

# Air Bank Group

Individual Companies Presentation

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CREDIT**

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# Air Bank Czech **Introduction**

# Air Bank is **the fastest growing bank** in the **Czech Republic**, on par with **world's most successful neo-banks**



- Established in 2011, Air Bank is the only greenfield bank, built without any of the legacy systems issues.
- Largest and fastest growing neo-bank in the country and one of the very few in the world that has reached growth, scale and profitability.
- Annual growth of ~100k customers (5-year CAGR 13.7%) leads to current market share of 10% and a total customer base of over 917k customers with best-in-class NPS of 73.
- Customer experience champion beyond the world of banking. KPMG study put Air Bank atop ~200 surveyed brands in 2016, 2018, 2019 and 2020.
- Highest utilization of online channels in the market, ranging from 70 to 100% depending on product type, due to young, active and online savvy customer base.
- Air Bank also serves as a sole deposit gatherer for the group.

# Challenger digital banks emerge everywhere and Air Bank is one of the **most successful** ones in the world



Leader  
in key categories

- Speed of growth
- Customer profitability
- Market share

Source: Map referenced from a document by FT Partners Research on Challenger Bank, January 2020

# Market share, growth and profitability trajectory put Air Bank ahead of **the most successful digital banks**

Bank	Founded	Client base	Market share (total population)	Market share growth per year	Valuation	2020 Revenues	Annual revenue per client
kakao bank	2016	17.2m	33.3%	6.7%	\$15.7bn	\$683m	\$40
nu Bank	2013	40.0m	19.1%	2.4%	\$30.0bn	\$880m	\$22
Tinkoff	2006	13.3m	9.2%	0.6%	\$5.5bn	\$2,727m	\$205
<b>Air Bank</b>	<b>2011</b>	<b>0.9m</b>	<b>8.6%</b>	<b>0.9%</b>	—	<b>\$166m</b>	<b>\$200</b>
monzo	2015	5.0m	7.5%	1.3%	\$4.0bn	\$92m	\$18
chime	2013	13.0m	4.0%	0.5%	\$25.0bn	\$600m	\$46
Starling bank	2014	2.0m	3.0%	0.4%	\$1.9bn	\$135m	\$68
MoneyLion	2013	8.5m	2.6%	0.3%	\$2.9bn	\$79m	\$9
STASH	2015	5.0m	1.5%	0.3%	\$1.4bn	\$50m	\$10
Revolut	2014	15.5m	1.5%	0.2%	\$33.0bn	\$310m	\$20
Tandem	2013	0.8m	1.2%	0.2%	—	\$32m*	\$40
N26	2013	7.0m	0.9%	0.1%	\$9.0bn	\$116m	\$17
monese	2015	2.0m	0.4%	0.1%	\$1.0bn	\$13m*	\$7

Source: Annual reports, publicly available reports, press releases, Reuters, Forbes, CNBC, Techcrunch, Finextra, Dun & Bradstreet; in USD

\* 2019 Revenues

# Air Bank is the **leading bank among new entrants,** which continue to acquire customers on Czech market

Bank	Years on market	Retail customers in CZ ('000)			Growth since 2011	Annual growth
		2011	2020	H1 2021		
▶ Air Bank	10	0	861	895	+895	+91
Fio banka <sup>1</sup>	26	142	770	780	+640	+66
Equa Bank <sup>2</sup>	14	10	470	480	+470	+48
Moneta <sup>3</sup>	31	970	1,357	1,360	+390	+40
Raiffeisen bank <sup>4</sup>	28	310	680	680	+370	+38
mBank	14	386	703	680	+294	+30
UniCredit <sup>5</sup>	25	240	450	450	+210	+22
Komerční banka	31	1,336	1,395	1,378	+42	+4
Česká spořitelna	196	2,784	2,780	2,800	+16	+2
ČSOB	57	2,800	2,360	2,335	-465	-48

<sup>1</sup>previously Fio Credit Union; <sup>2</sup>previously Banco Popolare since 2007, acquisition by Raiffeisenbank announced in 2021; <sup>3</sup>Launched as Agrobanka, that was then purchased by GE Capital bank, 332k customers acquired by Wustenrot acquisition; <sup>4</sup>Acquired ~200k from Citibank; <sup>5</sup>Launched as Vereinsbank.  
Source: Annual reports, press releases and internal estimates, retail customers only

# Air Bank brings **meaningful innovations** to customers since **2011**

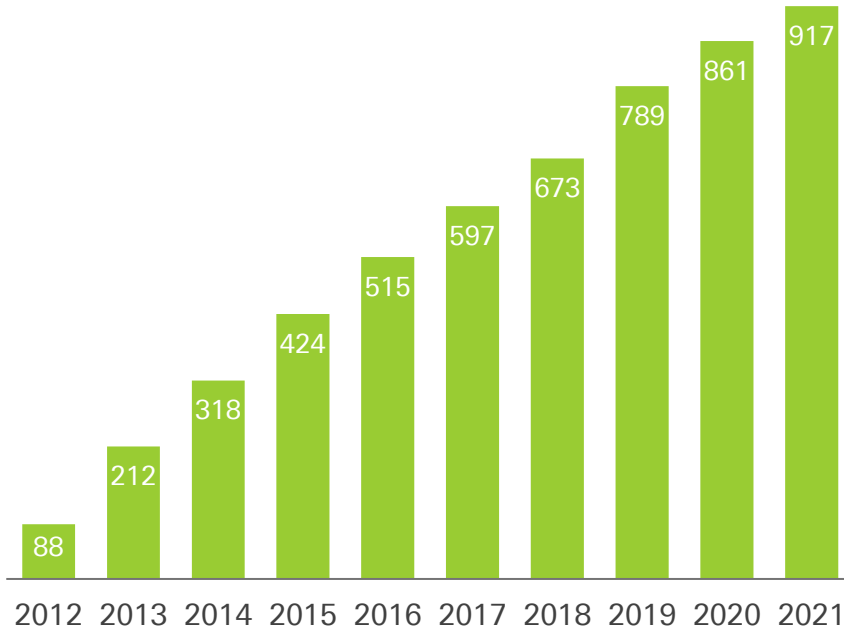
- 2011** ■ Awarded license and entered the Czech market  
Current account and saving account  
Completely paperless processes
- 2012** ■ Consumer loan that rewards you
- 2013** ■ Mobile application for iOS and Android  
Introduced bill protection
- 2014** ■ Consolidation of consumer loans
- 2015** ■ Mortgage allowing you unscheduled payments for free  
Storing and paying bills and receipts in transaction history
- 2016** ■ Contactless withdrawals and ATMs
- 2017** ■ First travel insurance in mobile app
- 2018** ■ Launched reward program (cash back sponsored by merchants)
- 2019** ■ Pioneering instant payments between two banks  
One of only few banks to enable both Apple Pay and Google Pay  
Digital instant card issuance immediately after online account opening
- 2020** ■ Easy pension savings and mutual funds via internet banking  
Introduced a new "Aneta" chatbot/voicebot



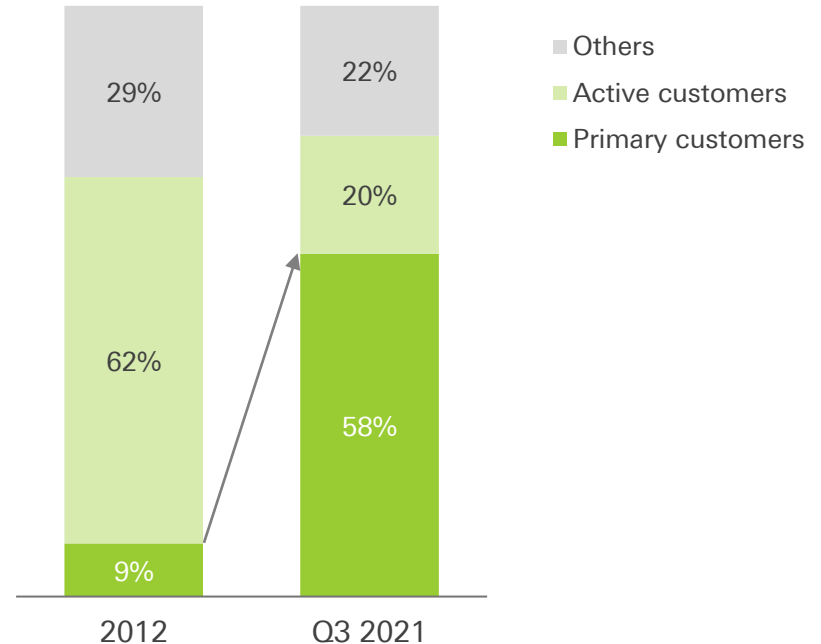


# Air Bank grows by ~100k clients each year and successfully develops primary banking base

Air Bank customer base  
(‘000)



Customer base by activity

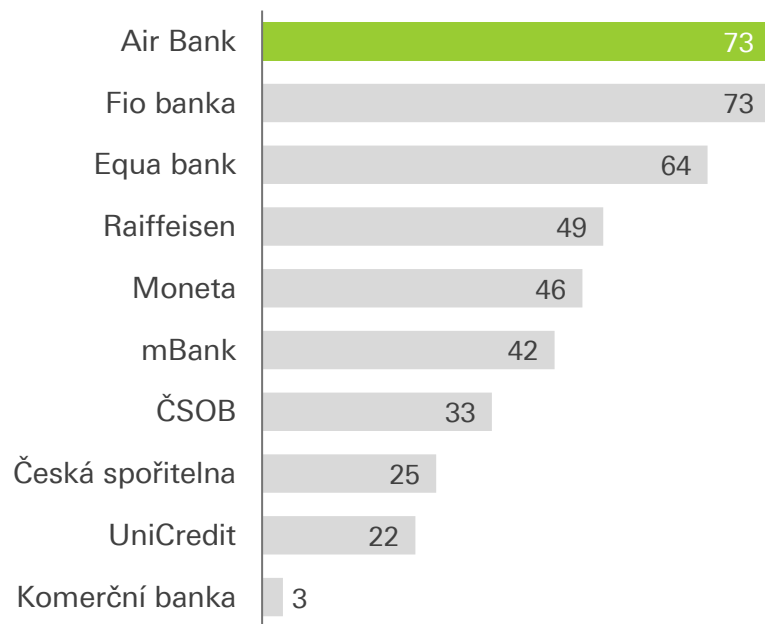


Source: Air Bank. Primary customers are defined as customers with five card payments. Active customers are defined as customers with loan balance or active transaction in given month. Other customers are customers with no transaction in the last month.

# Successful current account offer drives highest customer satisfaction amongst Czech banks

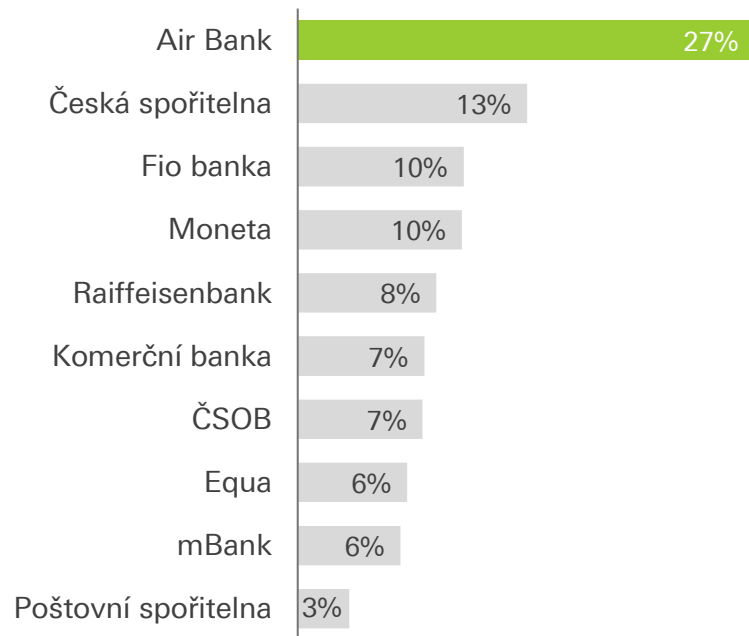
## Customer satisfaction

NPS, primary clients, Q3 2021



## Most-preferred current account

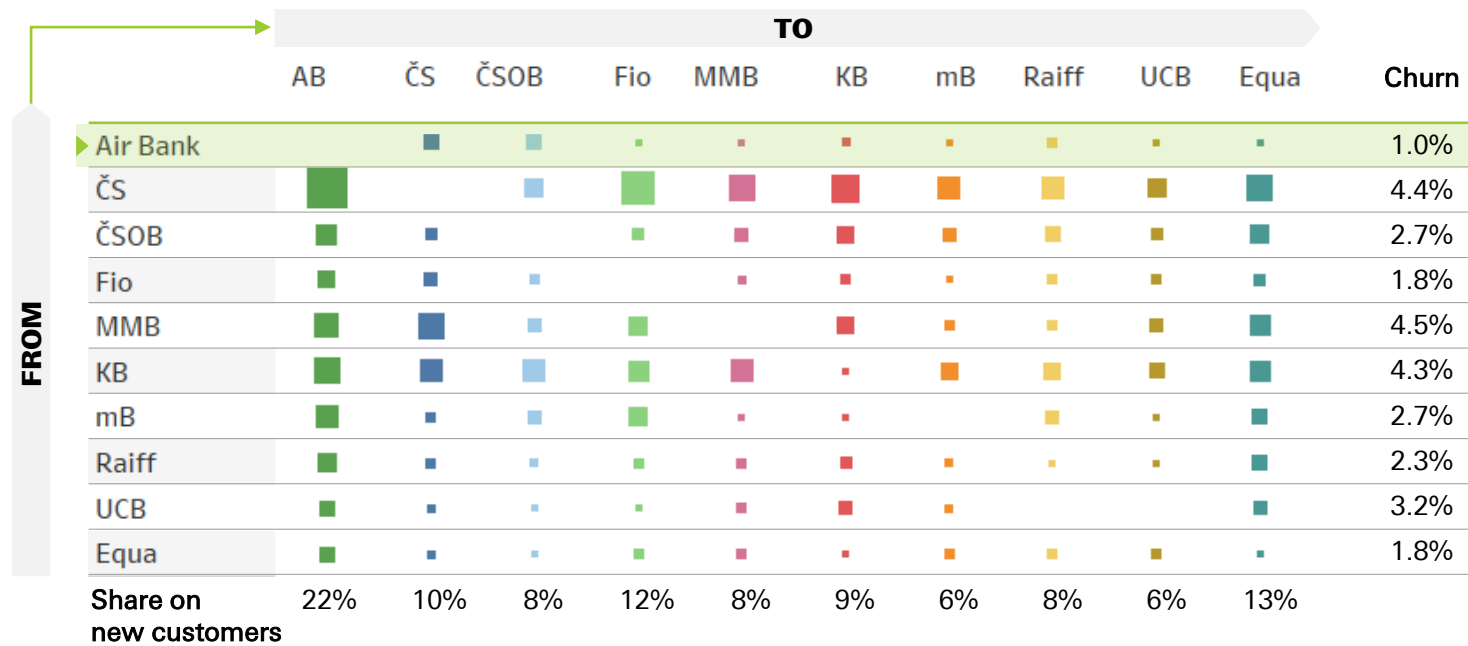
Q3 2021, number one choice



# Air Bank has the **highest share of switching clients** and suffers the **lowest churn** amongst Czech banks

## Client migration between banks

Share of new account openings vs. source of churning customers, 2019–2020

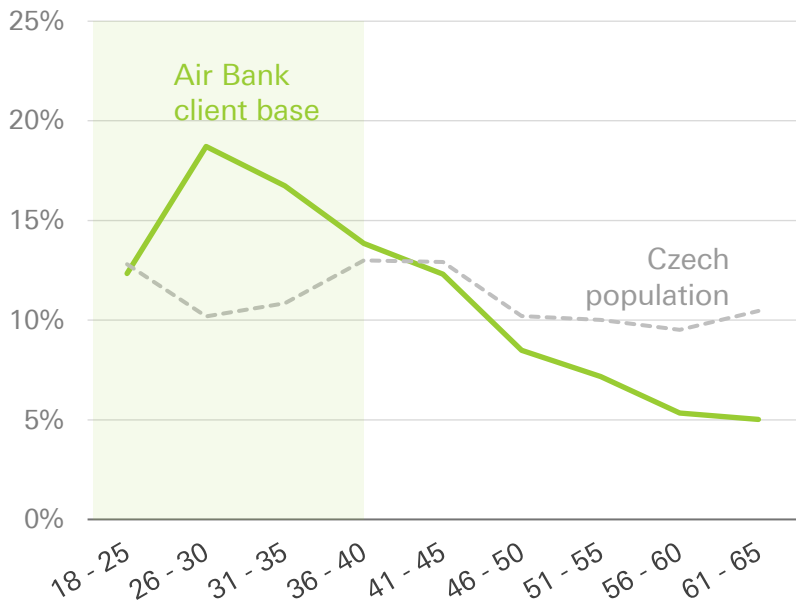


Source: Air Bank monthly tracking study, two-year aggregate 2019–2020. n=7,286.  
Question on new account openings cross-referenced with a question on main bank at point of decision.

# Air Bank customer base is much **younger** than Czech population and **wealthier** than their peers

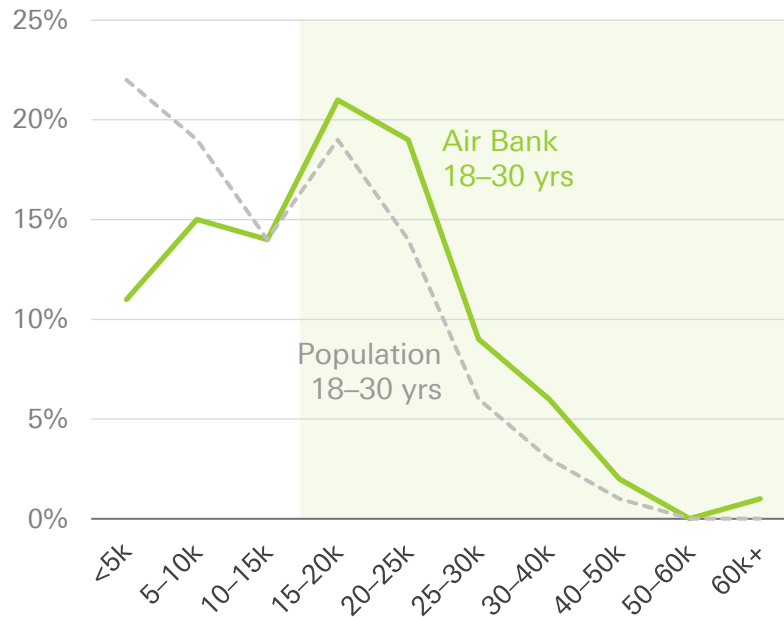
## Client base age profile

Ages 18–65, Air Bank vs. population




## Young customers' income profile

Average income, age 18–30, 2020



# Market leading **usage creates stickiness** and plentiful opportunities for future x-sell

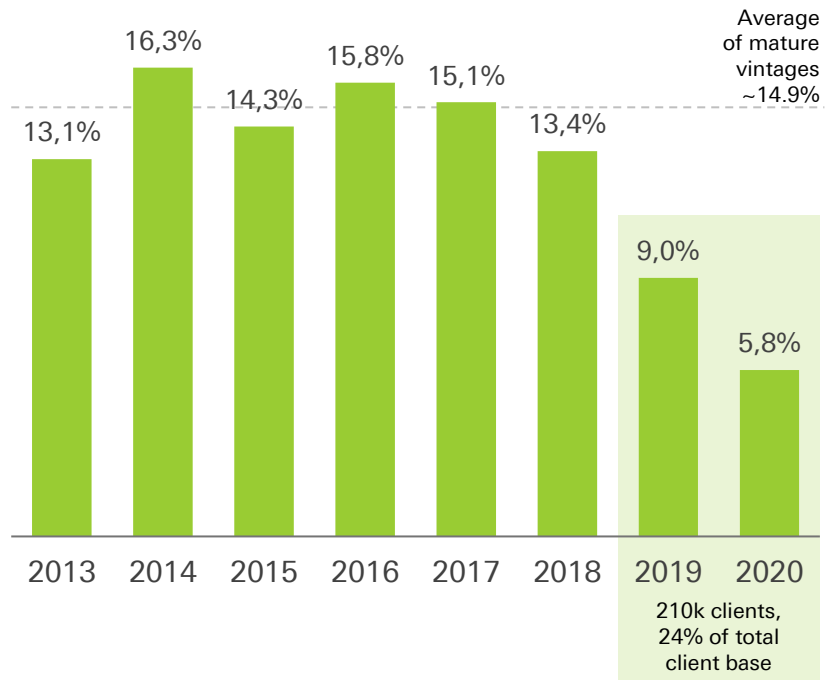
	 CLEN SKUPINY PPF	Market average	Compared to market
<b>Card Usage Frequency</b> Payments per card per month (POS)	19.3	11.1	+74%
<b>Card Spend</b> Monthly value of POS card payments	CZK 8,706	CZK 7,710	+13%
<b>Card Market Share</b> Share of card payments on total card transactions, units, POS only	9.4%	—	—
<b>Mobile App DAU</b> Daily active usage, app only, as percentage of customer base	23.9%	~10%	+139%
<b>Mobile Payments</b> Percentage of customers with an Apple Pay / Google Pay tokenized card	34.9%	~14%	+149%

Source: Data for Q3 2021 (Card Market Share – data for Q2 2021). Air Bank, SBK Czech Card Association. DAU and Mobile Payments market average internal estimate.

# Consumer lending penetration drives significant growth of average revenue per client

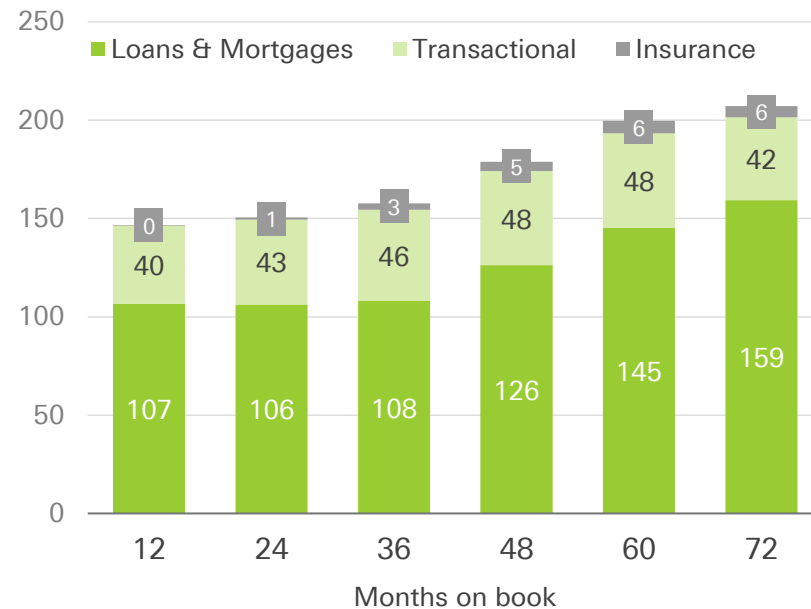
## Loan penetration by vintage year

% of customers with a loan, year of activation



## ARPU composition in time

Monthly ARPU in CZK, 2014 vintage



# Air Bank holds **strong potential for further distribution** of both lending and wealth management products

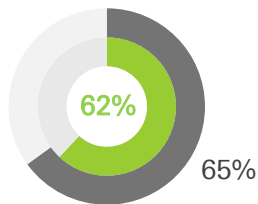
## Product penetration compared to mature banking portfolios

% penetration compared to market

■ Air Bank ■ Total market

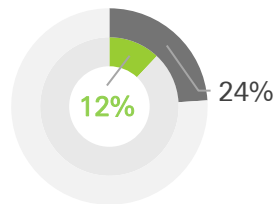
### Savings account

Since 2011



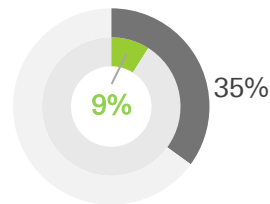
### Personal loan

Since 2013



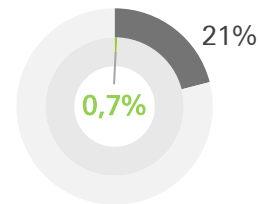
### Authorized overdraft

Since 2018



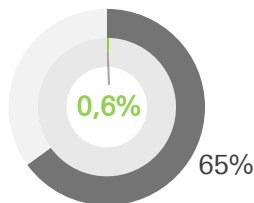
### Mortgage

Since 2015 (refinancing), 2017 (new mortgages)



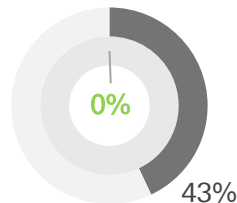
### Pension savings

Since 2020



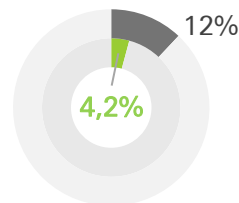
### Building savings account

Not Available



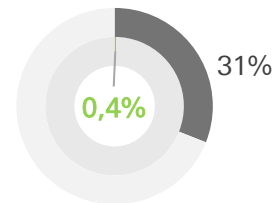
### Loan insurance

Since 2015 / 2020 – CPI



### Mutual funds

Since 2019

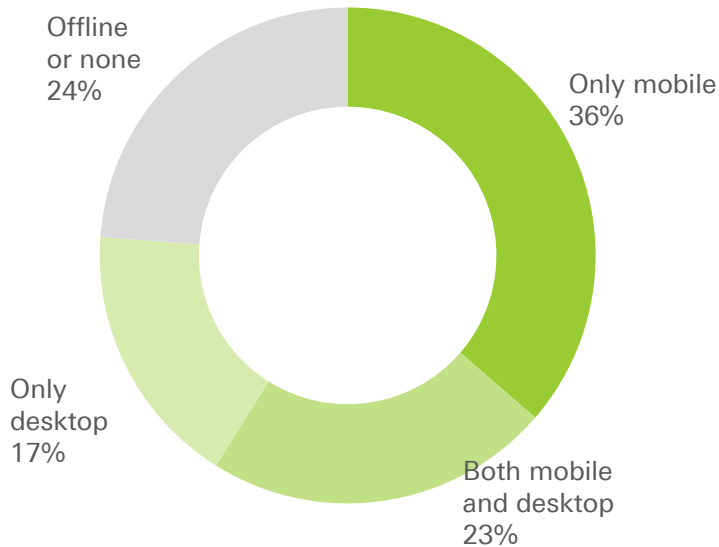


Source: Air Bank internal research, n=2,000, online population, age 18–75.

# Digital savvy clients enable **best in class distribution performance** and will result in future x-sell opportunities

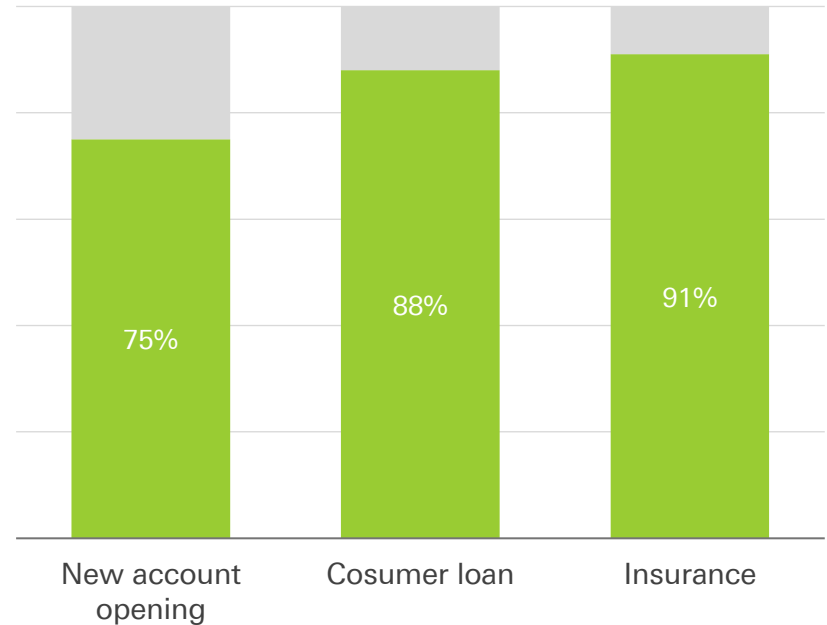
## Digital access to account

% of type of access to account, Q3 2021



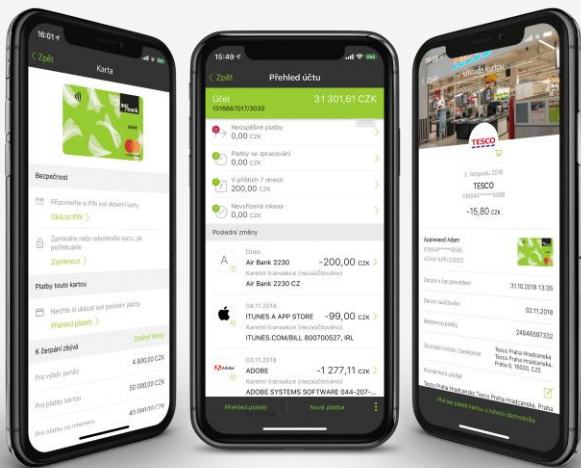
## Digital sales

% of digital sales / usage of product





# Air Bank mobile platform drives explosive growth in usage and incremental sales



**671k**  
mobile app users  
(73% of customer  
portfolio)



## Mobile Customer Onboarding

Since February 2019

- End-to-end customer sign-up and onboarding
- 35% of new contracts signed via mobile app

## Mobile Consumer Loan

Since June 2018

- End-to-end full-fledged application
- 46% of loan applications via mobile app

## Mobile Overdraft

Since August 2019

- Over 5.2k sold last quarter
- 43% of activations via mobile app

## Mobile Travel Insurance

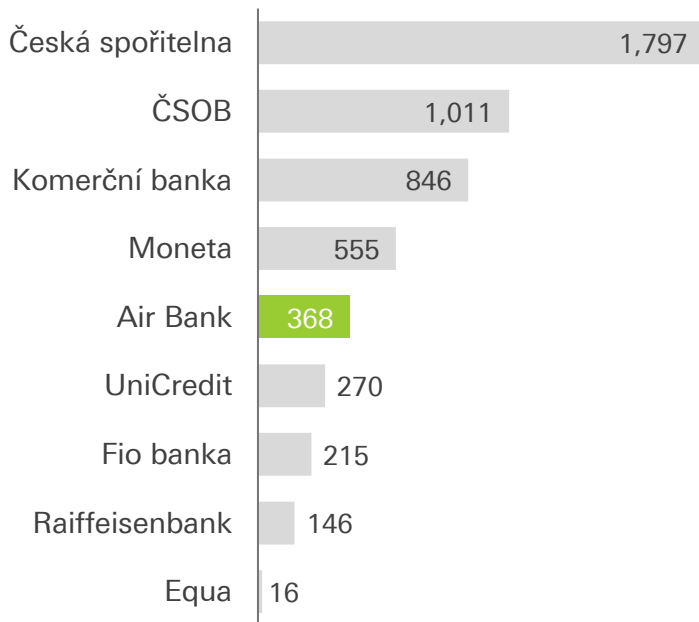
Since March 2017

- 24k sold in Q3
- 72% purchases made via mobile app

# Air Bank also operates a broad ATM network and a very efficient portfolio of brick-and-mortar branches

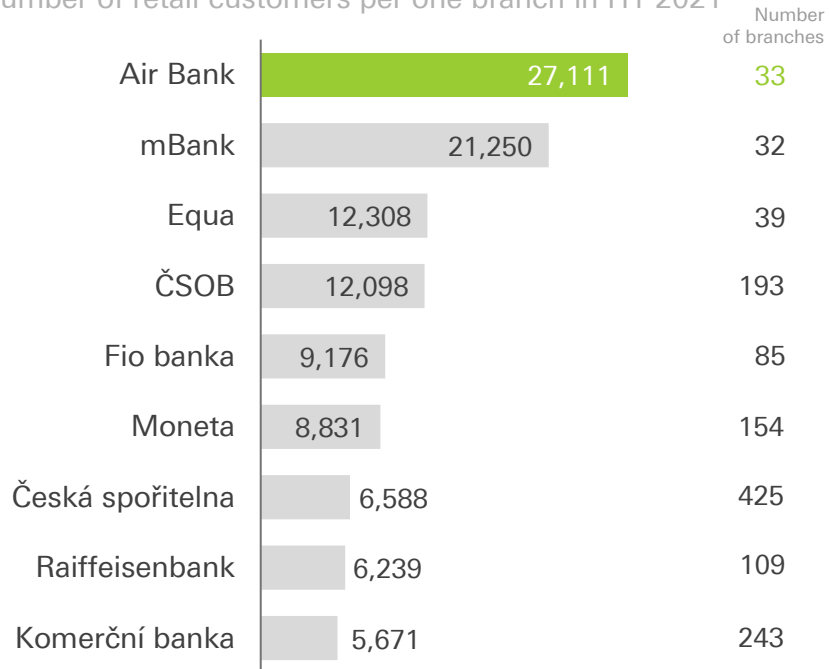
## ATM network density

Number of ATMs in H1 2021



## Branch network efficiency

Number of retail customers per one branch in H1 2021



# Our approach was repeatedly endorsed by experts, beating major local and global brands

## The Most Inspiring Brand



**1. Air Bank**

...

- 3. Pilsner Urquell
- 5. Škoda
- 8. BMW
- 9. McDonald's

## The Most Responsible Lending Companies



**1. Air Bank**

**2. Zonky**

**3. Home Credit**

- 4. Česká spořitelna (ERSTE)
- ...
- 6. ČSOB (KBC)

## Company with the best customer experience



**1. Air Bank**

...

- 6. Spotify
- 8. Adidas
- 9. Tchibo
- 11. IKEA

## The most attractive employer in finance



randstad  
employer  
brand research  
2021.

**1. Air Bank**

...

- Česká spořitelna (ERSTE)
- Moneta Money Bank
- ČSOB (KBC)
- Komerční banka (SG)

# Besides further growing the Air Bank retail franchise, we will also establish our presence in the SME sector

## SME highlights 2026 estimates

ROE	14%
Net Income	CZK ~272m
Contributed Value	CZK ~670m
Risk Adjusted Contributed Value	CZK ~540m
Costs	CZK ~204m

We are hiring key personnel in 2021 to detail all specifications out, so that we can start developing all functionalities in late '21 and launch our SME presence in 2022.

We have outlined a pathway to reaching incremental revenues by CZK ~670m and net income of CZK 272m in Year 6, with ROE around 14%. ROE will further improve once we successfully upgrade to IRB approach for allocating equity.

This is made possible by significantly increasing our lending book by CZK ~18bn in Year 6 with lending representing 70% of SME revenues.

We are confident to reach market share of 4–5% in terms of number of customers and close to 3% in lending in a relevant SME market category.

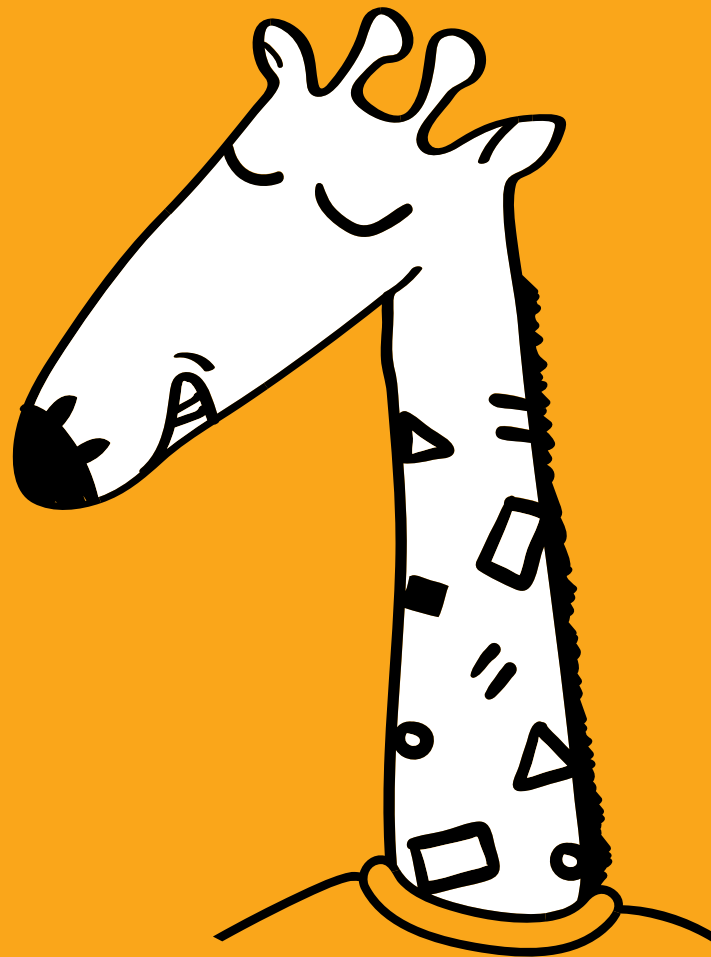
We will leverage synergies within Air Bank by cross-selling business line to existing retail customers, activating the respected Air Bank brand in SME space and building on existing strong operational and distribution model.

Zonky.cz

Zonky.cz

P2P LENDING PLATFORM

# Introduction



# Zonky is the **only successful peer-to-peer lending platform** focused on prime banking segment

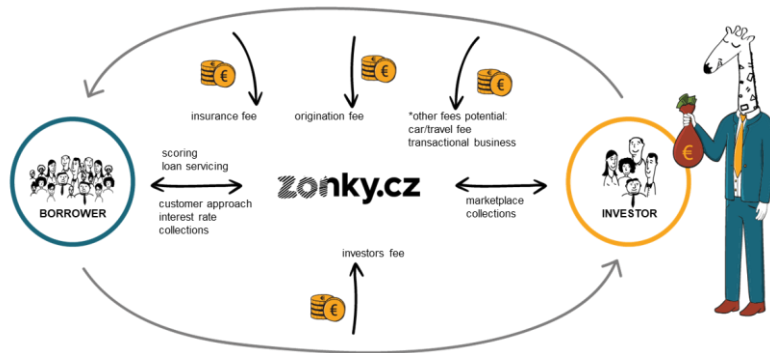


- Zonky is positioned as digital lending monoliner competing with banks on perceived price and great customer experience.
- Fully digital franchise with online onboarding and no paperwork or offline branches. Excellent end-to-end processing is supported by 12/7 call center.
- Loan pricing is slightly below banking market average, which is made possible by high share of funding provided by Air Bank and low-cost model of Zonky operations.
- Peer-to-peer scheme is also used as a reason-to-believe for advertised subpar pricing, where banks are positioned as an expensive middleman.
- Zonky operating model enables us to optimize return on equity by balancing fee generating P2P funding with funding from Air Bank.
- Zonky platform has break even already in 2020.

# Zonky is a digital lending platform that connects retail borrowers and investors for an intermediary fee

## Borrowers

- Cash loans & refinancing
- Unique fully online and fastest process for walk-in and existing customers
- CZK 20k–900k ticket size
- 1–10 years tenor
- IR 2.99%–19.99% with avg. 7.55% in 2020 (slightly below banking avg.)
- Opening fee 2%
- Available insurance for 8.9% from repayment
- Due date change in place



NPS

68

Brand awareness

95%

## Investors

- Flagship product Rentier (fund-like) investment from CZK 10k
- Fully automated and diversified (customer gets fair share of loan production with optimized risk and return)
- Pays 2.9% p.a. management fee to the platform
- Rentier enables investor to invest from CZK 10k. Minimum loans in portfolio is 500.
- Proceeds collected on monthly basis and can be reinvested
- Investors can sell their portfolio to Zonky (Air Bank), or other investors (planned)

# Fully digital onboarding and no paperwork enables substantial growth of customers



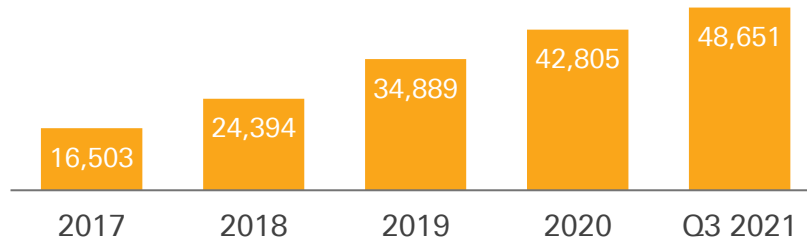
**71,5%**  
mobile users



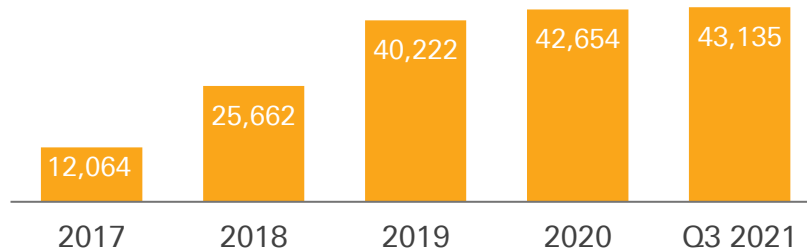
**28,5%**  
desktop users

- No physical distribution
- More than 70% of customers use mobile phone
- 52% of customers go through automatic process (TTC <=2 minutes)
- Average TTY 3.5 hours
- Average TTC 14.9 hours

## Investors



## Borrowers





# Perceived convenience and low pricing supported by P2P element are main drivers of growth

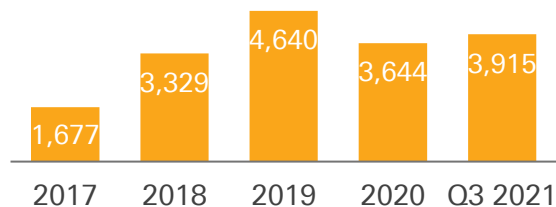
## Key brand elements

Reasons to choose Zonky



## New volume figures

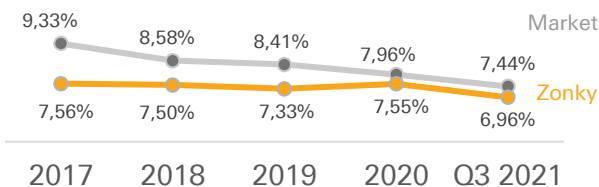
CZKm



Increasing volumes with 2020 affected by COVID.

## Average interest rates

% p.a.



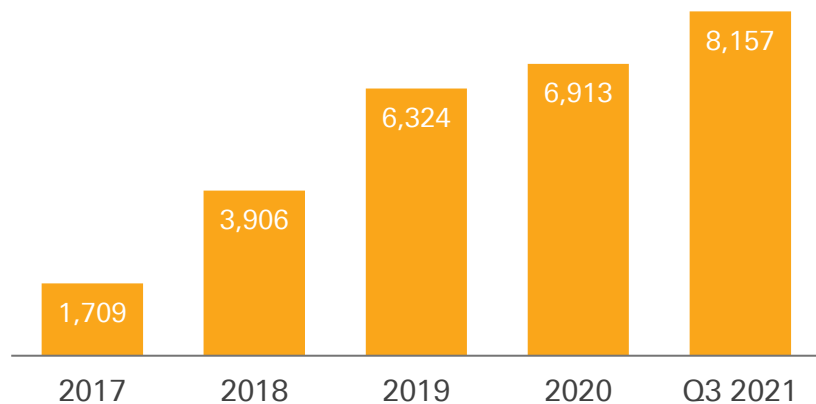
Zonky proposition is slightly below banking IR average.

Yield managed to be flat despite the overall market trend.

# Zonky grows substantially and P2P element is further supported by funding from Air Bank

## Net earning assets

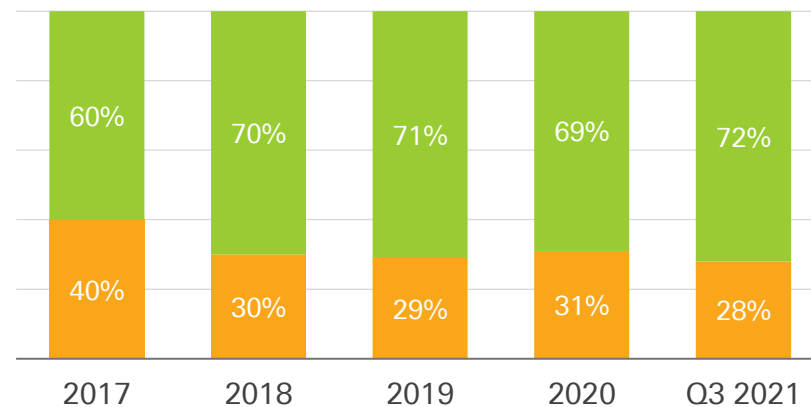
AUM as of Dec 31; CZKm



## Share of funding

Air Bank / Retail funding

■ Air Bank funding  
■ Retail funding

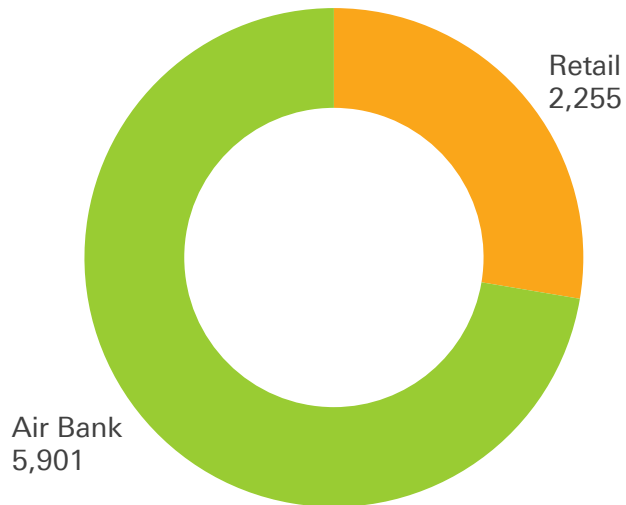


- Utilized Air Bank's low cost funding as it co-finances 70% of all loans
- Air Bank as institutional investor also provides required liquidity in case investors want to withdraw money before maturity (for a fee 1.5% in first 12 months, via secondary market)
- Financing is done via **True sale of participation/receivable**

# Business model enables us to balance fee revenues with interest income via funding from Air Bank

## Current funding structure

AUM as of Dec 31, 2020; CZKm



## Illustrative yield breakdown

by funding stream

	Air Bank <sup>1</sup>	Rentier (P2P)
Rate	7.36%	7.36%
Risk cost <sup>2</sup>	-1.41%	-1.41%
P2P Upfront fee <sup>3</sup>	—	0.38%
P2P Trail fee	—	2.40%
P2P Investor Income <sup>3</sup>	—	-3.17%
Average AB CoF	-0.40%	—
Net Group CV	5.55%	2.78%

<sup>1</sup>Calculation does not include cost of equity (15% CAR expected)

<sup>2</sup>Conservative annualized risk cost used for communication to P2P investors

<sup>3</sup>Upfront fee amounts 1.9% from the invested amount (amortized over expected 5 years horizon)

# Home Credit Czech and Slovak **Introduction**



# Funded by Air Bank deposits, Home Credit serves as a highly profitable near-prime lending leader

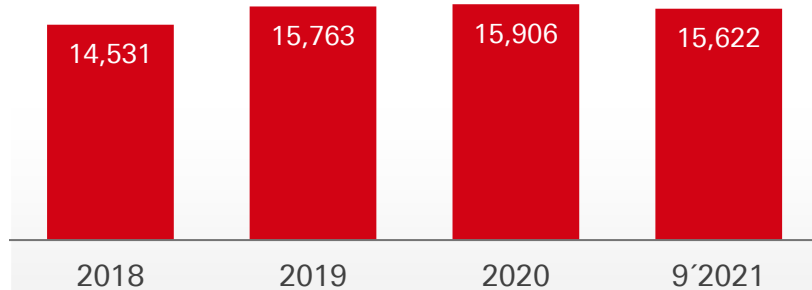


- Near prime consumer lending player benignly complementing Air Bank with proven business model and more than 22 years of profitable history
- Positioned #1 on combined Czech & Slovak consumer lending market with active customer base more than 260k of customers
- Over last couple of years we streamlined our business model to build long term relationships with our target customers and to succeed in online environment
- Omni-channel distribution (POSeS, e-shops, used car dealers, on-line, phone and cooperation with Tesco CZ&SK) with 60+% of new sales initiated on-line
- High levels of customer's satisfaction with NPS (30) above banking average well deserved also through our responsible lending approach
- Majority of all assets generated by Home Credit are maintained on balance sheet of Air Bank.

# Home Credit operates with **profitable margin** “near to prime” leading retail lender since 1998

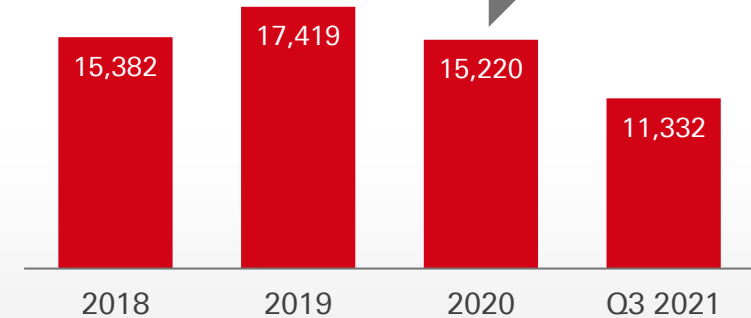
## Net loans

CZ&SK, CZKm, EOP



## New volume

CZ&SK, CZKm



Cumulative 22 years profit of Home Credit CZ & SK of CZK 9bn

Omnichannel distribution supported by long term partnership with retailers and on-line B2C concept

Funded through Air Bank deposit base almost CZK 16bn<sup>1</sup>

<sup>1</sup> Year end 2020

# Home Credit offers four distinct product propositions through omni channel distribution platform



## Point of sale credit

POS on card, credit card,  
POS loans



## Cash loans

Cash loans, debt consolidation,  
loan on card



## Autofinancing

Car loans



## Pay-day short-term credit

Micro loans

CZ&SK

### New volume 1-9/2021

CZK 5,895m

CZK 2,998m

CZK 1,937m

CZK 502m

### Net loans 9/2021

CZK 4,199m

CZK 6,902m

CZK 4,357m

CZK 165m

### Distribution channels

Brick and mortar  
E-commerce  
Direct sales  
POS / ATM transactions

Web  
Over the phone  
Branches  
POS / ATM transactions

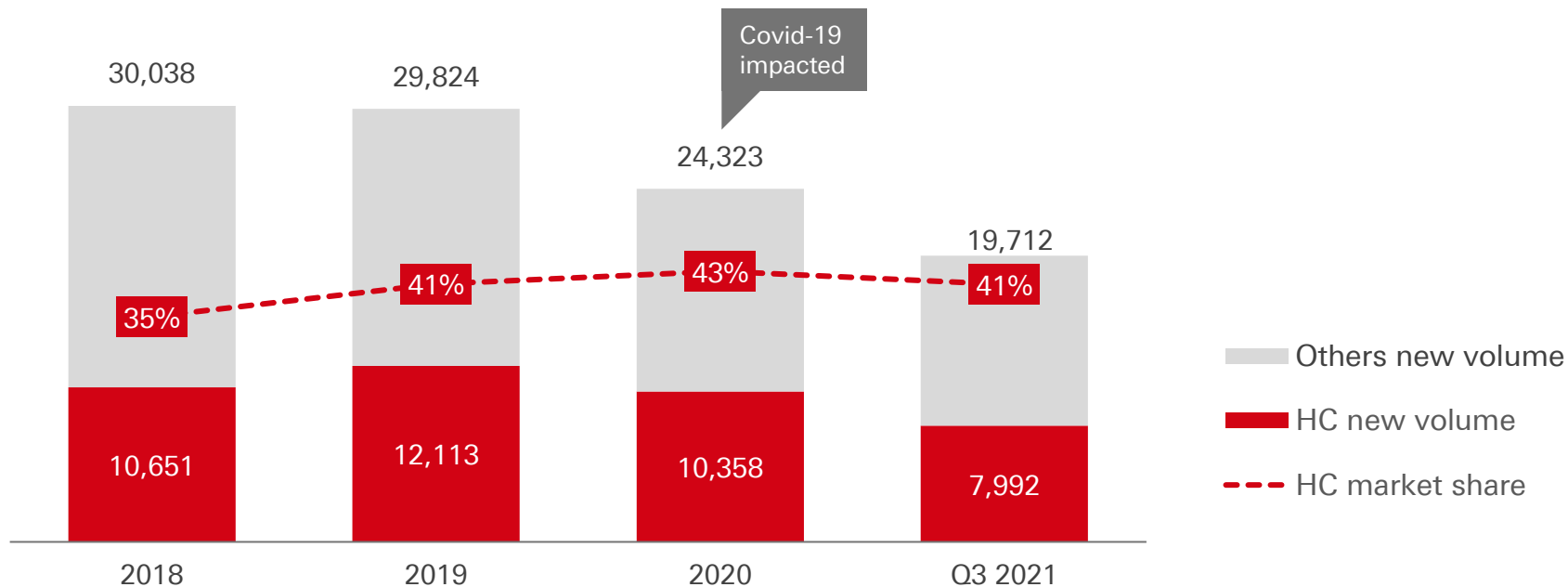
Car dealerships

Web

# Home Credit successfully maintains market leader position through digital focus of past 3 years

## New volume on relevant consumer financing market

Czech Republic, CZKbn



Source: Solus / CLFA



# Home Credit **targets distinct client groups** covering gaps not typically served by mainstream banks



## 1 Mature borrowers

“They want to enjoy life and don’t like to wait. That’s why they often borrow, even on things which are non-essential for living.”

- Already using multiple credit products
- 35–50 yrs, married or divorced with children
- Limited price sensitivity
- Appreciating benefits / discounts



## 2 New to financial world

“Young people starting independent life. They need money for important things which they haven’t saved up yet.”

- No experience with credit products
- <30 yrs, w/o children
- Judiciously considering to take loan
- Seeking simplicity and flexibility



## 3 Regulars covering sudden need

“They already have some savings and use loans seldomly, usually for covering greater sudden expenses. They don’t expect anything more.”

- Mostly with previous loan experience
- 40–55 yrs, married with children
- They often try to repay quickly
- Expecting simple and transparent loan

# Home Credit centres attention onto **revolving loans**



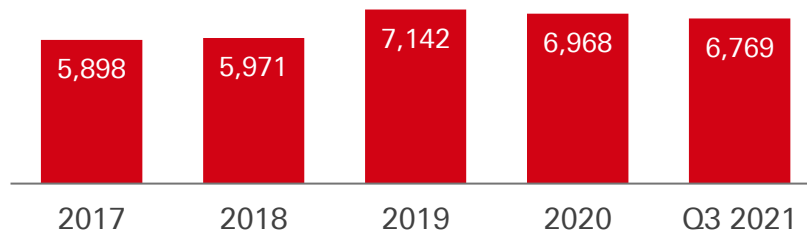
**Revolving delivers unique flexibility to our customers and increases their loyalty.**

THANKS TO REVOLVING, OUR CUSTOMERS CAN:

1. Repay different amount each month
2. Repeatedly use the loan w/o signing a new contract

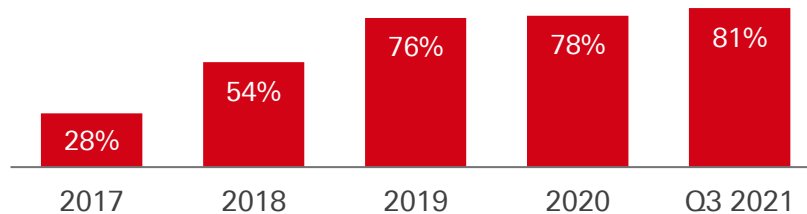
## Net loans revolving and credit cards

CZ&SK, CZKm



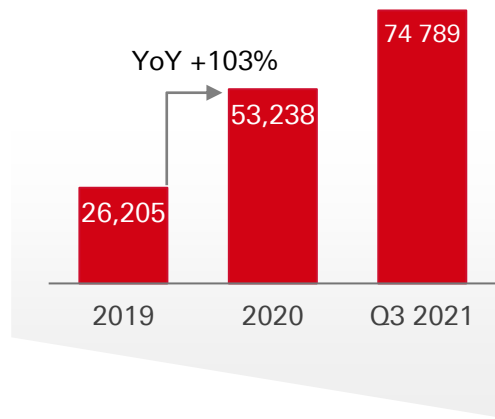
## Share of revolving on new production

CZ&SK, new contracts (excluding car loans and Kamali)

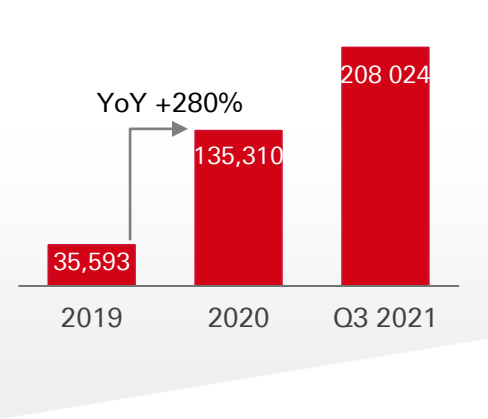


# Clients onboarding supported through **mobile application** also stimulating loyalty and purchases

Mobile app active users  
CZ&SK, MAU



Mobile app transactions  
CZ&SK, # money transfers



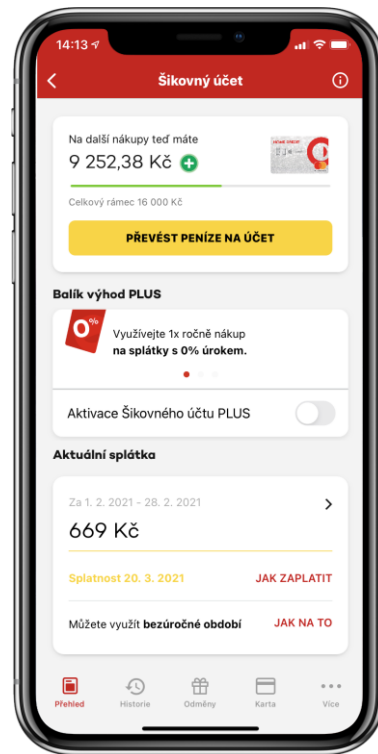
Mobile app launched in February 2019

Total transactions volume in 2020<sup>1</sup>

**CZK 617m**

Total transactions volume in 1Q-3Q 2021<sup>1</sup>

**CZK 1034m**



- Onboarding
- One click purchases
- Tokenized credit card
- Built-in loyalty
- Way to reduce retailer commissions

★★★★★ **4,5**

★★★★★ **4,8**

<sup>1</sup>Money transfers

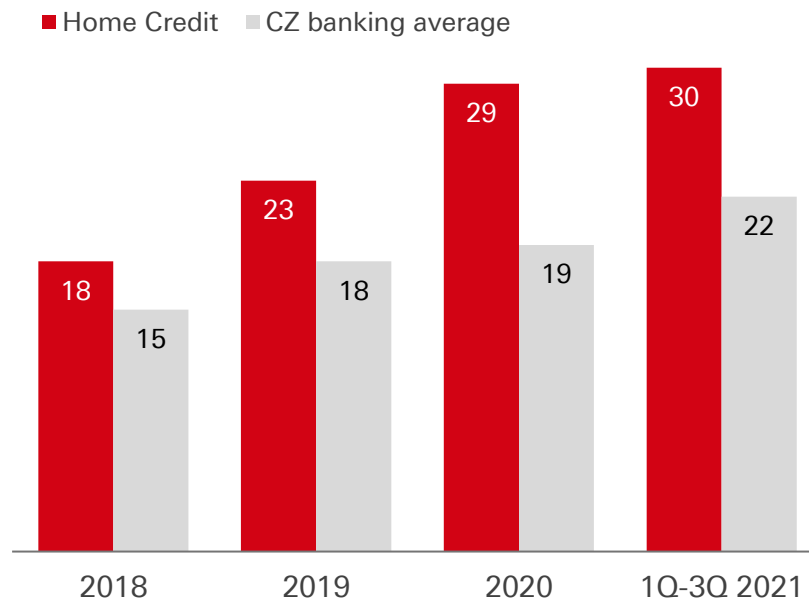
# Home Credit customers demonstrate **increasing satisfaction**

## OUR UNIQUE VALUE PROPOSITION

- **Installment flexibility and easy repeated usage** thanks to products on revolving
- **Seamless access to loan** across all channels through “one click”
- **Fair price** thanks to risk-based pricing
- **Fair contracts** with clear and understandable conditions
- **Most responsible and safest lender** awarded by independent authorities<sup>1</sup>

## NPS

Czech Republic, net promoter score

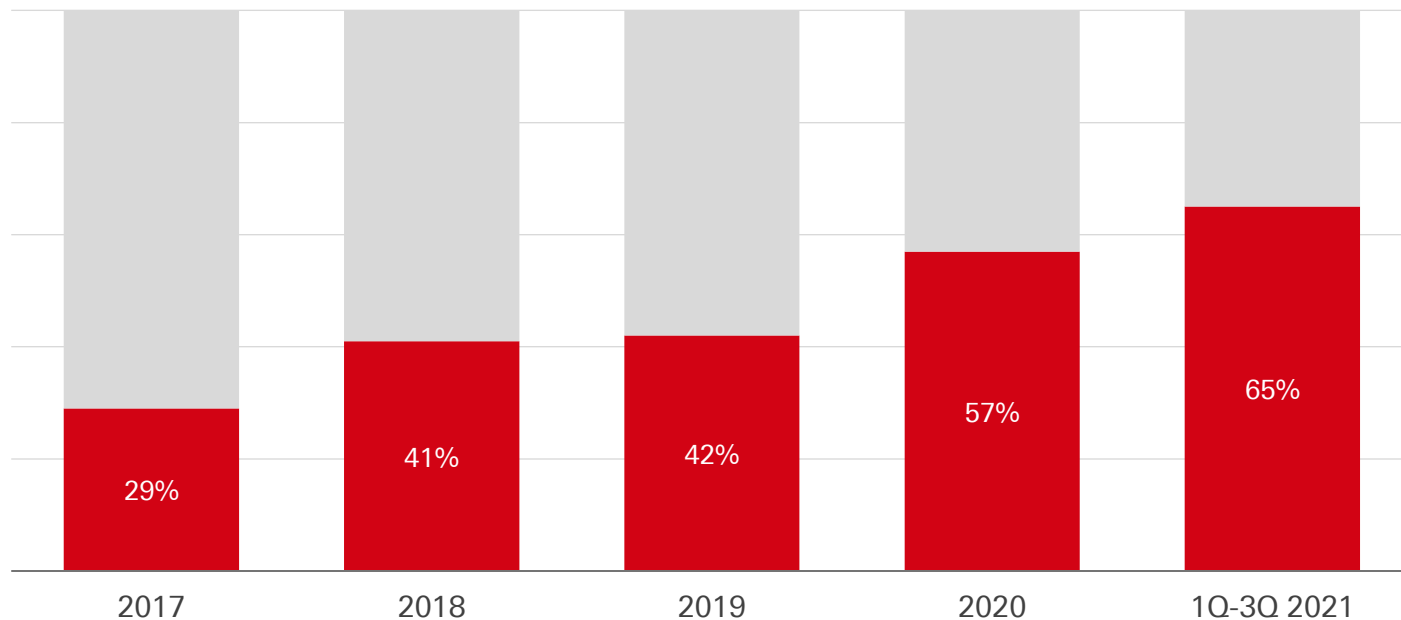


<sup>1</sup>Third place in independent INDEX OF SAFE LENDING 2020

# Established point of sale financing model has been successfully converted to digital leader

## Share of new contracts originated on-line

CZ&SK, yearly average



Note: Defined as share of contracts originated (or signed) through on-line acquisition (web), e-commerce or mobile app.

# Home Credit is recognized by **many rewards** related to brand and **responsible lending**



## Index of responsible lending

**1<sup>st</sup> place**



Kamali is the absolute winner for the third time in the comparison of micro loans made regularly by non-profit organisation People in Need.



## Index of responsible lending

**3<sup>rd</sup> place**



Home Credit CZ is the 3<sup>rd</sup> best loan provider with maximum amount of CZK 50,000 according to the People in Need and their regular ranking called Responsible Lending Index.



## Superbrands



By receiving this award, Home Credit Slovakia ranked among the best brands in the B2C segment.



## Most trusted brand

**1<sup>st</sup> place**



Home Credit is the most trusted brand in the category of non-bank consumer loans for 2020 in Slovakia.



**Thank you.**