

# Idea Bank

## Practic. Simplu. Altfel.

June 2019 Financial Results



## Disclaimer

The consolidated and separate financial position and income statement for the period ended 30 June 2019 were examined by the Board of Directors on 27 September 2019.

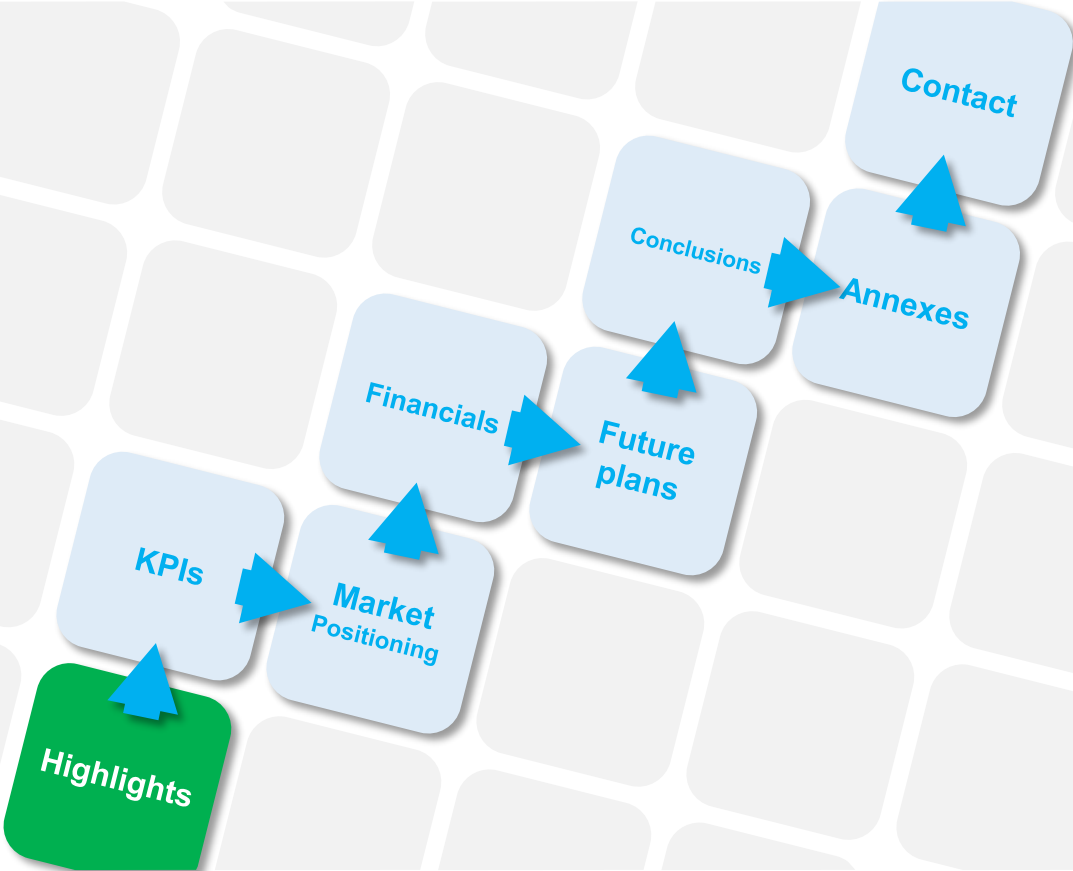
The financial information presented for the period ended 30 June 2019 and comparative periods has been prepared according to IFRS as adopted by the European Union and applicable at this date.

This financial information is at individual and group level, does not constitute a full set of financial statements and is not audited.

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# Key strengths of Idea Bank Group



## 1 Profitability

Group profitability is very encouraging given small size of balance sheet. **Increasing operational profit** of Idea Bank, with ROE superior to its peers

## 3 Unique digital platform

Distinctive digital capabilities with huge potential to grow, aiming to deliver more products and services online, through **end-to-end** deposits and loans

## 5 Optimal control of risk

Cost of risk of 1.2% Bank / 1.4% Group reflects an adequate control of credit quality, as origination of non-performing loans is offset by a **superior collection capacity**

## 7 Comfortable liquidity

The **liquidity position remains at comfortable levels**, with Loan / deposit ratio 79.9% at 30 June 2019, in line with the market, and LCR indicator well above the threshold of 100% at 231.9%.

## 2 Great business potential

**Proven ability to grow above market**, both in terms of assets (15.5% YoY bank vs. 5.6% YoY system) and credit (11.5% YoY bank vs. 7.0% YoY system, at June 2019)

## 4 Improved market positioning

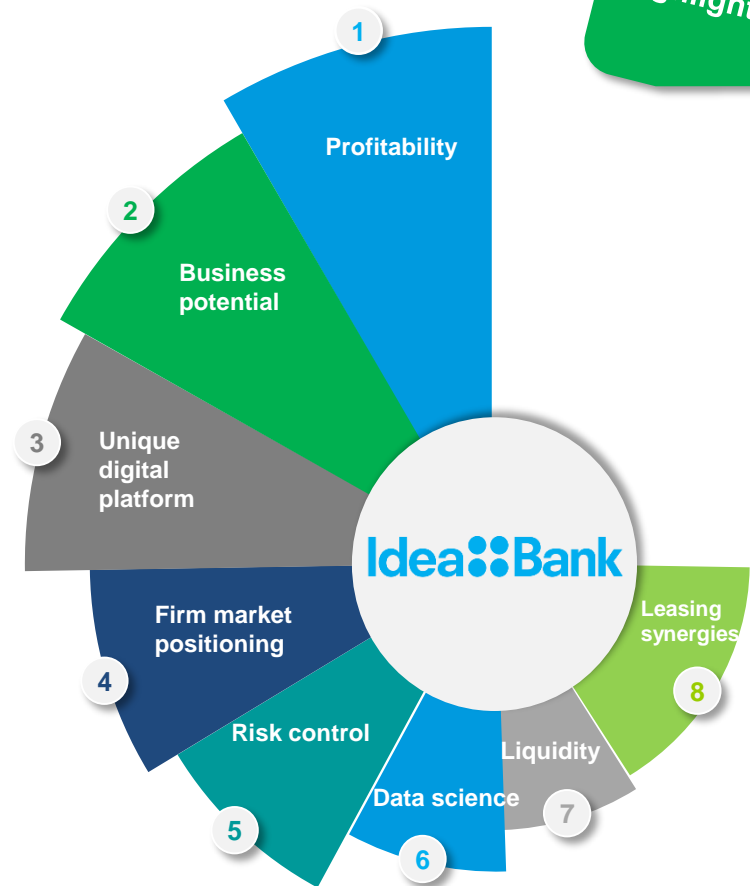
The bank strengthened its position on the market, increasing its market share 4 times between 2013 and 2019, from 0.12% to 0.49% as of June 2019. Still **massive potential to grow**, given small size.

## 6 Data science

The bank uses **data analytics and machine learning models** to enforce a digitized risk function, building a data science culture

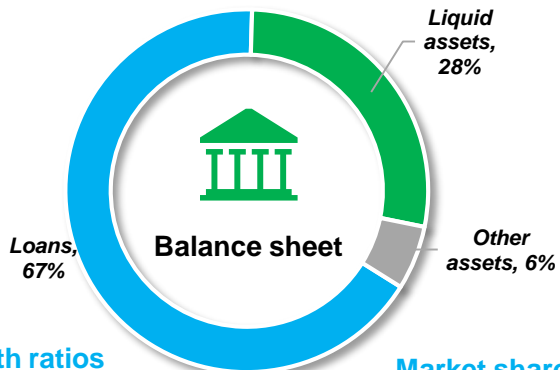
## 8 Leasing synergies

The Group has a **unique business model**, enforcing an innovative funding scheme for its leasing subsidiary, which ranks 4<sup>th</sup> on financial leasing market in 2018 by new business volume



# Idea Bank at a glance (June 2019)

## Solid financial position



### Growth ratios (YoY)

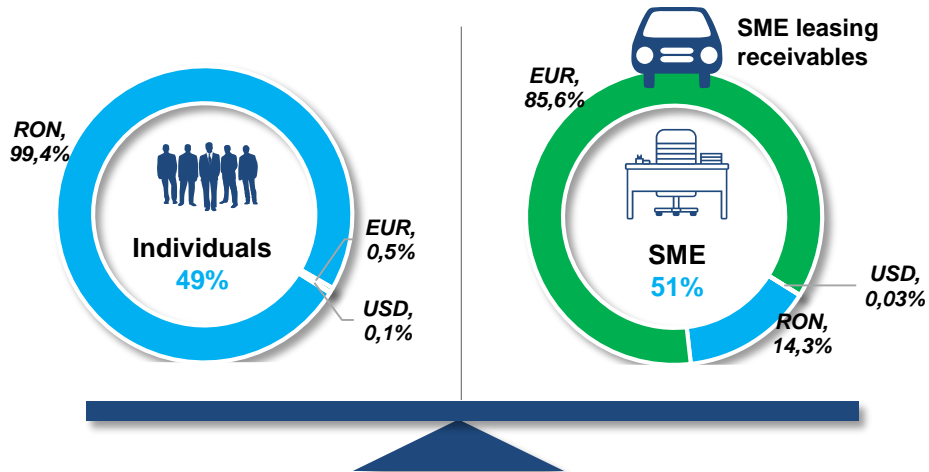
- Cash → **+29.8%**
- Net loans → **+11.5%**
- Deposits → **+15.4%**
- Capital → **+3.4%**

### Market share



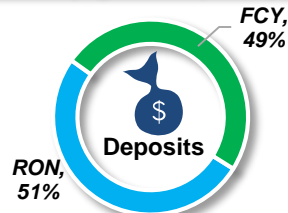
- Assets → **0.49%**
- Loans → **0.54%**
- Deposits → **0.55%**

## Balanced lending across individuals and SME



## Very good liquidity

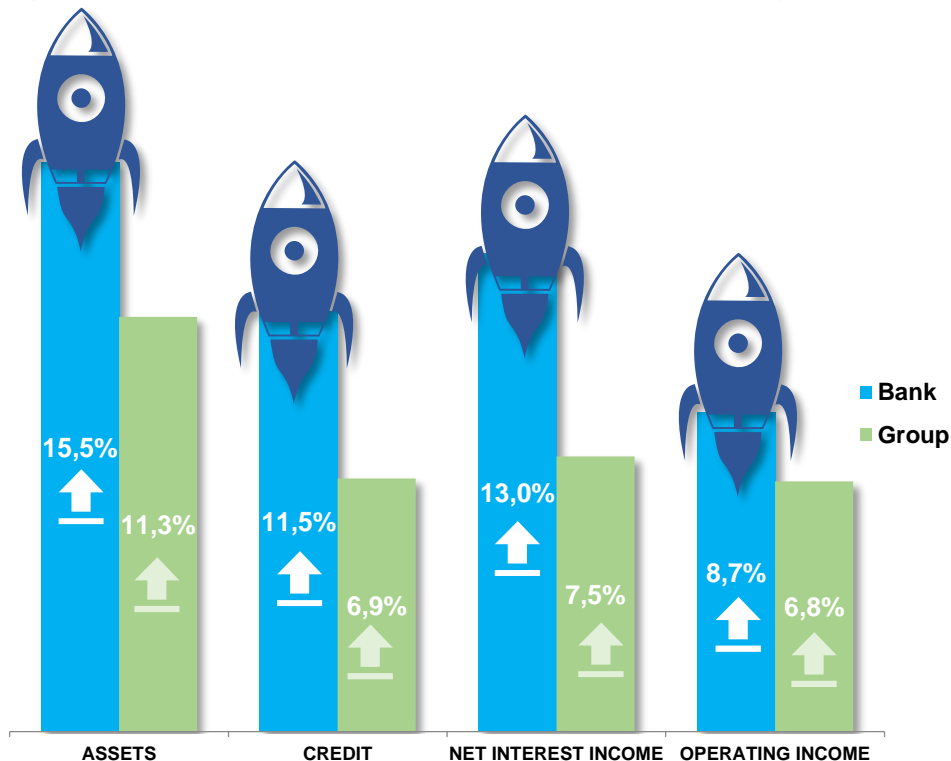
- L/D → **79.9%**
- LCR → **231.9%**



- 93%** deposits in liabilities
- 73%** individual deposits in total deposits



## Consistent organic growth of Group, focusing on digitalization and careful management of risks and costs



YoY dynamic as of June 2019

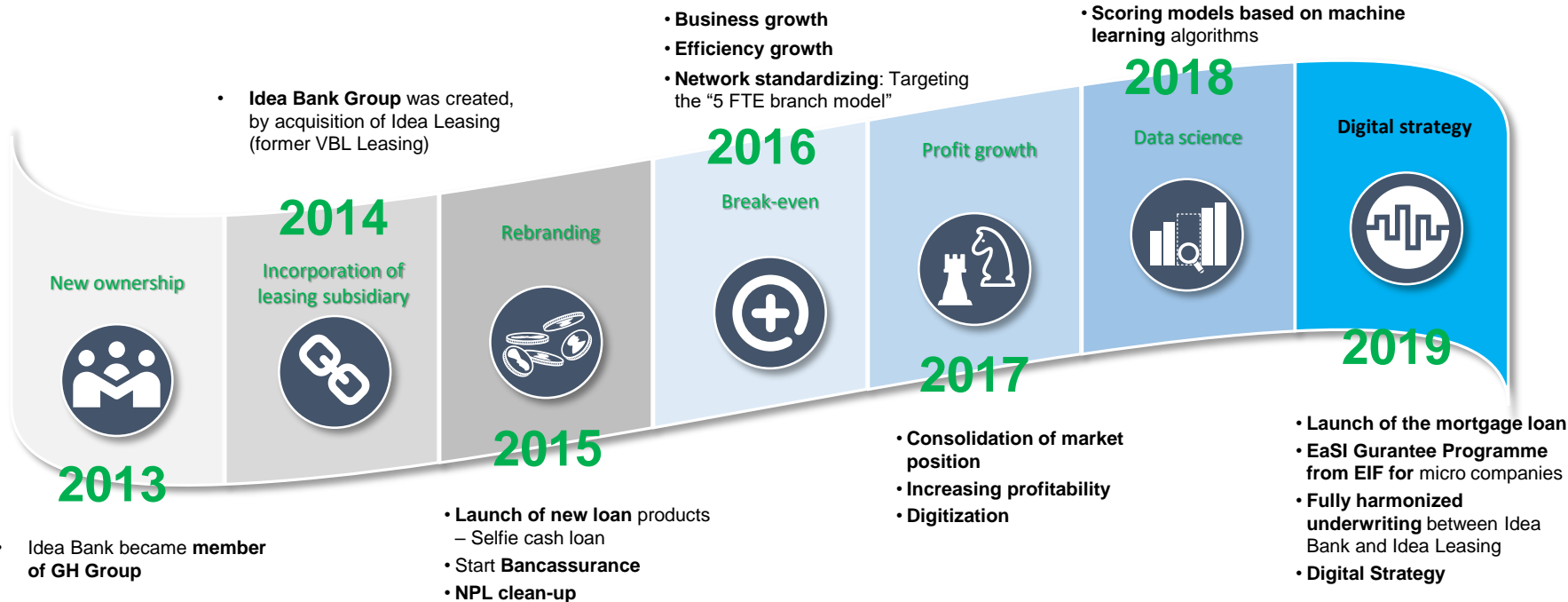
H1 2019 vs. H1 2018

- Idea Bank continues to **expand its assets, by 15.5% YoY** at June 2019 (three times faster than the system), on account of **net credit growth, up by 11.5% YoY** in June 2019 (twice faster than the system credit growth).
- **Operational income have increased by 8.7%** in the first semester of 2019 compared to the same interval of 2018, supported by the noteworthy **growth of net interest income by 13%**, generated by the credit growth on one side and by the margin decrease on the other side.

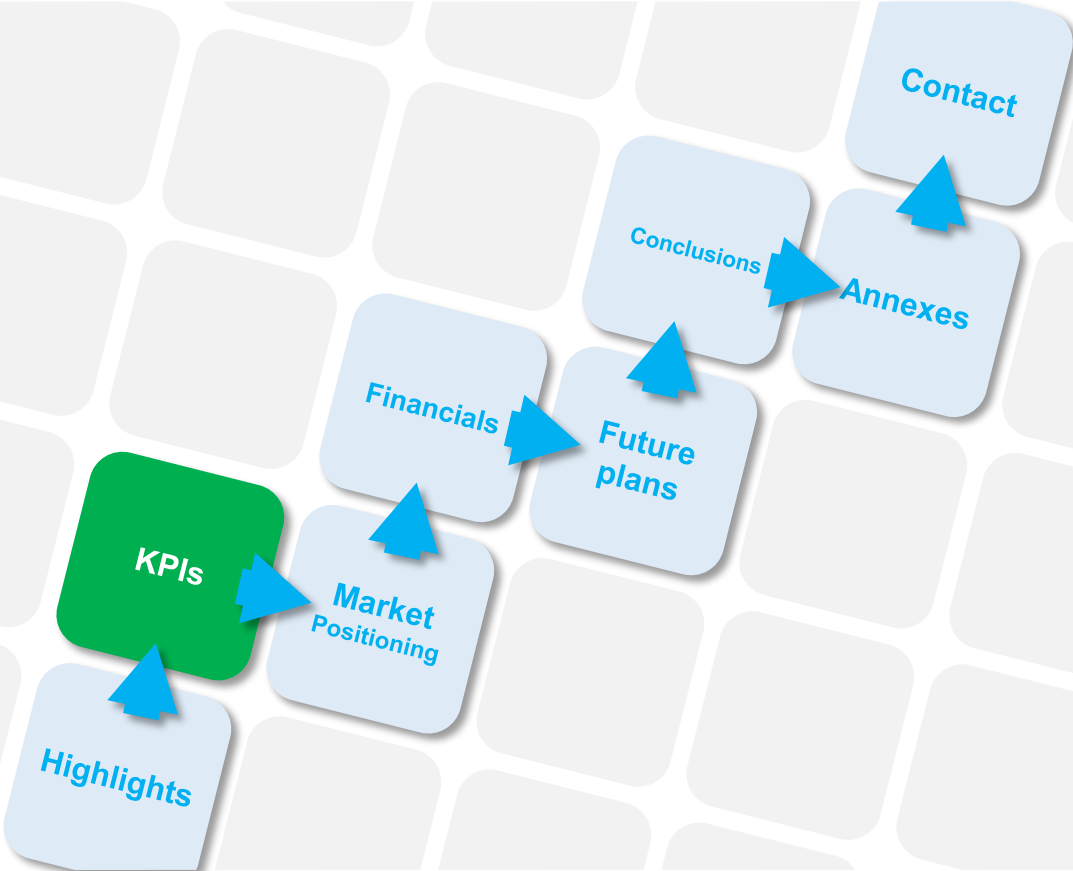


# Timeline of Group achievements

:: Strengthened status of a reputable financial intermediary



Idea Bank successfully completed in 2019 the first issue of EUR-denominated subordinated bonds admitted to trading on the Alternative Trading System administered by the Bucharest Stock Exchange, a reference transaction for the Romanian capital market

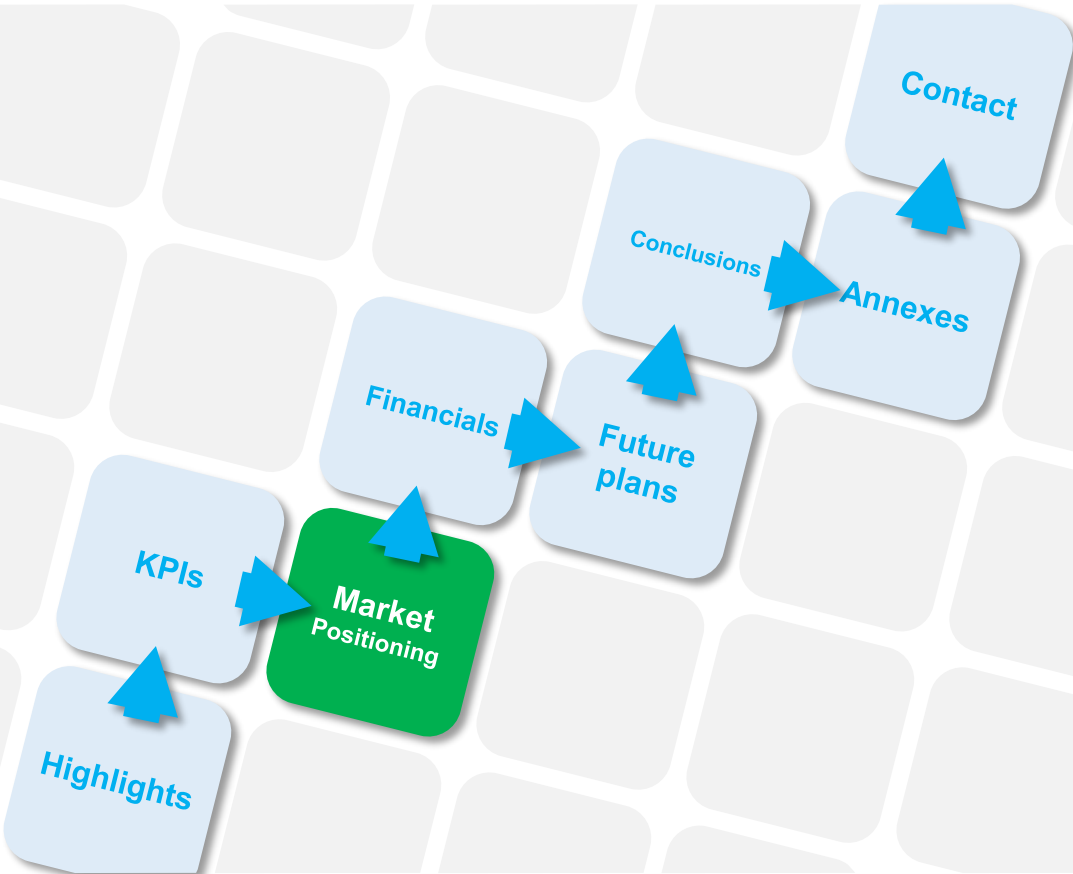




# KPIs reflect the brand consolidation on the market

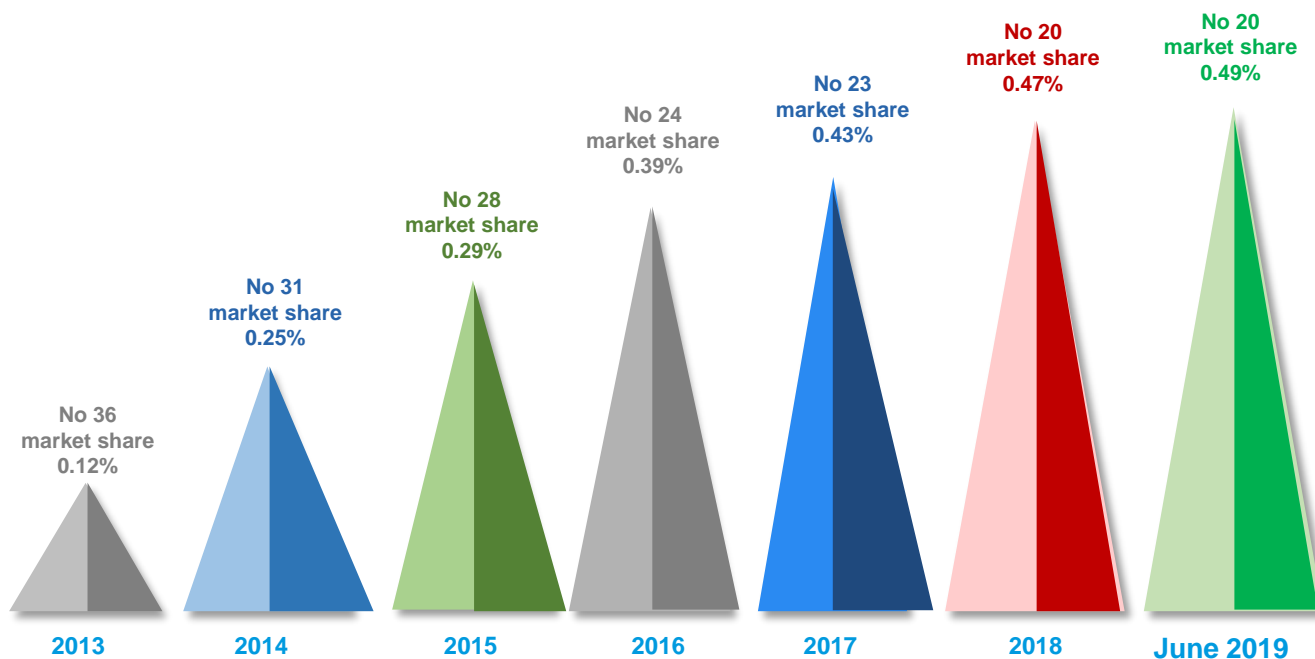
:: The half year results mirror a comfortable liquidity position, an adequate control of cost of risk and encouraging profitability

Key Indicators - BANK	BANK			GROUP		
	Jun-18	Dec-18	Jun-19	Jun-18	Dec-18	Jun-19
<b>Lending</b>						
Net Interest Margin (NIM)	3.2%	3.3%	3.2%	3.8%	3.9%	3.7%
<b>Capital adequacy</b>						
Capital Adequacy Ratio (CAR)	15.1%	15.4%	15.6%	13.4%	14.6%	15.1%
<b>Assets quality</b>						
Non-performing Ratio (NPL)	4.1%	4.9%	5.2%	4.6%	5.3%	5.1%
NPL coverage	53.0%	51.7%	52.3%	54.7%	54.5%	49.6%
Cost of risk (COR)	1.3%	1.2%	1.2%	1.4%	1.3%	1.4%
<b>Liquidity and funding</b>						
Loans / deposits	81.1%	79.5%	79.9%	96.8%	92.3%	89.5%
<b>Profitability</b>						
Return on Assets (ROA)	0.4%	0.4%	0.3%	0.8%	0.8%	0.6%
Return on Equity (ROE)	4.8%	5.4%	3.7%	10.1%	9.9%	7.6%
Cost-to-income ratio (CIR)	73.6%	71.9%	75.6%	69.5%	69.8%	73.7%



# Consolidated position on the market

:: The bank shows significant development potential, with credit growth exceeding more than double the system's growth



2013/2019: Idea Bank increased its market share 4 times and improved market position with 16 places

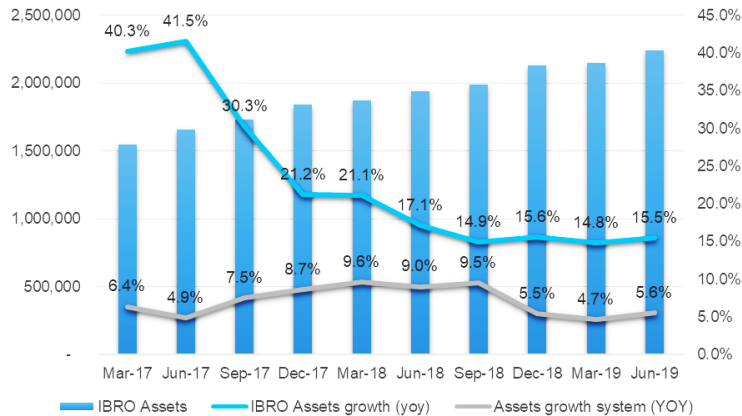


# Healthy, organic growth

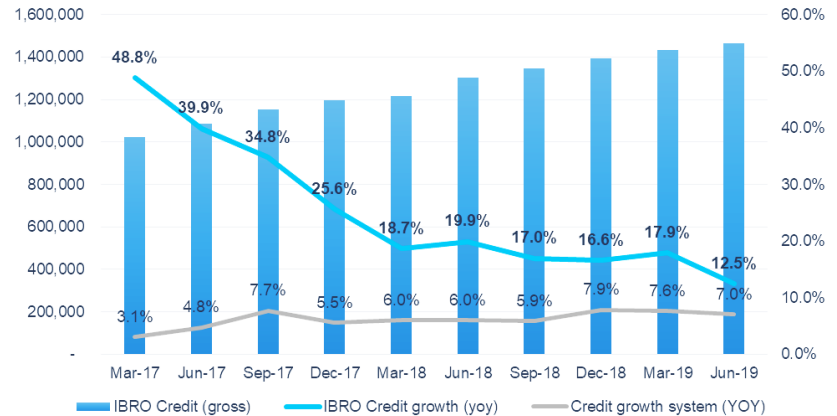
:: The bank grows above system

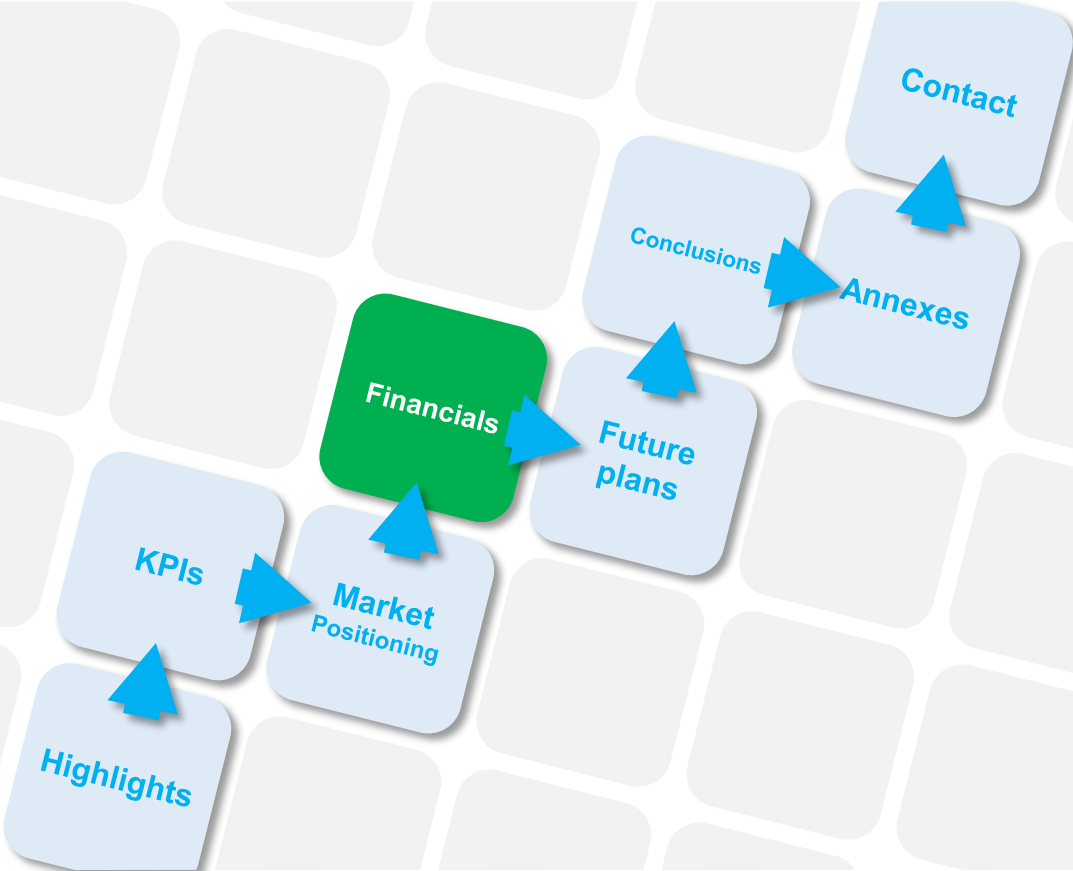
- Firm expansion in total assets (15.5% YoY at June 2019) on the back of the expanding loan portfolio. Idea Bank's lending grows at faster pace than the banking system growth (11.5% YoY vs 7.0% YoY as of June 2019, in terms of net lending)
- Similarly above the system growth rate, the deposits base is increasing, with 15.4% YoY vs 7.8% YoY as of June 2019
- Loan to deposit is adequately in line with the system evolution, reflecting the increased focus on retail deposit gathering

Assets growth IBRO vs system (YoY)



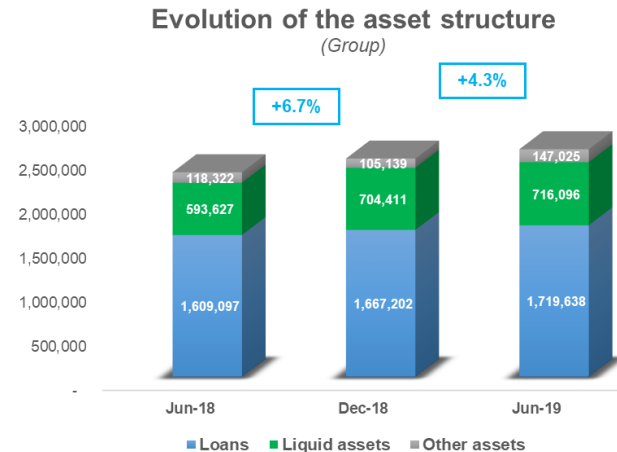
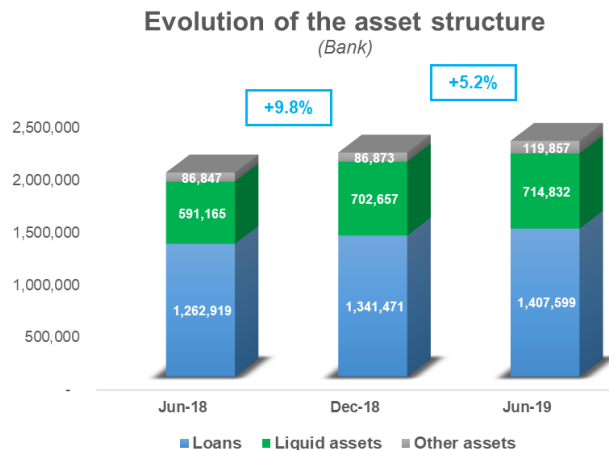
Credit growth IBRO vs system (YoY)





# Balance sheet composition

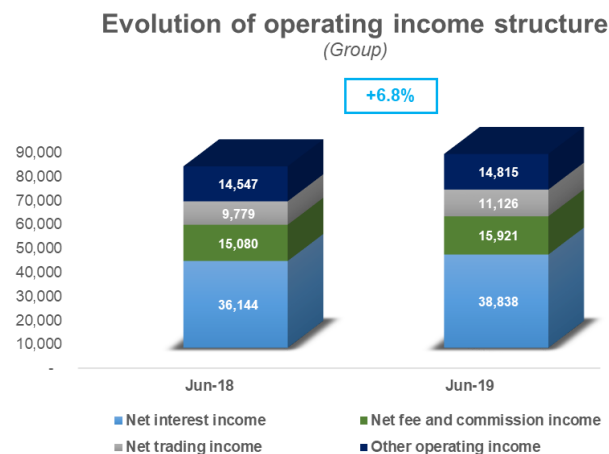
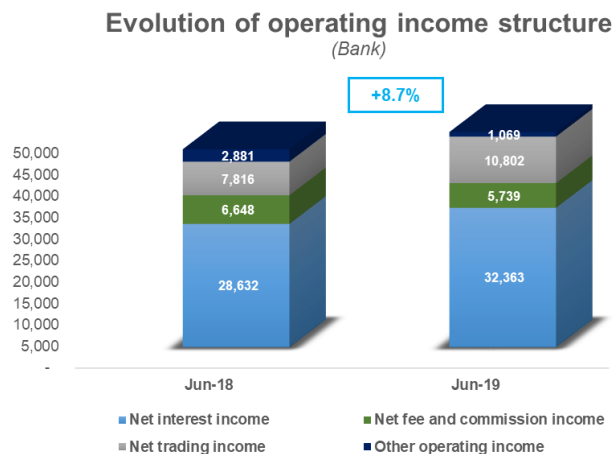
:: Steady expansion in total assets on the back of the loan portfolio increase in a pace faster than the system's, financed mainly through customer deposits



- Total **assets** increased by 15.5% in the first semester of 2019 (by 11.3% for the Group), driven by **net loan portfolio** expansion by 11.5% Bank / 6.9% Group. The growth of the loan portfolio was generated especially by the increase of the **financial leasing receivables** for the SME sector by 19.5% in the same interval, followed by the retail segment (+8.2% vs. first semester of 2018).
- **The SME loans**, though declining by 6.4% compared to June 2018, showed an increase by 2.5% vs. December 2018, signalling the Bank's strategy to expand finance solutions to this segment, supported by the EaSI guarantees through EU Programme for Employment and Social Innovation, sustained by the European Union and the European Fund for Strategic Investments (EFSI).

## Profitability (1)

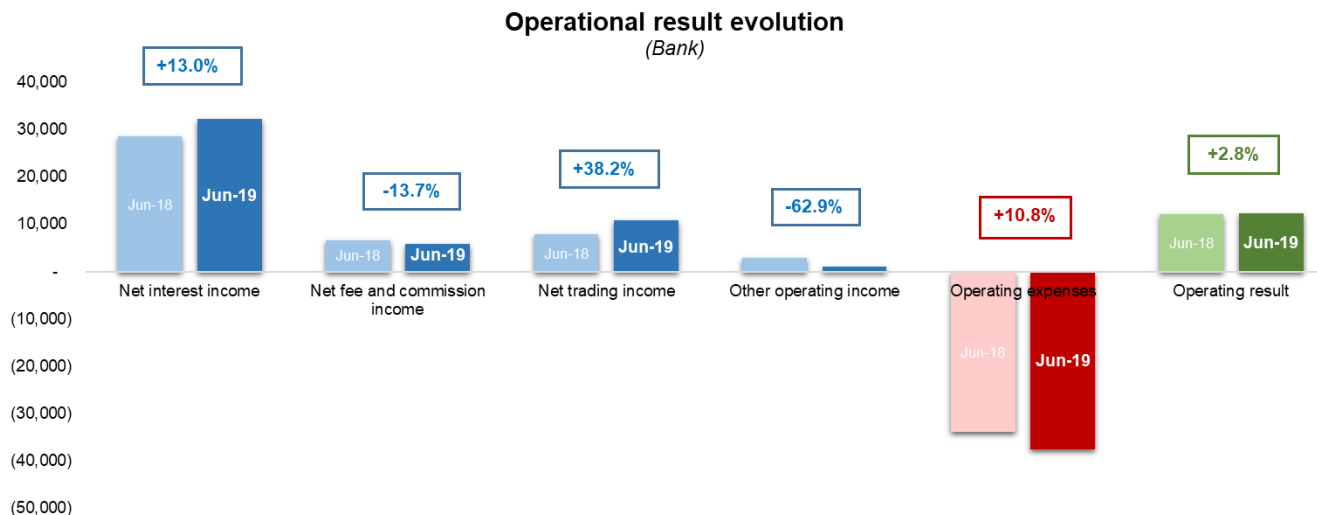
:: On the background of new fiscal obligations and contributions outside the Bank's control, Idea Bank Group recorded a net profit of RON 7,120 thousands (RON 3,071 thousands for the Bank), with 7.6% ROE (3.7% for the Bank)



- Both **net interest income** (67% of operating income at Bank level / 48% at Group level) as well as **net fee and commission income** (11% of operating income at Bank level / 20% at Group level) recorded a positive dynamic at Group level, growing with 7.5% and, respectively, with 5.6%, reflecting a **healthy expansion of the loan portfolio**.
- To the rise of the **operating income** with 8.7% for the Bank and with 6.8% for the Group, the increase of **net trading income** (+38.2% for the Bank and +13.8% for the Group) had a noteworthy contribution, being an essential segment of the Bank's activity.

## Profitability (2)

:: The profitability is supported by 3.7% NIM (3.2% for Bank), 1.4% COR (1.2% Bank)

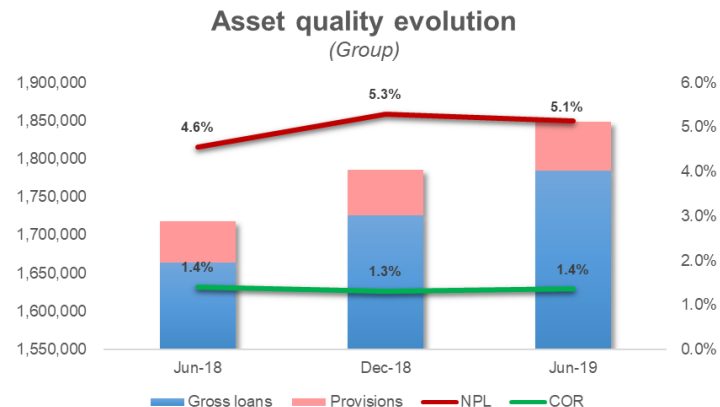
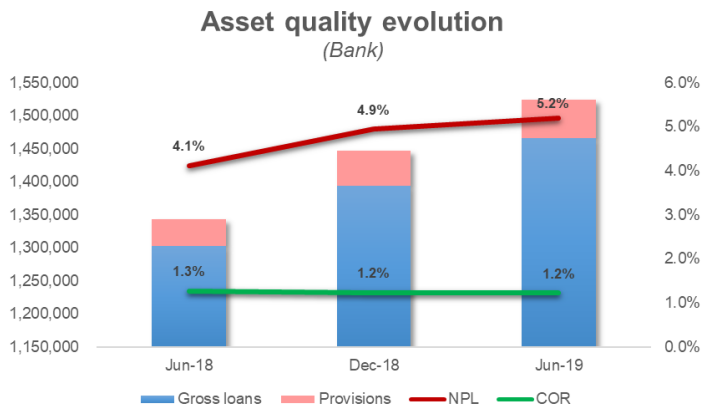


- Supported by a rise in cost of funding in the analysed period, **NIM** stayed at 3.2% in June 2019 for the Bank (3.7% for the Group).
- **Cost-to-income ratio** increased to 75.6% for the Bank / 73.7% for the Group at June 2019 (73.6% Bank / 69.5% Group at June 2018), driven by the advance of the operating expenses with 10.8% for the Bank and 10.3% for the Group, generated by new taxes and contributions owed in 2019 (e.g.: contribution to Bank Deposits Guarantee Fund (FGDB)). Nevertheless, the Bank's **operational efficiency** is superior to its peers.



# Asset quality


:: Loan portfolio quality broadly in line with the market, due to strict control of risk and scoring models designed using machine learning technology, which substantially improve credit risk predictability



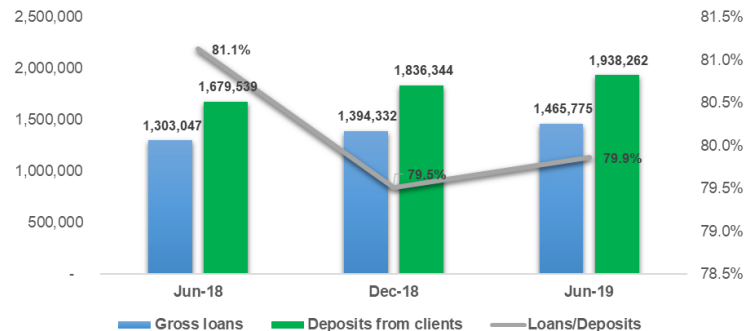
- **NPL rate** according to the European Banking Authority (EBA) is 5.2% (Bank) at 30 June 2019, slightly superior to the system average, but correlated with the Bank's core business line - unsecured consumer lending. Origination of non-performing loans is offset by a superior collection capacity. Consequently, **cost of risk of 1.2% Bank / 1.4% Group** reflects an adequate control of credit quality.
- **NPL coverage** according to EBA is 52.3%, superior to Idea Bank's peers

## Liquidity and funding

:: The liquidity position remains at comfortable levels. The Group is financed mainly through customer deposits (80% of liabilities)


- **Loan / deposit ratio** 79.9% at 30 June 2019, in line with the market, and **LCR** indicator well above the threshold of 100% at 231.9%. The **deposits from customers**, accounting for 93% of Bank's liabilities (80% at Group level) increased by 15.4% YoY compared to June 2018.
- In line with the Bank's strategy to diversify its funding sources, **Idea Bank tapped for the first time the potential of the capital market**, by issuing in December 2018 a volume of EUR 5 million subordinated bonds, listed on the ATS of BSE, which strengthened the capital position of the Bank.
-  The Bank used in 2018 a first tranche of the **European Investment Fund funding facility** in the amount of EUR 3,750,000, to finance the SME segment.
- As of 30 June 2019, the Bank registers a **financing commitment not used, granted by Idea Bank Spolka Akcyjna** in amount of EUR 5,000,000 (decreased from EUR 10,000,000 on 5 May 2019) due on 27 February 2020.
- The comfortable liquidity profile of the Bank, underpinned mainly by deposits inflows, is further enhanced by an **adequate share of liquid assets in total assets** (32%), which cover in proportion of 37% the deposits from customers.

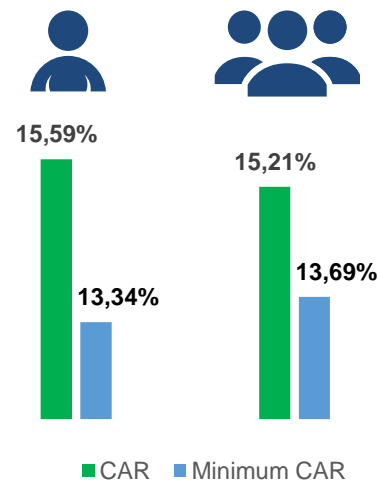
Loans and deposits evolution  
(Bank)

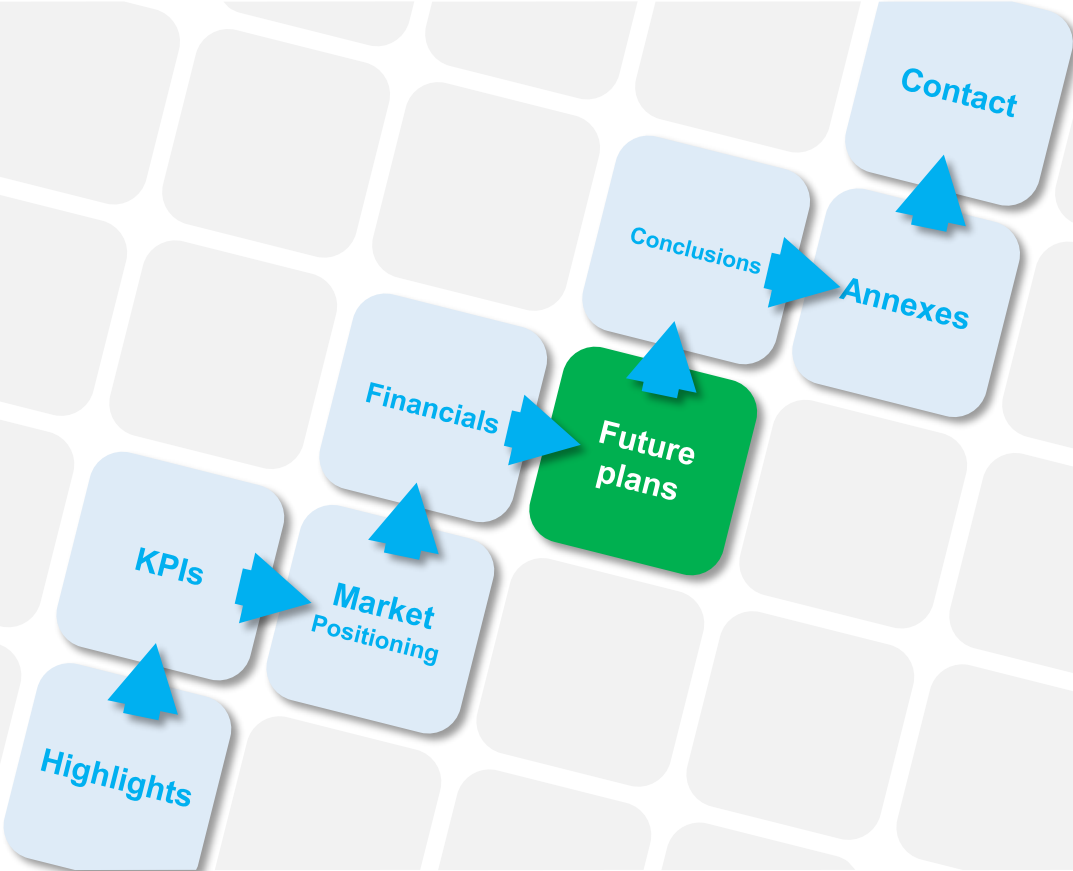


## Capital adequacy

:: Adequate capitalization, though below market, but well above the minimum required by NBR

- 
 The Group successfully placed in December 2018 on the Bucharest Stock Exchange a first issue of **subordinated bonds**, EUR-denominated, which strengthened the Group's capital position through Tier 2 instruments
- The capital adequacy ratio** computed at 30 June 2019 stands at 15.59% (15.21% for the Group), above the minimum threshold of 13.34% (13.69%, for the Group), as required by the Central Bank's regulations.
- The Board of Directors of Idea Bank S.A. approved on 25 April 2019 that the **entire profit of 2018, in amount of RON 8.356.909, to be capitalized.**





# Future plans

:: Management commitment: *“Continue to invest in our digital capabilities and develop innovative and simple solutions for our customers”*

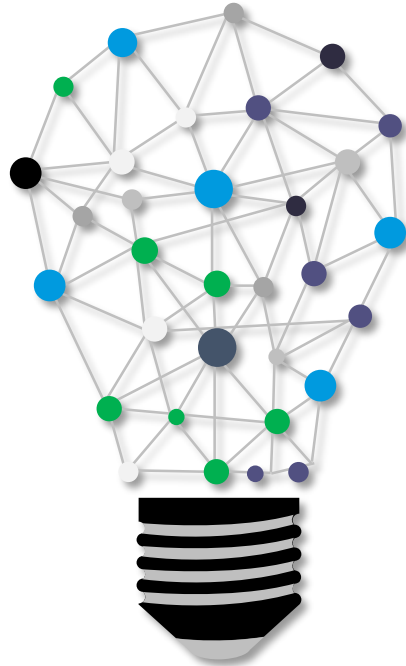


**Increase visibility & awareness** of the brand on the market  
 Increase the **quality of customer service**, continue to improve flows and processes, increase employee training, innovation and learning



## Digital Strategy

Implementing online customer on-boarding; accessing online personal loans, new Internet & mobile banking application for SMEs and individuals, digital signature, introducing electronic document delivery system



## Streamlined lending

Increase of the automatic decision rate in the consumer lending activity of individuals;  
 Introducing the mortgage product;  
 Increasing the SME Portfolio, as a driver to diversify revenue streams



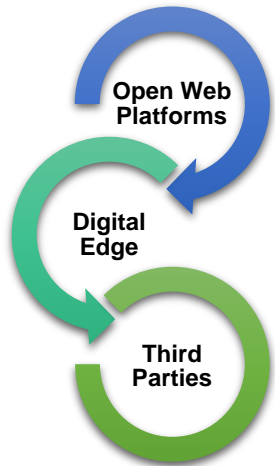
## Leasing synergies

Further develop the growth potential of a balanced financial intermediation on the market provided by the Idea Bank – Idea Leasing collaboration

# Digital Strategy

:: The bank seeks continuation of efficiency increasing based on Digital strategy

Our Digital Strategy rallies along the unique purpose of creating **Customer Journey** during next years.



## Platforms for open market:

- WebAccount
- WebCredit
- WebDepo



## Digital Edge (after becoming customer):

- unique platform for transactions
- integrating pre-approved campaigns and webcredit

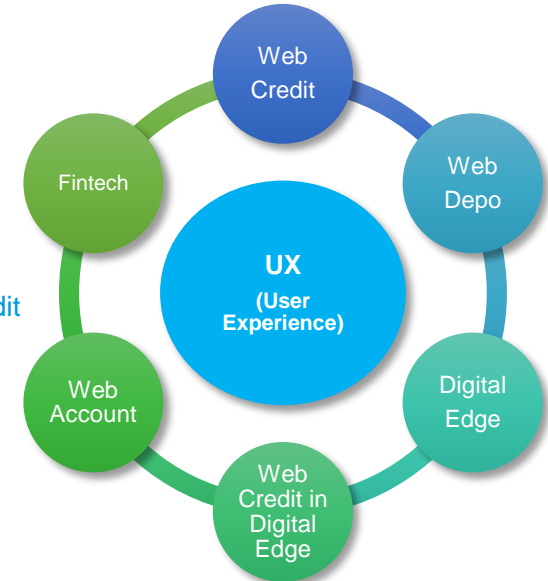


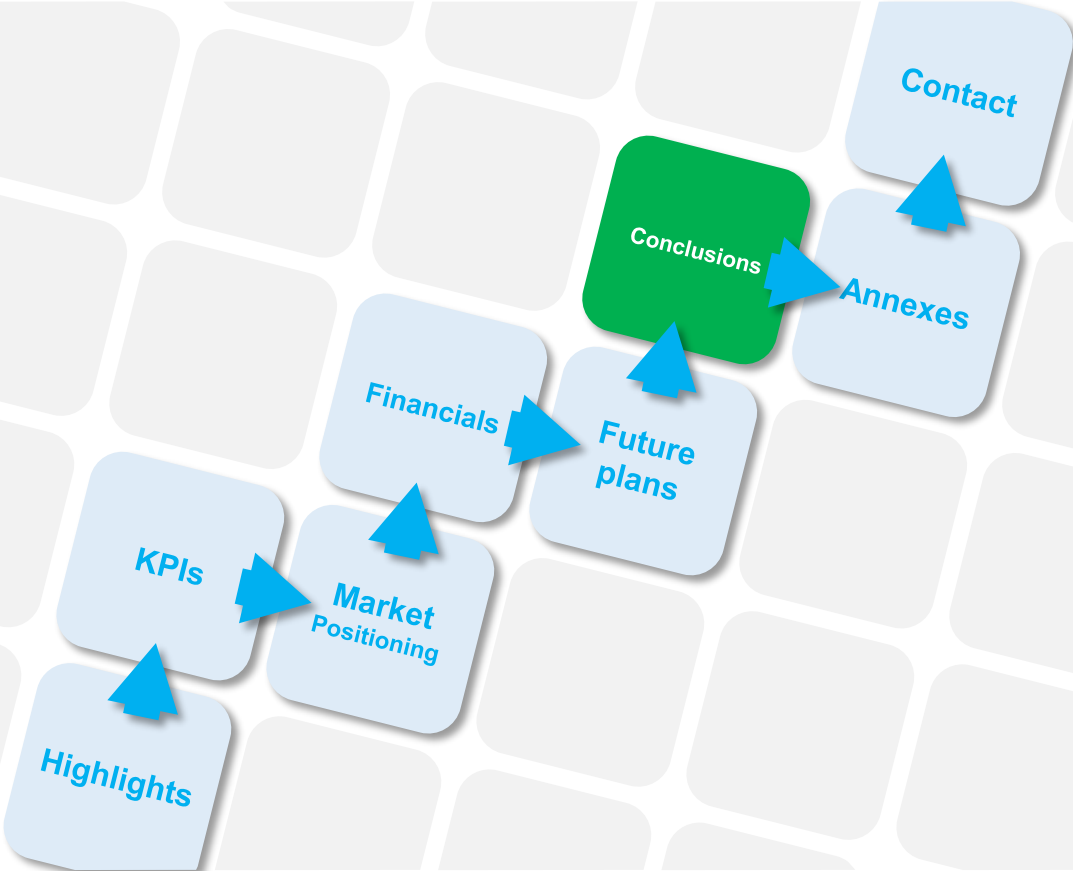
## Collaborations with Fintechs / Merchants:

- Selling existing open market solutions

... Meanwhile, applying Bank 4.0 principles:

- Mobile first
- Design starting from scratch and not from analogy
- Big Data Mining to generate UX
- Delivering when and what the customer wants





## Conclusions



*“The half year results of Idea Bank Group confirm the Group’s capacity to conserve optimum liquidity, under superior profitability compared to peer group banks, given a good employee productivity which makes the lending process simple and practical for our clients.”*

**Mioara Popescu, CEO**



### Increasing revenues

Sustained profitability, supported by a robust growth of both individuals and SME business segments, in a favorable macroeconomic context



### Growth above system pace

Continue organic growth is a rate superior to the system growth, triggered by considerable lending potential. Balanced financial intermediation on the market provided by the Idea Bank – Idea Leasing collaboration



### Optimal risk control

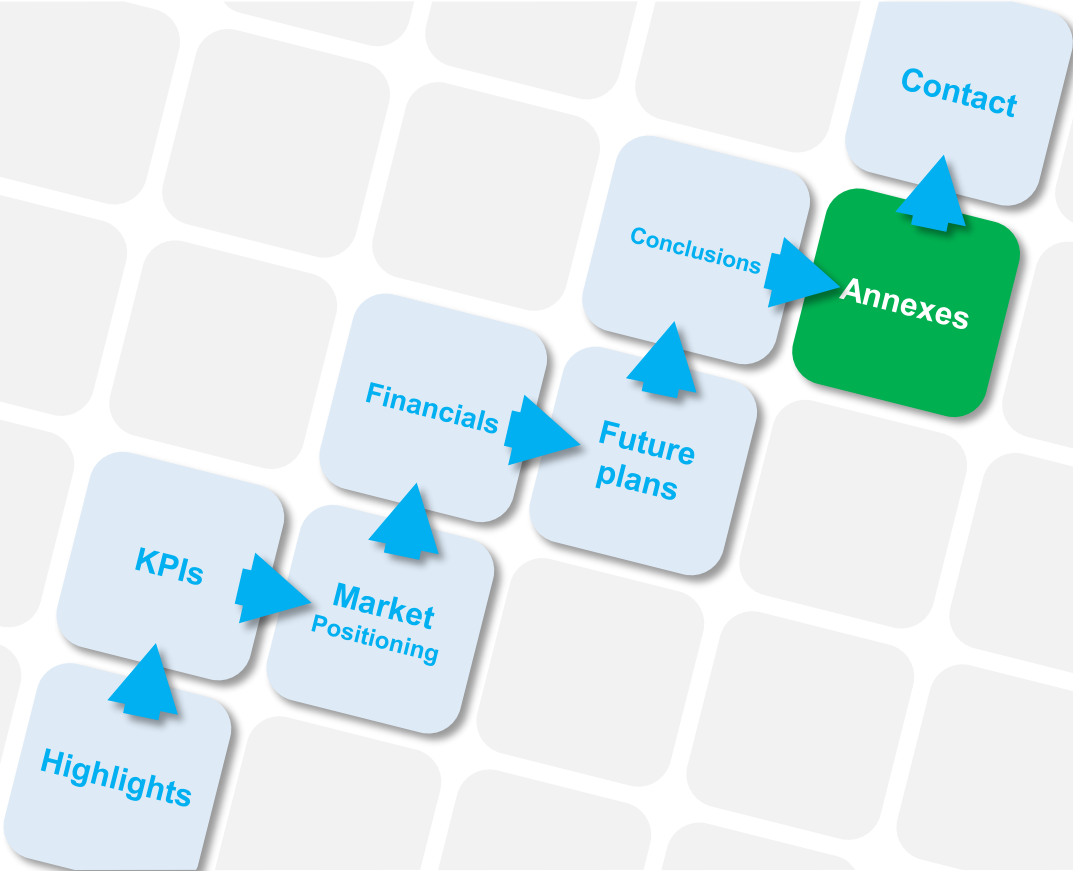
Strict control of risk, enhanced by data science tools and machine learning techniques, aiming for a digitized risk function



### Digital transformation

Ample focus on digitalization as to improve customer experience and automate processes.





# Idea Bank – Balance sheet (individual)

Balance sheet - BANK (thousands lei)	Jun-19	% in total	Jun-18	Jun-19 vs Jun-18 (abs.)	Jun-19 vs Jun-18 (%)	Dec-18	Jun-19 vs Dec-18 (abs.)	Jun-19 vs Dec-18 (%)
Cash and current accounts with Central Bank	527,532	23.5%	406,552	120,980	29.8%	499,760	27,772	5.6%
Placements to banks	-	0.0%	20,046	(20,046)	-100.0%	12,847	(12,847)	-100.0%
Net loans and advances to customers	1,407,599	62.8%	1,262,919	144,680	11.5%	1,341,471	66,128	4.9%
out of which, financial leasing receivables	614,942	27.4%	514,632	100,310	19.5%	570,255	44,687	7.8%
Other financial instruments	187,300	8.4%	164,567	22,733	13.8%	190,050	(2,750)	-1.4%
Tangible and intangible assets	61,663	2.8%	37,784	23,879	63.2%	38,515	23,148	60.1%
Other assets	58,194	2.6%	49,063	9,131	18.6%	48,358	9,836	20.3%
<b>Total assets</b>	<b>2,242,288</b>	<b>100.0%</b>	<b>1,940,931</b>	<b>301,357</b>	<b>15.5%</b>	<b>2,131,001</b>	<b>111,287</b>	<b>5.2%</b>
Deposits from banks	12,004	0.5%	23,076	(11,072)	-48.0%	28,813	(16,809)	-58.3%
Deposits from clients	1,938,262	86.4%	1,679,539	258,723	15.4%	1,836,344	101,918	5.6%
Loans from banks and other credit institutions (including subordinated debts)	90,063	4.0%	65,341	24,722	37.8%	88,554	1,509	1.7%
Other debts	36,020	1.6%	12,433	23,587	189.7%	15,147	20,873	137.8%
<b>Total liabilities</b>	<b>2,076,349</b>	<b>92.6%</b>	<b>1,780,389</b>	<b>295,960</b>	<b>16.6%</b>	<b>1,968,858</b>	<b>107,491</b>	<b>5.5%</b>
Share capital	312,030	13.9%	312,030	-	0.0%	312,030	-	0.0%
Accumulated deficit	(158,228)	-7.1%	(160,868)	2,640	-1.6%	(161,299)	3,071	-1.9%
Other reserves	12,137	0.5%	9,380	2,757	29.4%	11,412	725	6.4%
<b>Total equity</b>	<b>165,939</b>	<b>7.4%</b>	<b>160,542</b>	<b>5,397</b>	<b>3.4%</b>	<b>162,143</b>	<b>3,796</b>	<b>2.3%</b>
<b>Total liabilities and equity</b>	<b>2,242,288</b>	<b>100.0%</b>	<b>1,940,931</b>	<b>301,357</b>	<b>15.5%</b>	<b>2,131,001</b>	<b>111,287</b>	<b>5.2%</b>

# Idea Bank – Balance sheet (consolidated)

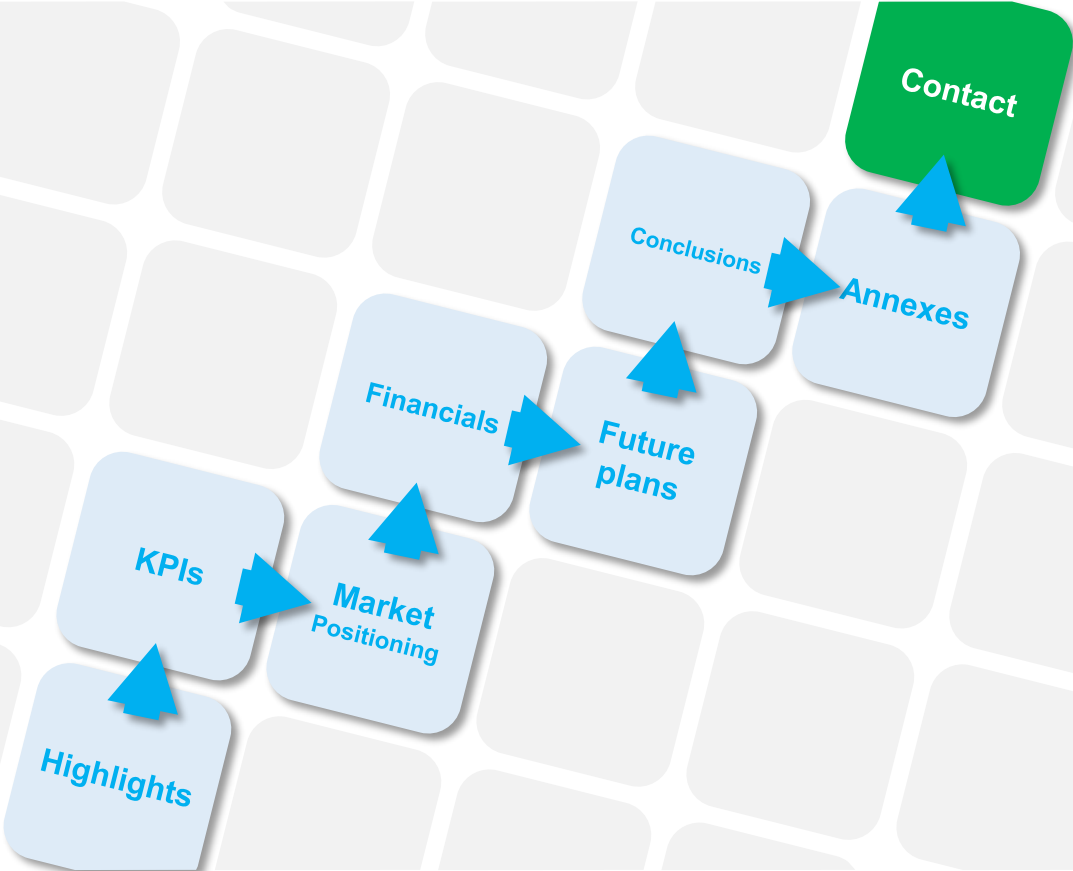
Balance sheet - GROUP (thousands lei)	Jun-19	% in total	Jun-18	Jun-19 vs Jun-18 (abs.)	Jun-19 vs Jun-18 (%)	Dec-18	Jun-19 vs Dec-18 (abs.)	Jun-19 vs Dec-18 (%)
Cash and current accounts with Central Bank	528,212	20.5%	409,010	119,202	29.1%	500,969	27,243	5.4%
Placements to banks	584	0.0%	20,050	(19,466)	-97.1%	13,392	(12,808)	-95.6%
Net loans and advances to customers	1,719,638	66.6%	1,609,097	110,541	6.9%	1,667,202	52,436	3.1%
out of which, financial leasing receivables	884,520	34.2%	799,350	85,170	10.7%	849,392	35,128	4.1%
Other financial instruments	187,300	7.3%	164,567	22,733	13.8%	190,050	(2,750)	-1.4%
Tangible and intangible assets	66,116	2.6%	39,097	27,019	69.1%	40,263	25,853	64.2%
Other assets	80,909	3.1%	79,225	1,684	2.1%	64,876	16,033	24.7%
<b>Total assets</b>	<b>2,582,759</b>	<b>100.0%</b>	<b>2,321,046</b>	<b>261,713</b>	<b>11.3%</b>	<b>2,476,752</b>	<b>106,007</b>	<b>4.3%</b>
Deposits from banks	12,004	0.5%	23,076	(11,072)	-48.0%	28,813	(16,809)	-58.3%
Deposits from clients	1,921,770	74.4%	1,661,549	260,221	15.7%	1,807,242	114,528	6.3%
Loans from banks and other credit institutions (including subordinated debts)	389,399	15.1%	420,496	(31,097)	-7.4%	423,671	(34,272)	-8.1%
Other debts	69,234	2.7%	37,454	31,780	84.9%	34,518	34,716	100.6%
<b>Total liabilities</b>	<b>2,392,407</b>	<b>92.6%</b>	<b>2,142,575</b>	<b>249,832</b>	<b>11.7%</b>	<b>2,294,244</b>	<b>98,163</b>	<b>4.3%</b>
Share capital	312,030	12.1%	312,031	(1)	0.0%	312,030	-	0.0%
Accumulated deficit	(134,123)	-5.2%	(143,248)	9,125	-6.4%	(141,243)	7,120	-5.0%
Other reserves	12,445	0.5%	9,688	2,757	28.5%	11,721	724	6.2%
<b>Total equity</b>	<b>190,352</b>	<b>7.4%</b>	<b>178,471</b>	<b>11,881</b>	<b>6.7%</b>	<b>182,508</b>	<b>7,844</b>	<b>4.3%</b>
<b>Total liabilities and equity</b>	<b>2,582,759</b>	<b>100.0%</b>	<b>2,321,046</b>	<b>261,713</b>	<b>11.3%</b>	<b>2,476,752</b>	<b>106,007</b>	<b>4.3%</b>

## Idea Bank – Profit and loss (individual)

Profit and Loss - BANK (thousands lei)	Jun-19	Jun-18	Jun-19 vs Jun-18 (abs.)	Jun-19 vs Jun-18 (%)
Net interest income	32,363	28,632	3,731	13.0%
Net fee and commission income	5,739	6,648	(909)	-13.7%
Net trading income	10,802	7,816	2,986	38.2%
Other operating income	1,069	2,881	(1,812)	-62.9%
<b>Operating income</b>	<b>49,973</b>	<b>45,977</b>	<b>3,996</b>	<b>8.7%</b>
Staff expenses	(18,661)	(17,039)	(1,622)	9.5%
Other operating expenses	(18,951)	(16,908)	(2,043)	12.1%
<b>Operating expenses</b>	<b>(37,612)</b>	<b>(33,947)</b>	<b>(3,665)</b>	<b>10.8%</b>
<b>Operating result</b>	<b>12,361</b>	<b>12,030</b>	<b>331</b>	<b>2.8%</b>
Provisions expenses	(8,456)	(7,557)	(899)	11.9%
<b>Gross result</b>	<b>3,905</b>	<b>4,473</b>	<b>(568)</b>	<b>-12.7%</b>
Income tax expense+ tax on assets	(834)	(765)	(69)	9.0%
<b>Net result</b>	<b>3,071</b>	<b>3,708</b>	<b>(637)</b>	<b>-17.2%</b>

## Idea Bank – Profit and loss (consolidated)

Profit and Loss - GROUP (thousands lei)	Jun-19	Jun-18	Jun-19 vs Jun-18 (abs.)	Jun-19 vs Jun-18 (%)
Net interest income	38,838	36,144	2,694	7.5%
Net fee and commission income	15,921	15,080	841	5.6%
Net trading income	11,126	9,779	1,347	13.8%
Other operating income	14,815	14,547	268	1.8%
<b>Operating income</b>	<b>80,700</b>	<b>75,550</b>	<b>5,150</b>	<b>6.8%</b>
Staff expenses	(29,180)	(26,827)	(2,353)	8.8%
Other operating expenses	(32,310)	(28,932)	(3,378)	11.7%
<b>Operating expenses</b>	<b>(61,490)</b>	<b>(55,759)</b>	<b>(5,731)</b>	<b>10.3%</b>
<b>Operating result</b>	<b>19,210</b>	<b>19,791</b>	<b>(581)</b>	<b>-2.9%</b>
Provisions expenses	(9,584)	(8,487)	(1,097)	12.9%
<b>Gross result</b>	<b>9,626</b>	<b>11,304</b>	<b>(1,678)</b>	<b>-14.8%</b>
Income tax expense + tax on assets	(2,506)	(2,298)	(208)	9.1%
<b>Net result</b>	<b>7,120</b>	<b>9,006</b>	<b>(1,886)</b>	<b>-20.9%</b>



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