MTS BANK

# INVESTOR PRESENTATION

June 2022

# Dynamic digital bank as fintech segment of Russia's largest telecom operator

## Key facts about MTS Bank

- MTS Bank is a subsidiary of Mobile TeleSystems (MTS), Russia's largest mobile network operator with an ecosystem encompassing 80 million users.
- The bank's primary target market is the rapidly growing Russian retail lending and daily banking segments, which remain underpenetrated with a long runway for continued growth. Estimated size of consumer lending market is ~ RUB 26 trillion, 2021 growth rate was 22%.
- The bank's main product line includes POS financing, personal cash loans, credit/debit cards, payment transactions, and services for SME and corporate clients such as factoring.
- The bank's products are actively used by almost 12 mln clients, 3 mln of which are bank clients and 9 mln are users of fintech services.

**1 ST**

in POS loans sales in 2021 according to Frank RG

**70%**

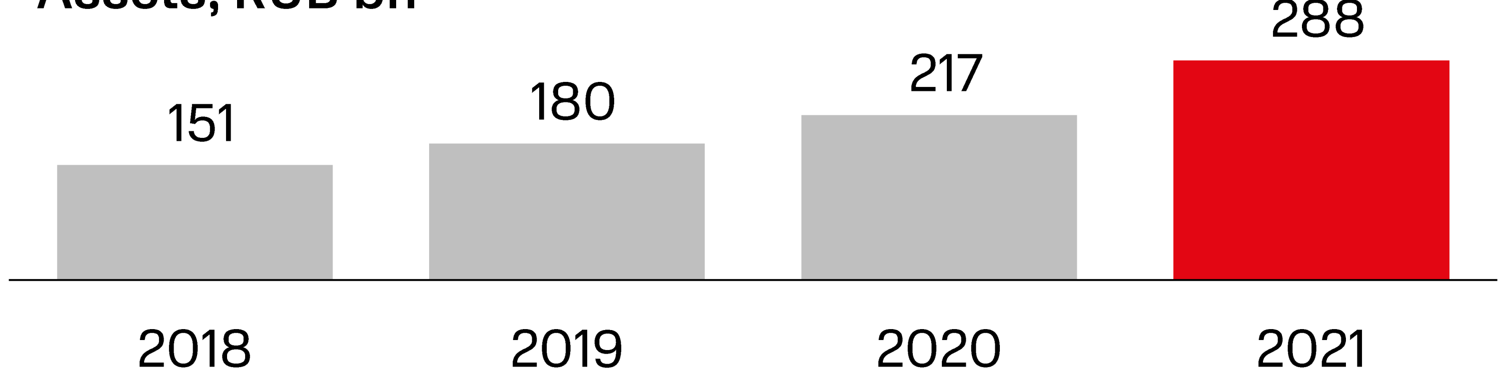
of sales of cash loans through digital channels

**3 RD**

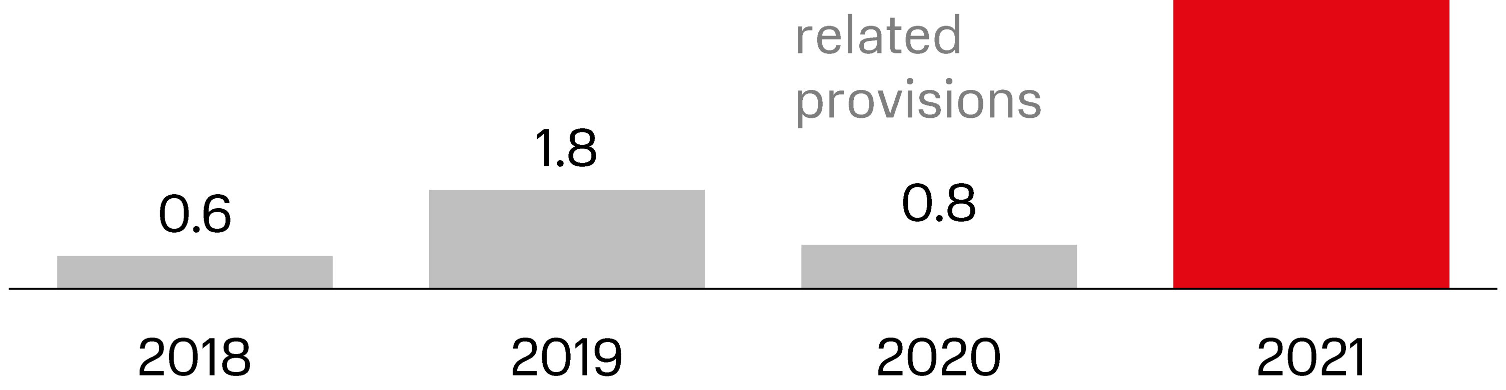
best ecosystem in mobile bank in 2021 according to Markswebb report

## Key facts about MTS Bank

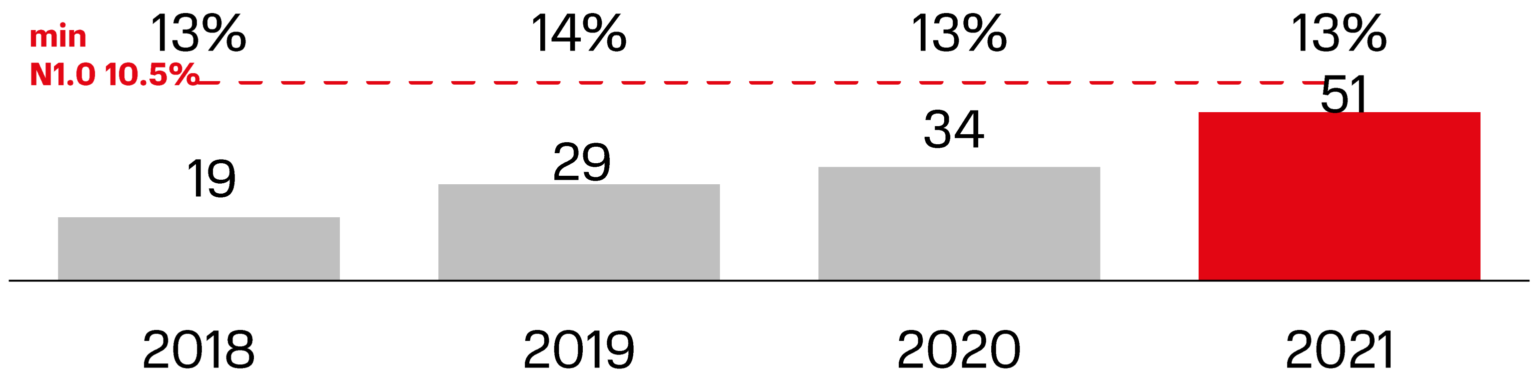
### Assets, RUB bn




### Net income, RUB bn




### Equity and capital adequacy, RUB bn

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**1300**

ATMs and payment terminals

**104**

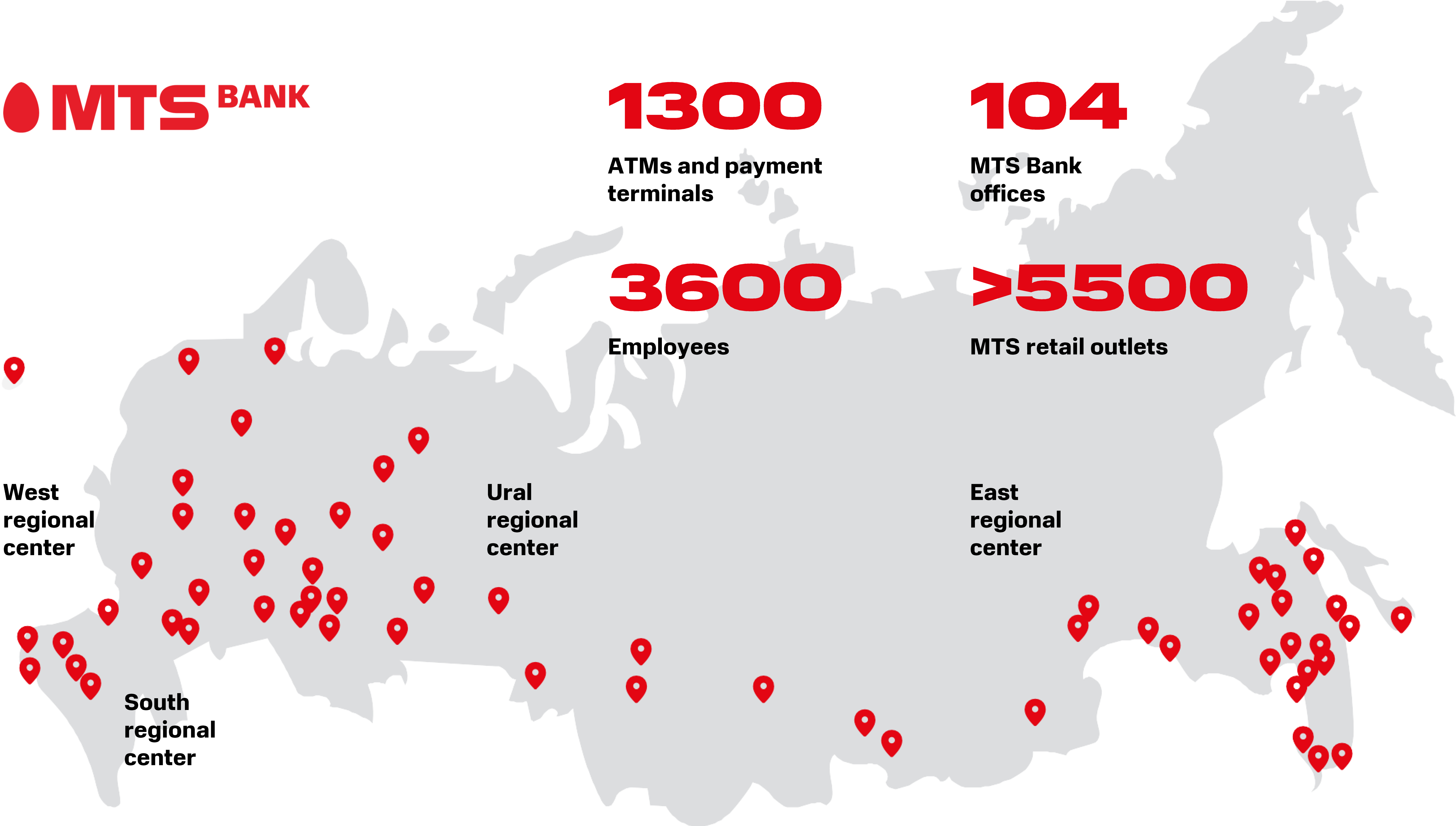
MTS Bank offices

**3600**

Employees

**>5500**

MTS retail outlets



# CORE COMPONENT OF MTS DIGITAL ECOSYSTEM

**MTS subscribers, mln people[1]**

**80.4**

Total number of MTS subscribers

**MTS ecosystem clients serviced by the bank, mln people[1]**


**3.0**

Bank active clients

**8.8**

Users of MTS financial services provided by MTS Bank

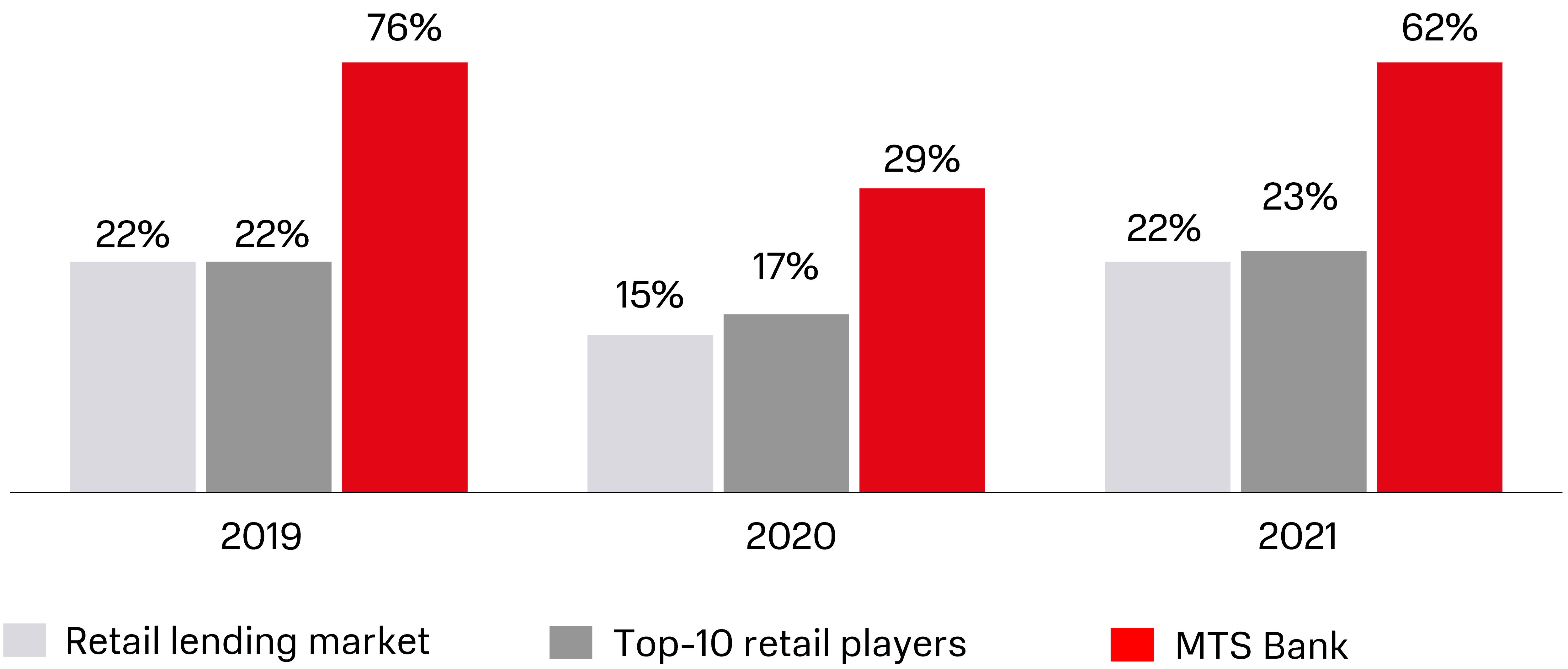
1. As of December 31, 2021

**MTS Bank's products and services are key to the MTS ecosystem. The Bank has potential to accelerate growth significantly through synergies with MTS**

- Telecom and fintech synergies:
  - — MTS Group Big Data improves credit scoring and allows for personalization of credit offers
  - — High-frequency omnichannel digital engagement
  - — Customer acquisition/ service in retail.
- The Bank's offers are broadly presented within the MTS digital channels, for instance the MyMTS app (MAU 25 mln).
- MTS Bank makes sizable contribution to customer lifetime value growth – the key focus of MTS's . overall corporate strategy CLV 2.0

# TRACK RECORD OF OUTPACING THE MARKET

**Retail loan portfolio growth year-on-year, %**




1. RAS analytics of reporting data aggregated by the CBR and banki.ru, data as of November 2021

**Loan portfolio growth accelerators**

- Using Big Data tools to create personalized pre-approved low-risk loan product offers for bank clients and MTS subscribers.
- End-to-end digital customer experience with a 2-click product purchase.
- Leading positions in POS financing (first in Russia POS loans sales in 2021). Having fine-tuned the technology in the MTS retail network, the bank extensively develops external partnerships and takes a leading position on this market.

# PILLARS OF GROWTH

**To provide customers with unique digital daily banking convergent offers increasing loyalty to MTS ecosystem**

## 1

### Unique digital products and high quality user experience

- Consumer lending products and services are actively expanding across MTS Group sales channels (retail chain, e-commerce).
- Set of diverse consumer lending products underpinned by daily banking services provided through digital channels:
  - More than 2 million applications per month in 2021.
- Introduction of smart banking, personal finance management offers and investment tools.

## 2

### Digital-first

- 100% digital products for an end-to-end online experience.
- MTS bank's mobile app is among Russia's top-ranked.
- AI-powered recommendations and templates.
- More than half of sales in 2021 are done through digital channels and digital share is permanently growing.

## 3

### Synergies with MTS

- First-class scoring and X-Sell capabilities by leveraging MTS Big Data. We are constantly improving cross-selling system for monetizing and reactivating the accumulated customer base.
- Reinforcement of MTS's product line: bank clients have access to a wide range of MTS products (mobile and fixed communications, KION, Cashback, etc.) – increasing the lifetime and frequency of service usage.

## 4

### Focus on profitable growth

- Smart capital allocation and effective product mix: we monitor the profitability of products and effectively distribute between products ensuring optimal yield.
- Development of transactional business to increase frequency of interaction with ecosystem clients and diversify earnings with less volatile F&C income.
- Diversification of sources of funding:
  - Debut RUB 5bn local bond issued in 2Q21.
- Effective cost management: constant decrease of CTI and CAC lower than market leaders'.

# 88% OF MTS BANK'S OPERATING INCOME COMES FROM RETAIL SEGMENT

Retail lending is 86% of the Bank's loan portfolio

Loans

Mortgage

Insurance

Cards

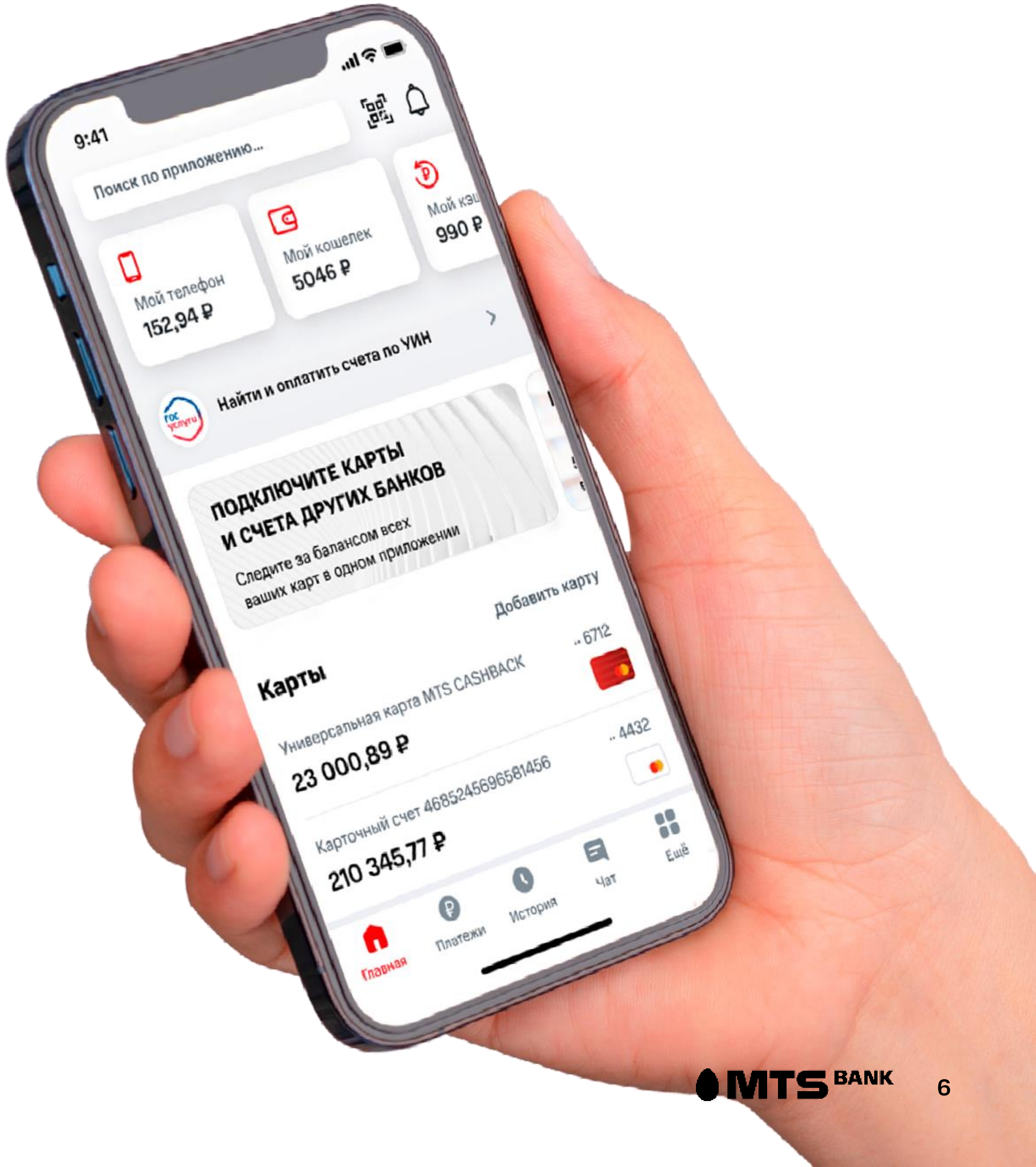
Private banking

Payments and money transfers

Current accounts and deposits

Investments

Mobile app and web services



# FOCUS ON MID-MARKET CORPORATE CLIENTS AND SME

**14% of the Bank's loan portfolio**

- Loans, guarantees and factoring
- Payroll projects
- Current accounts and deposits
- Trade finance, FEA
- Settlement and cash services
- Remote banking services
- Financial markets
- Acquiring
- Cards

**USD 134 mn** and
**EUR 55 mn** average monthly
cross-border payments

**Loan portfolio:**
49% wholesale and retail trade
27% real estate
9% transport & communications

# KEY FINANCIAL INDICATORS

| IFRS, RUB BN | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Assets | 151,3 | 179,5 | 216,8 | 288,2 |
| Annual loan portfolio growth | 26% | 48% | 21% | 68% |
| Total loan portfolio | 72,6 | 107,4 | 129,9 | 218,4 |
| Operating income before provisions | 12,8 | 17,6 | 21,8 | 33,0 |
| Net income | 0,61 | 1,82 | 0,83 | 5,3 |
| Fintech clients and MTS Bank clients | 9,5 | 10,5 | 11,4 | 11,8 |
| NPL, %% | 10,2% | 7,8% | 9,7% | 6,0% |
| NPL Coverage, %% | 111% | 121% | 125% | 150% |
| Cost to income, %% | 70% | 58% | 46% | 45% |

# CONTACTS

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