at Hult International Business School.