

Idea Bank S.A. Group Results

Q3 2017

Presentation of the Management Board
for Investors
27 October 2017

▶ Summary of significant achievements in 2017

PLN 130.4m
net profit
In Q3 2017

- ❖ The net profit for Q3 amounted to 130.4m PLN which represents an increase of 122% q/q. The profit includes the sale of Idea Leasing shares in the amount of PLN 109m and the effect of the impairment of Open Finance shares in the amount of PLN 20m as well as the revaluation of investment property in the amount of PLN 5m.

Leasing business
consolidation

- ❖ The last stage of leasing business consolidation has begun. The cost synergies following this process will have a positive impact on the results of leasing companies in 2018.

PLN 552.5m
Net interest income
9M 2017

- ❖ The Group's net interest income for the 9 months of 2017 amounts to PLN 552.5m, which is 25% higher than a year ago.

46,8%
C/I
9M 2017

- ❖ The C/I ratio for the 9 months of 2017, adjusted with the tax on assets, is 46.8%, significantly lower than a year ago (56.3%).

PLN 2,4bn
sales
in Q3 2017

- ❖ High sales of credit products – over PLN 2.4bn of sales in Q3 2017 with high leasing sales PLN 1.3bn.

13,8%
CAR as at
30.09.2017

- ❖ The Group presents adequate level of capital ratios: CAR – 13.8%, Tier 1 – 12,1%.

Summary of Idea Bank Group Q3 2017 results

- Summary of financial data and key ratios
- Sales and customers base

Analysis of Q3 2017 financial results

- Structure of net income
- Structure of loans together with impairment losses and CoR
- Key regulatory indicators
- Key financial information relating to operating segments

Attachments

- Income Statement - Idea Bank Group
- Balance Sheet – Idea Bank Group
- Sale of Idea Leasing shares

Summary of financial data and key ratios

PLN million	Q3 2017 YTD	Q3 2016 YTD	Change %
Net interest income	552,5	441,3	25,2%
Net fee and commission income	288,0	252,8	13,9%
Impairment losses	-219,0	-124,9	75,3%
General administrative costs, including:	-432,1	-409,3	5,6%
- tax on assets	-47,6	-33,0	44,1%
Net income	240,2	384,9	-37,6%

Q3 2017	Q2 2017	Change q/q %
169,0	198,3	-14,8%
100,7	83,7	20,4%
-85,1	-72,1	18,1%
-141,9	-137,5	3,2%
-16,8	-15,5	8,6%
130,4	58,7	122,1%

PLN million	30.09.2017	31.12.2016	Change %
Receivables from clients	16 221,8	14 596,2	11,1%
Liabilities to clients	19 203,8	17 718,6	8,4%
Equity	2 730,6	2 457,4	11,1%
Total assets	23 372,5	21 516,7	8,6%

Ratios	Q3 2017 YTD**	Q3 2016 YTD***	Change %	Q3 2017**	Q2 2017	Change q/q %
NIM	3,8%	3,9%	-0,1 p.p.	3,5%	4,0%	-0,5 p.p.
% share of Net F&C income in Total operating income	35,0%	37,8%	-2,8 p.p.	37,5%	29,9%	7,6 p.p.
C/I Group	52,6%	61,2%	-8,6 p.p.	52,8%	49,1%	3,6 p.p.
adjusted C/I Group*)	46,8%	56,3%	-9,5 p.p.	46,5%	43,5%	3 p.p.
CoR (excluding purchased receivables)	2,1%	1,4%	0,7 p.p.	2,4%	2,1%	0,4 p.p.
ROAA	0,9%	0,6%	0,3 p.p.	0,8%	1,1%	-0,2 p.p.
adjusted ROAA*)	1,2%	0,9%	0,3 p.p.	1,1%	1,3%	-0,2 p.p.
ROAE	8,0%	5,8%	2,3 p.p.	7,1%	9,3%	-2,2 p.p.
adjusted ROAE*)	10,5%	7,7%	2,7 p.p.	9,7%	11,8%	-2,1 p.p.
L/D ratio (Group)	84,5%	85,8%	-1,3 p.p.	84,5%	86,8%	-2,3 p.p.
NPL (DPD 90+)	9,9%	8,4%	1,5 p.p.	9,9%	9,4%	0,5 p.p.
NPL coverage (DPD 90+)	51,5%	51,6%	-0,1 p.p.	51,5%	52,6%	-1,1 p.p.
CAR (Bank)	13,4%	14,0%	-0,6 p.p.	13,4%	14,0%	-0,6 p.p.
Tier 1 (Bank)	11,7%	11,7%	0,1 p.p.	11,7%	12,1%	-0,4 p.p.
CAR (Group)	13,8%	16,8%	-3 p.p.	13,8%	14,0%	-0,2 p.p.
Tier 1 (Group)	12,1%	13,8%	-1,8 p.p.	12,1%	12,0%	0,1 p.p.

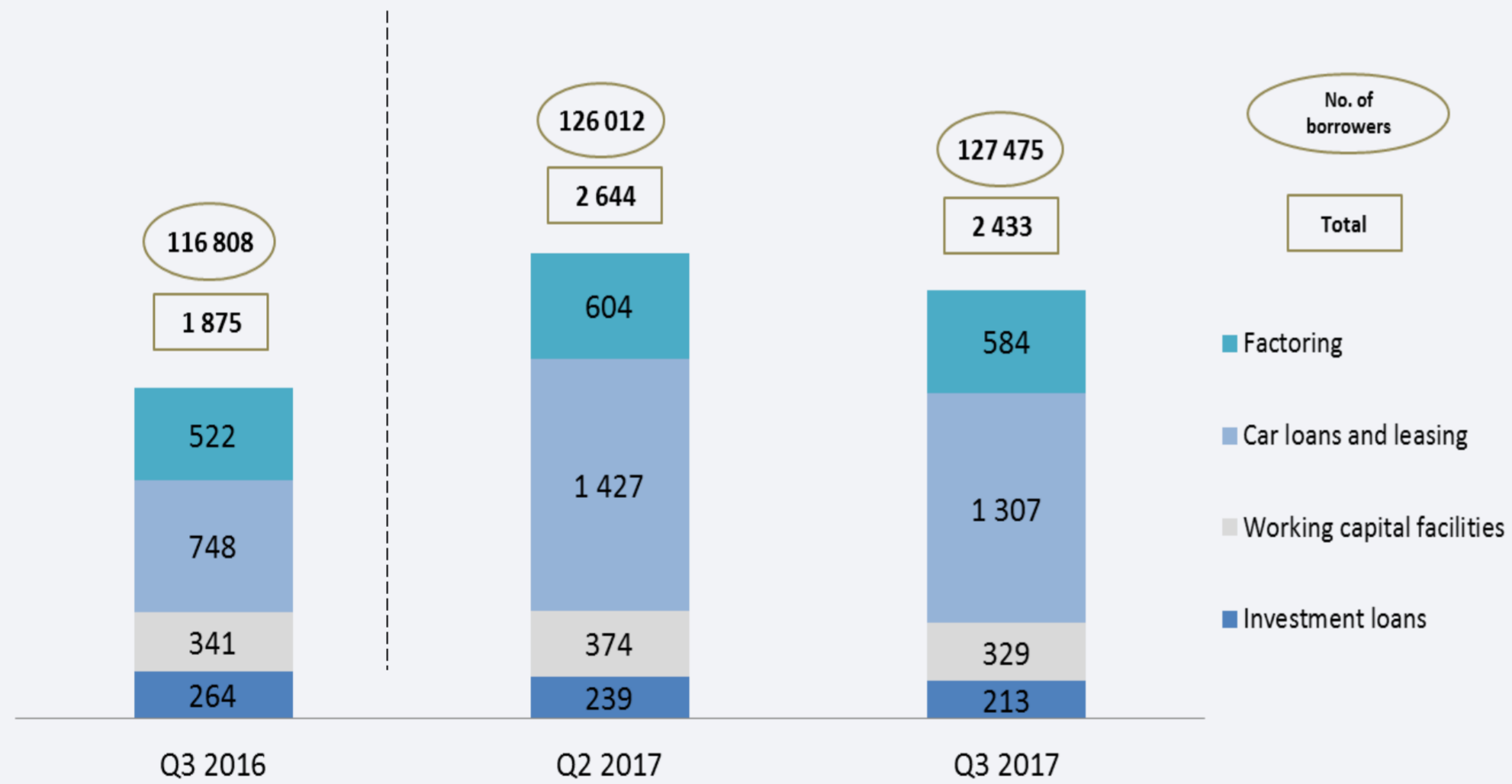
* Excluded the cost of tax on assets

**Ratios do not include profit on sale of 25,01% shares of Idea Leasing, the impairment of Open Finance shares as well as the revaluation of investment property

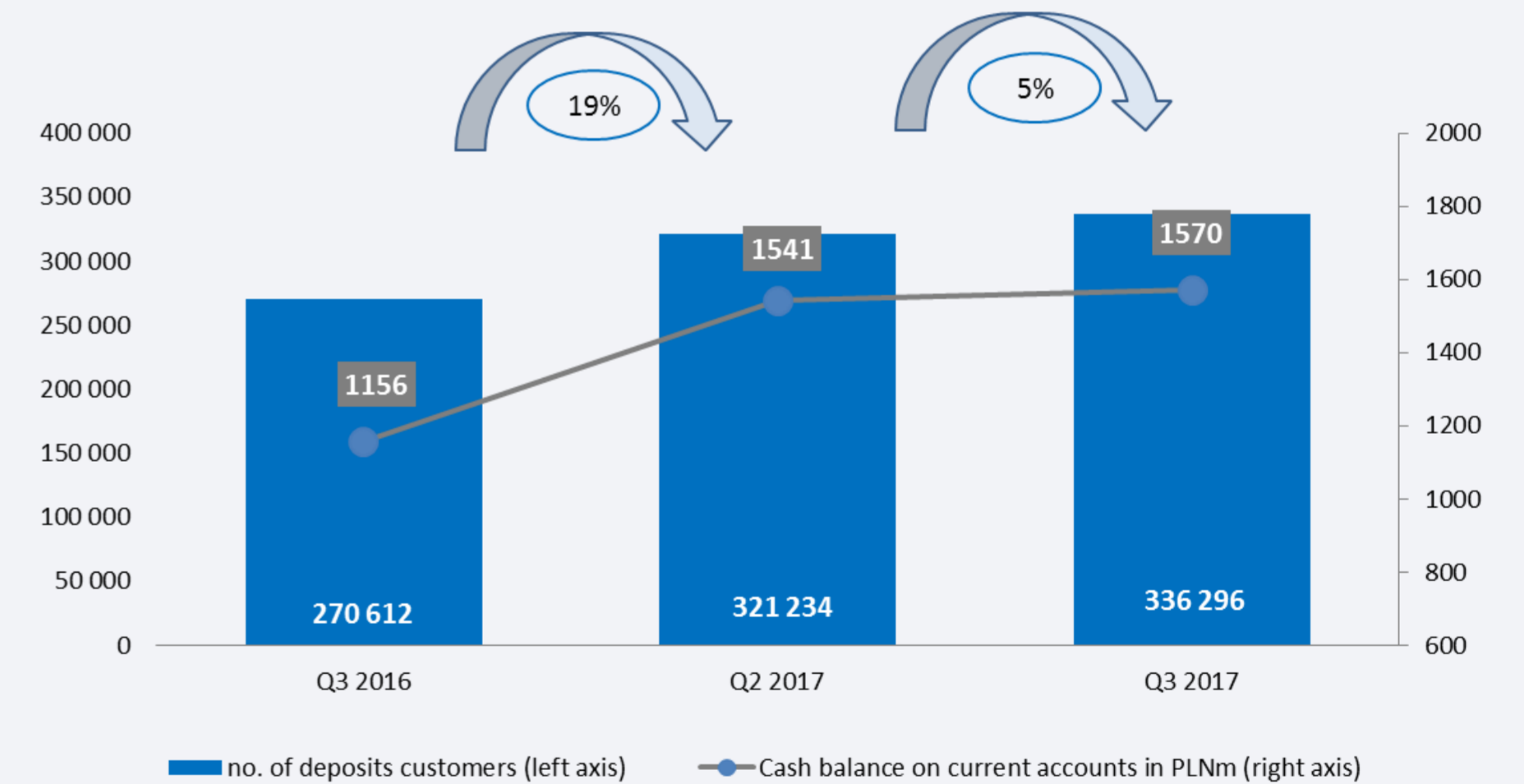
*** Ratios do not include profit on the sale of GetBack S.A. as well as discontinued operations

Sales and customers base

Loan sales



Current accounts holders in Idea Bank



After the third quarter of 2017 the number of active accounts reached 336k which represents an increase of 5% q/q.

Summary of Idea Bank Group Q3 2017 results

- ❖ Summary of financial data and key ratios
- ❖ Sales and customers base

Analysis of Q3 2017 financial results

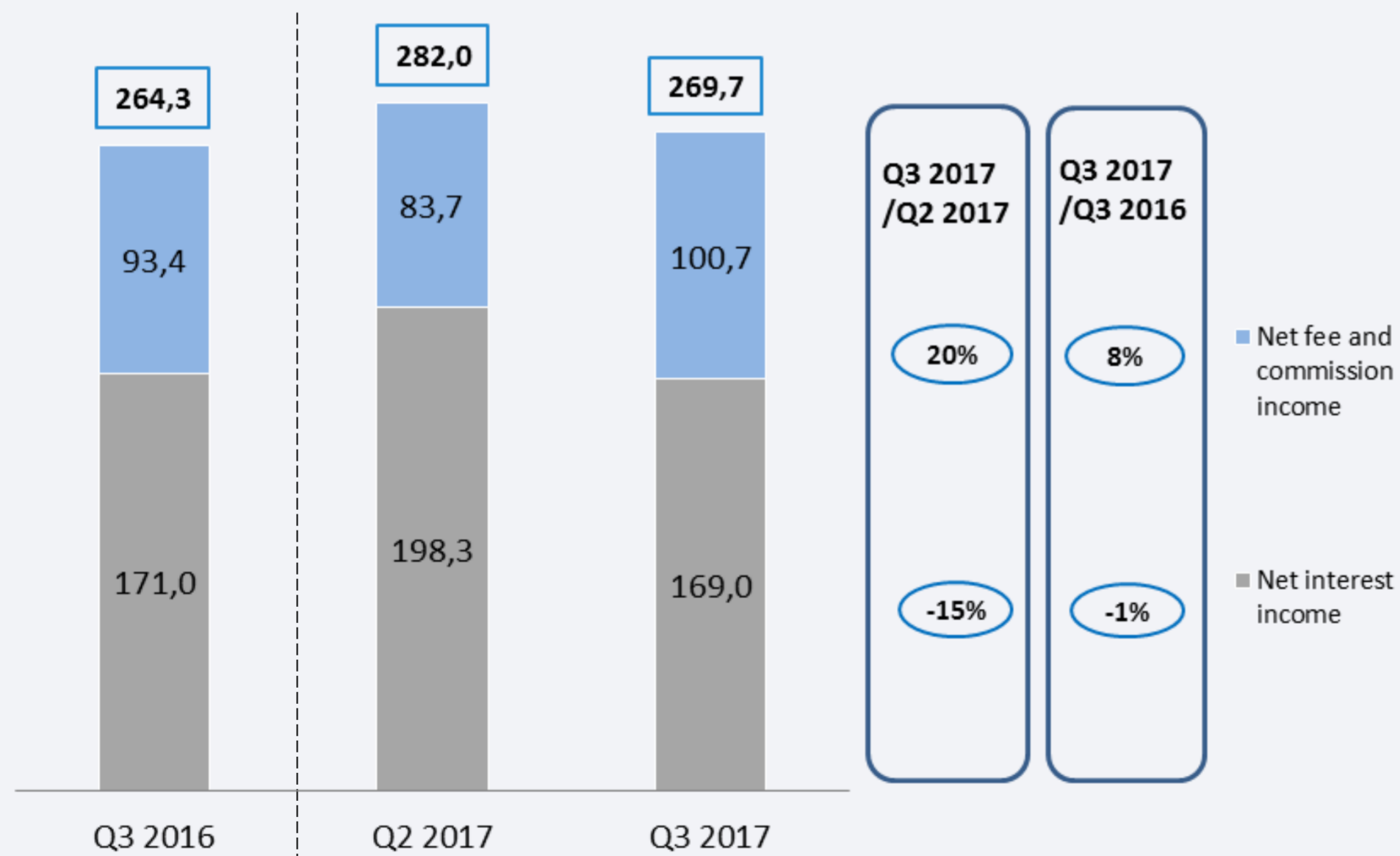
- ❖ Structure of net income
- ❖ Structure of loans together with impairment losses and CoR
- ❖ Key regulatory indicators
- ❖ Key financial information relating to operating segments

Attachments

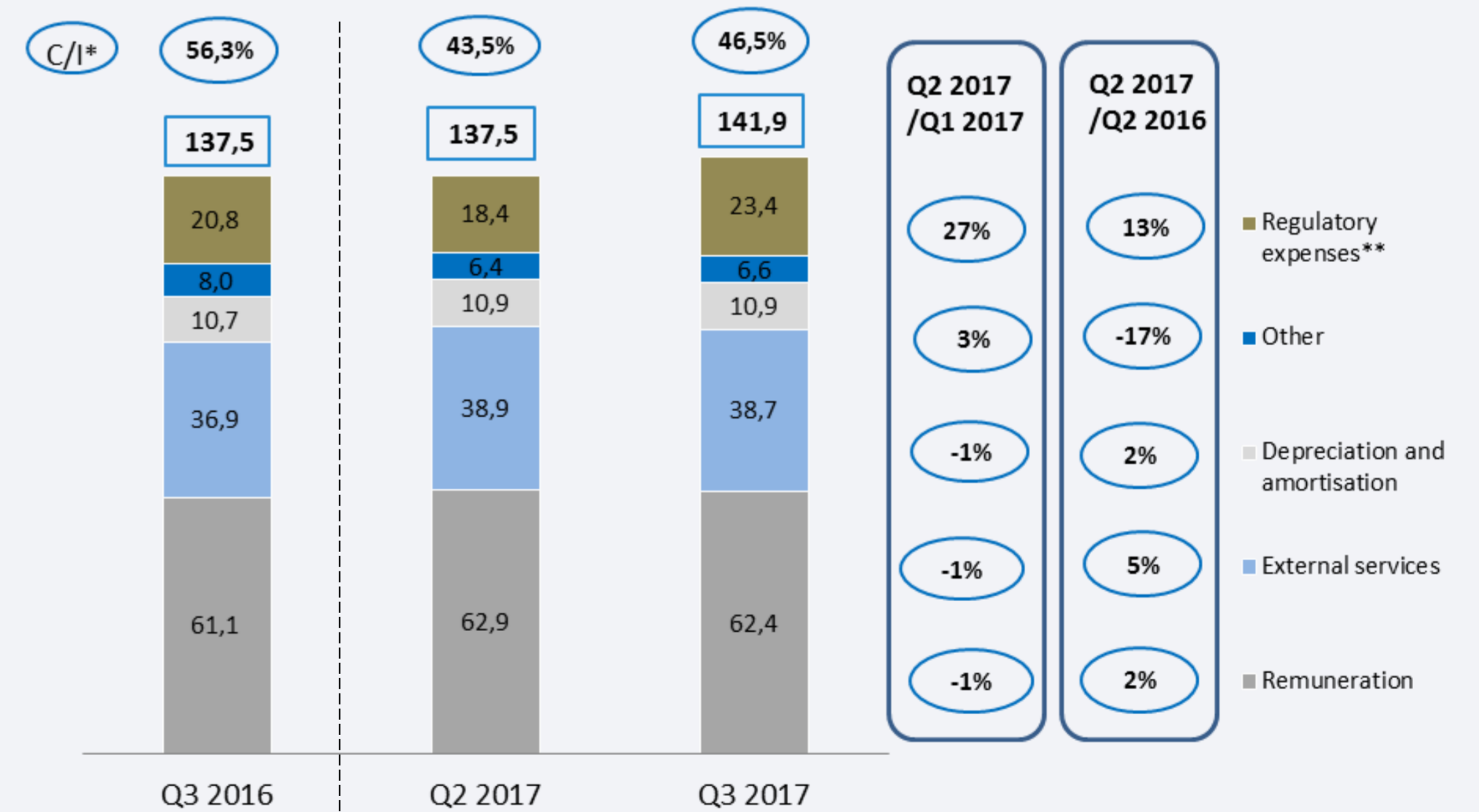
- ❖ Income Statement - Idea Bank Group
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▶ Dynamics of the Group income and costs

Structure of the Group's Total Income



Structure of the Group's general administrative costs

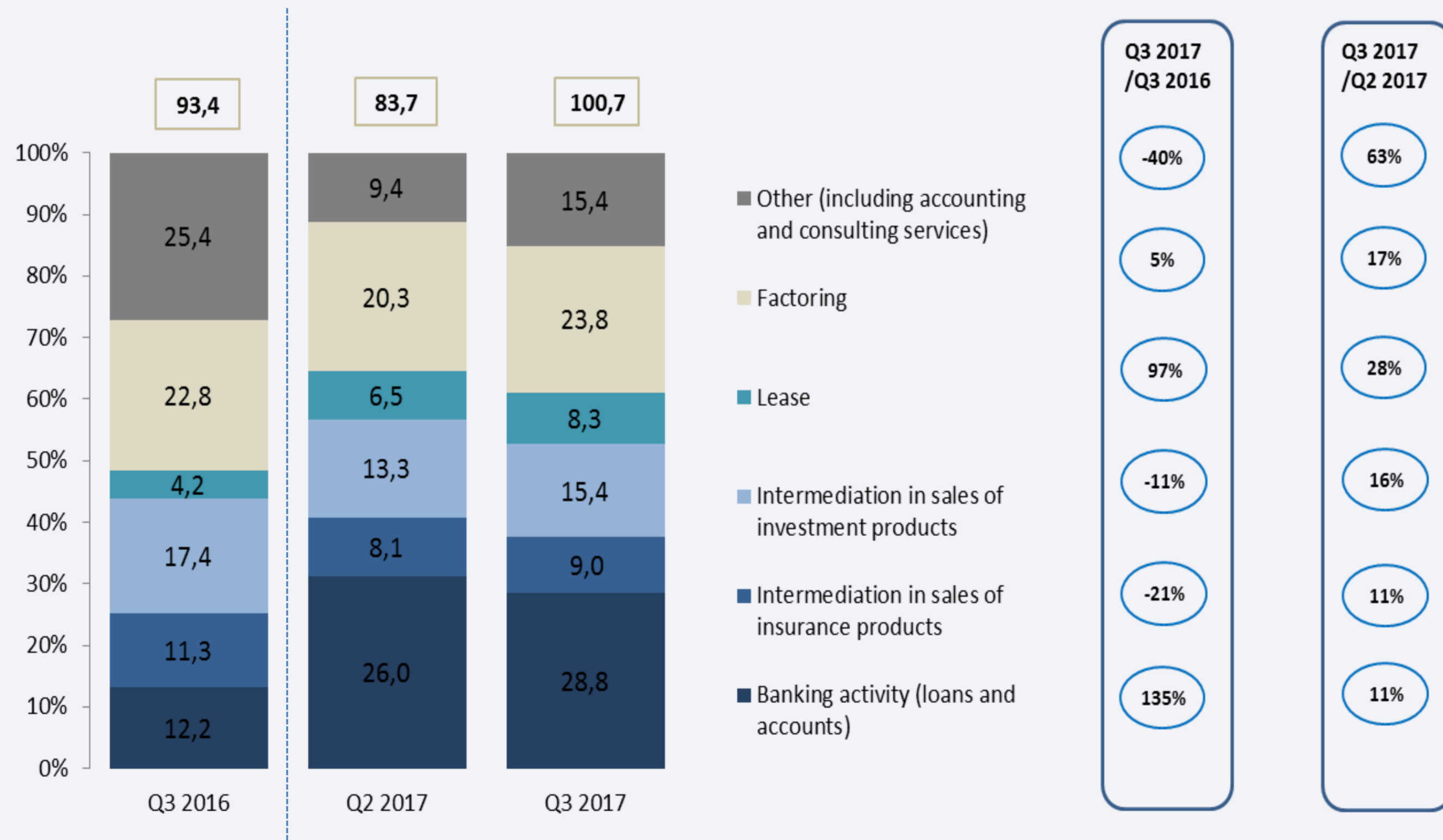


* Excluded the cost of asset tax

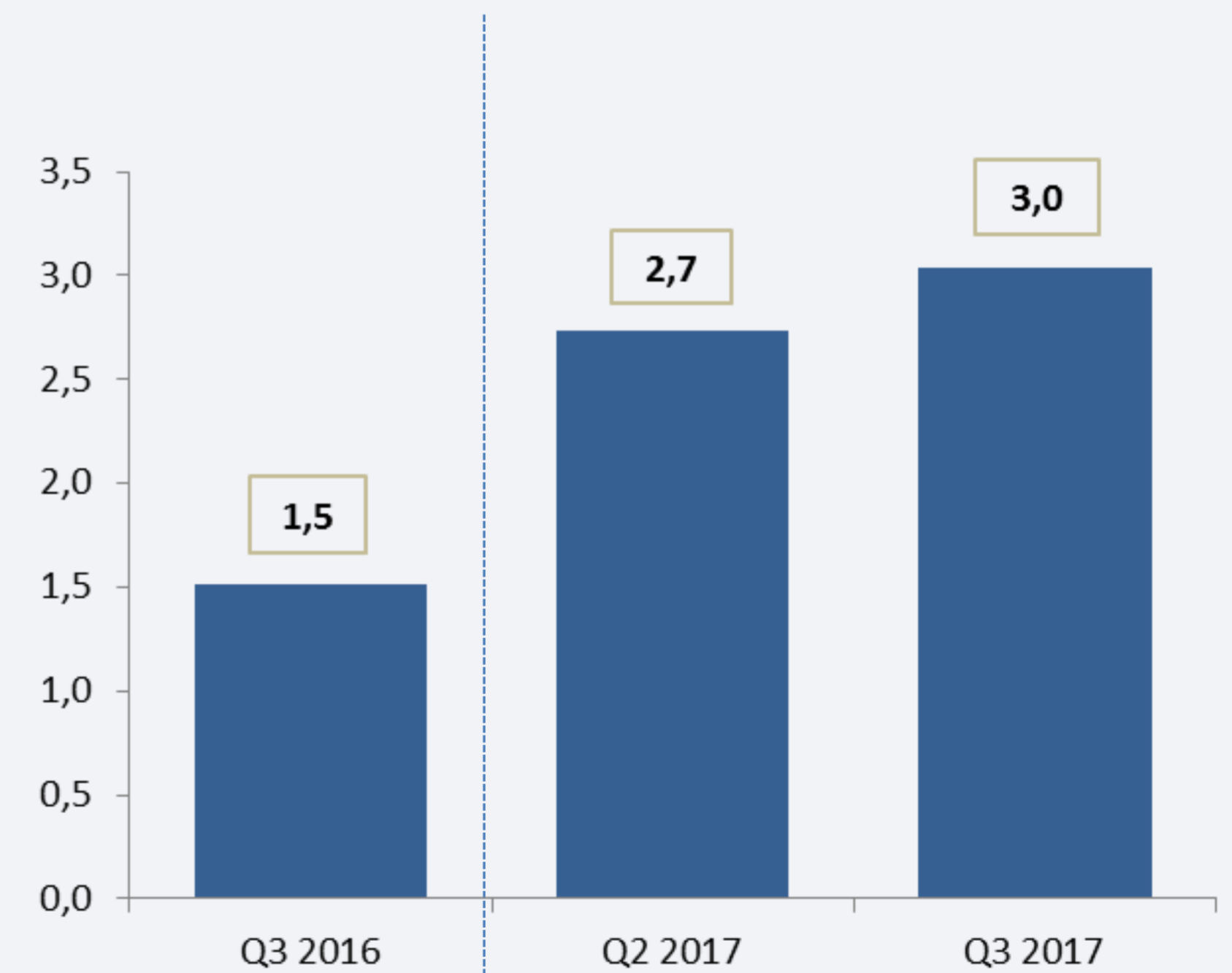
Net fee and commission income and result on FX transactions



Structure of net fee and commission income

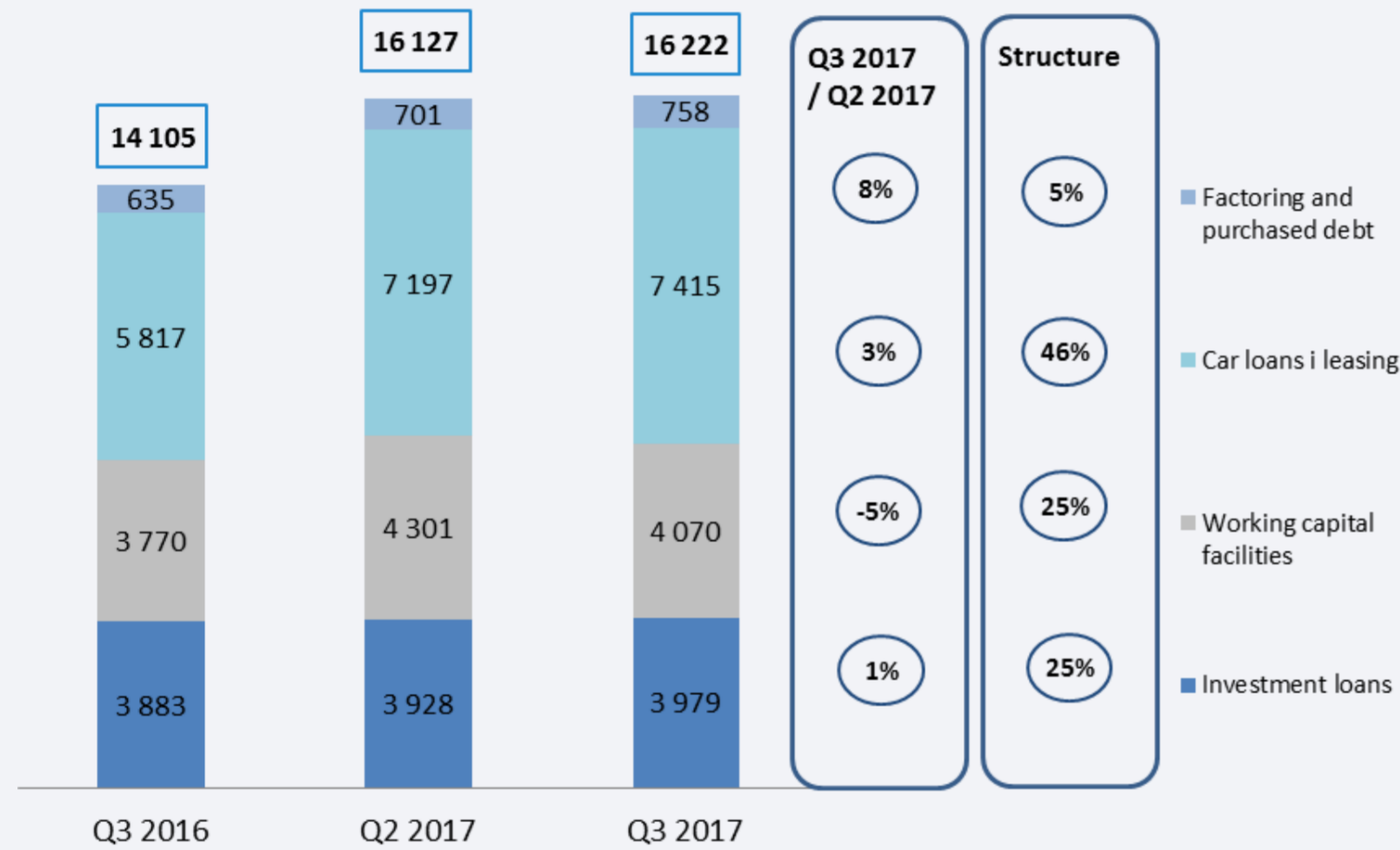


Result on FX transactions



Loan portfolio and credit risk

Loan and lease portfolio

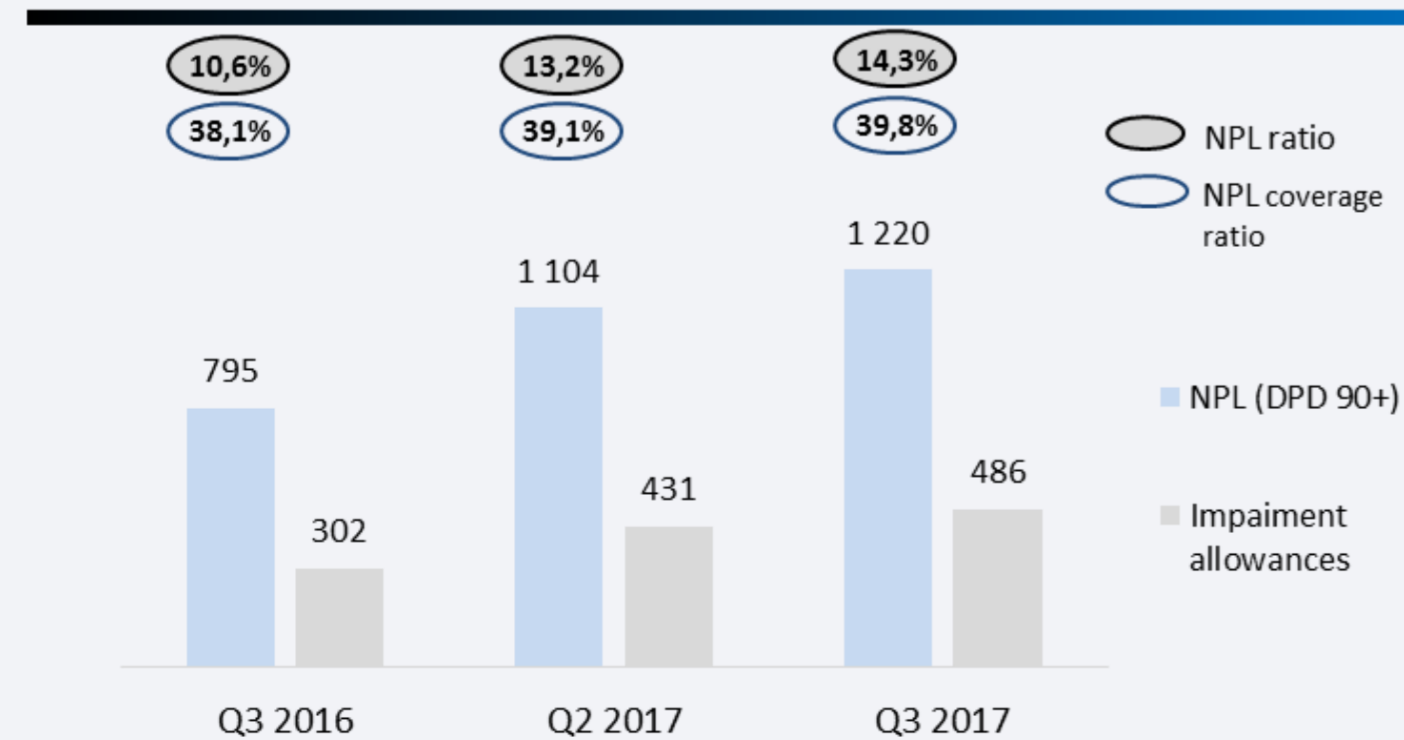


Loan portfolio quality

Balance sheet	Q3 2017				Q2 2017		
	% share in loan portfolio	Average LTV (%) ⁴	Average maturity (in months)	NPL1 ratio (%)	NPL1 coverage ratio (%)	NPL ¹ ratio (%)	NPL ¹ coverage ratio (%)
investment loans	25%	61%	107	11,9%	20,9%	11,3%	19,5%
working capital facilities	25%	n/a ³	54	16,6%	50,7%	15,0%	51,0%
car loans	1%	90%	59	13,2%	75,9%	11,8%	76,4%
leasing ²	44%	95%	49	4,7%	69,3%	4,6%	72,8%
factoring	2%	37%	3	13,3%	29,8%	10,6%	29,7%
purchased debt	2%	n/a	n/a	n/a	n/a	n/a	n/a
Total	100,0%	81,5%	64	9,9%	51,5%	9,4%	52,6%

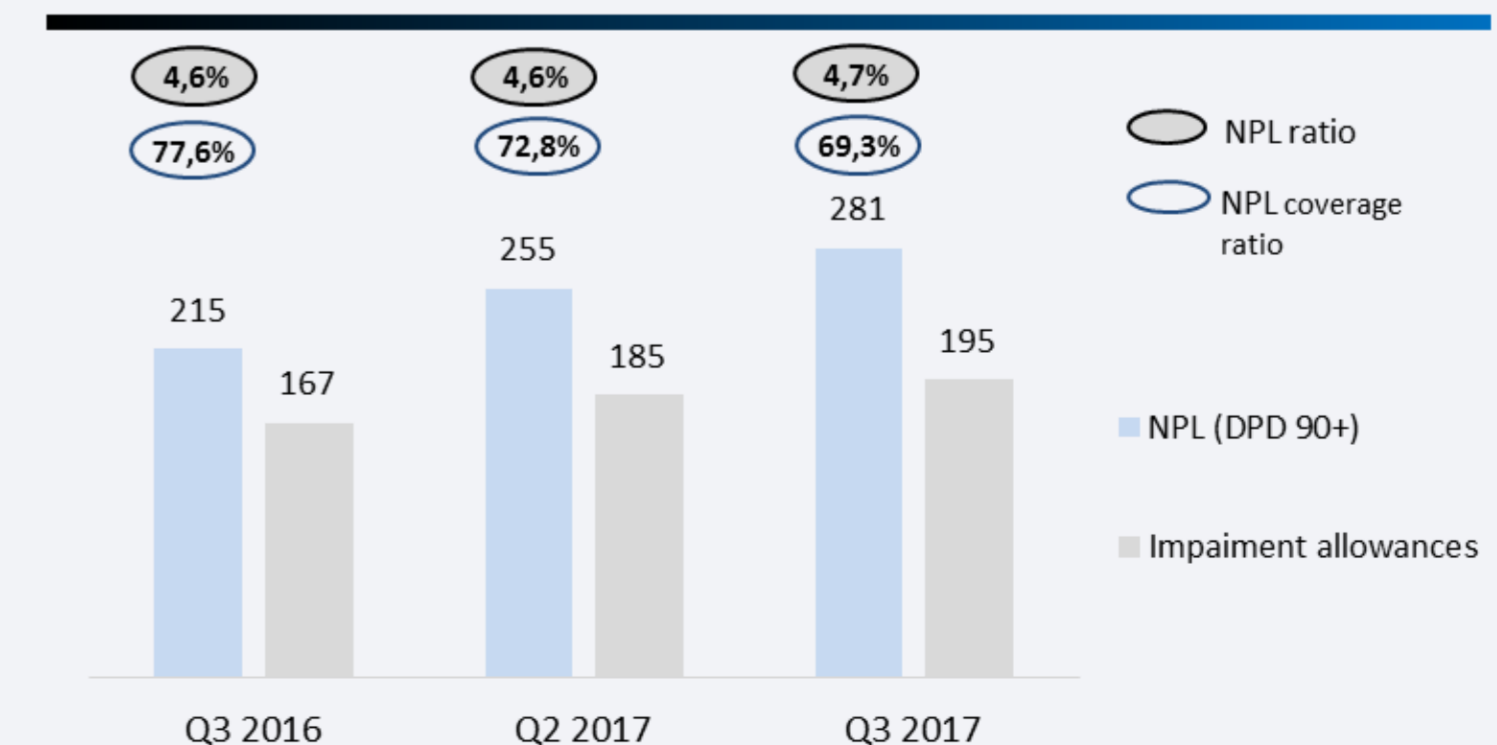
1) according to DPD 90+, 2) including lease loans, 3) 43% of working capital facilities are secured by PLD guarantee (covers up to 60% of loan exposure), 4) refers to secured loans only (collateral in the form of a mortgage on real estate, pledges on moveable property, securities transfer or assignment of contract)

NPL Loans*



*DPD90+ according to capital balance remaining to repay

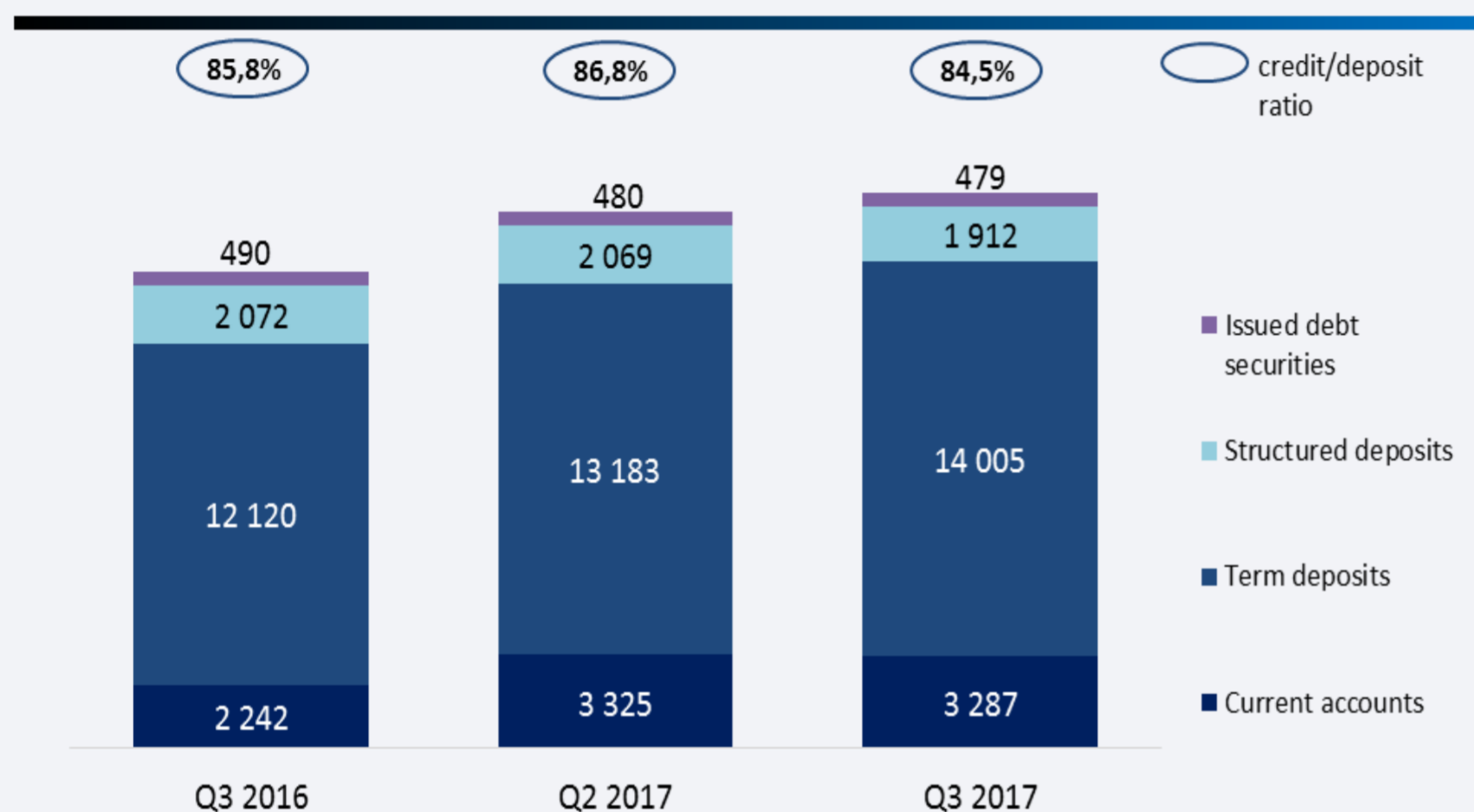
NPL Leasing*



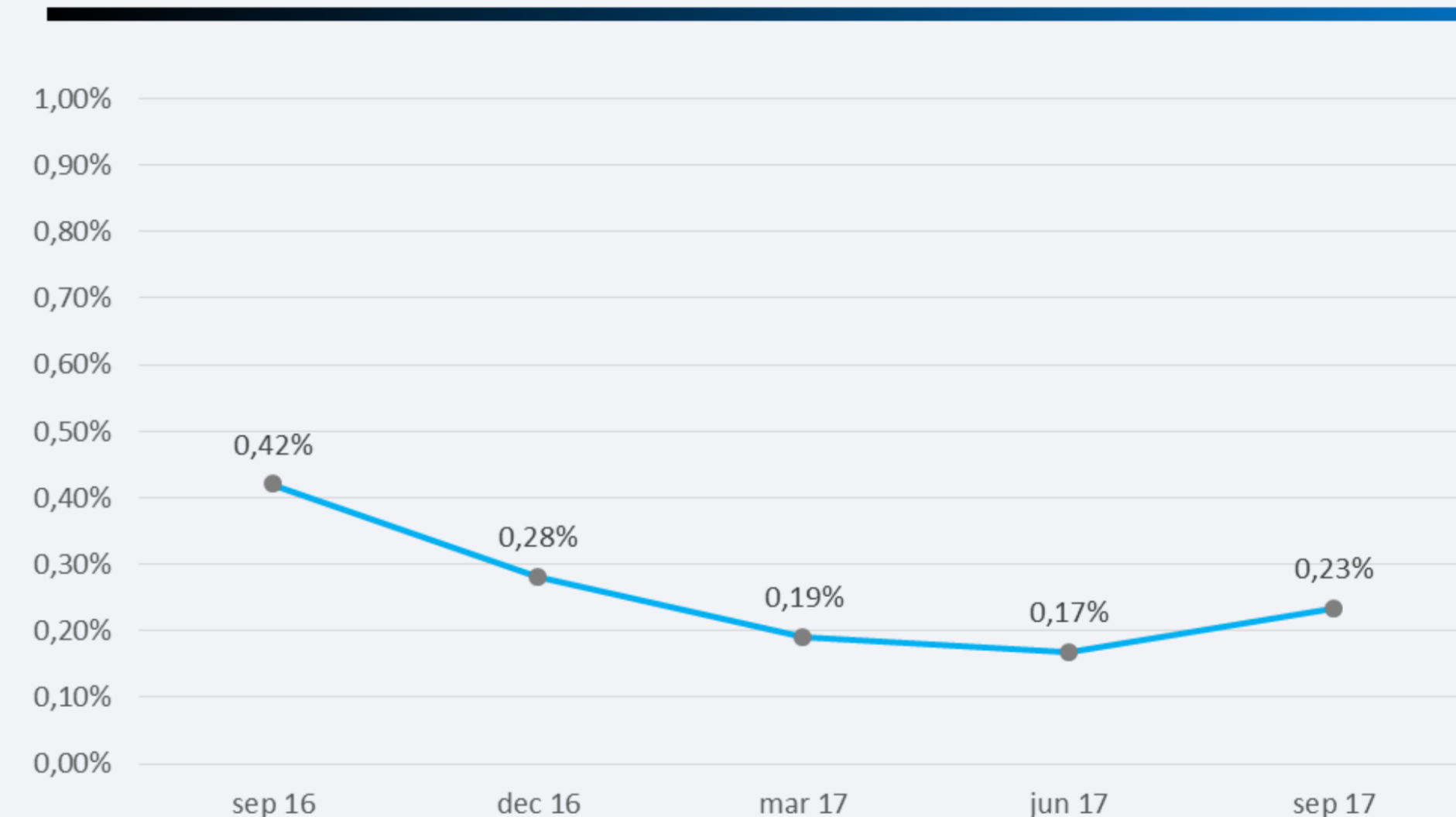
*DPD90+ according to capital balance remaining to repay

Financing structure and cost of funding

Financing structure



Cost of Funding over WIBOR



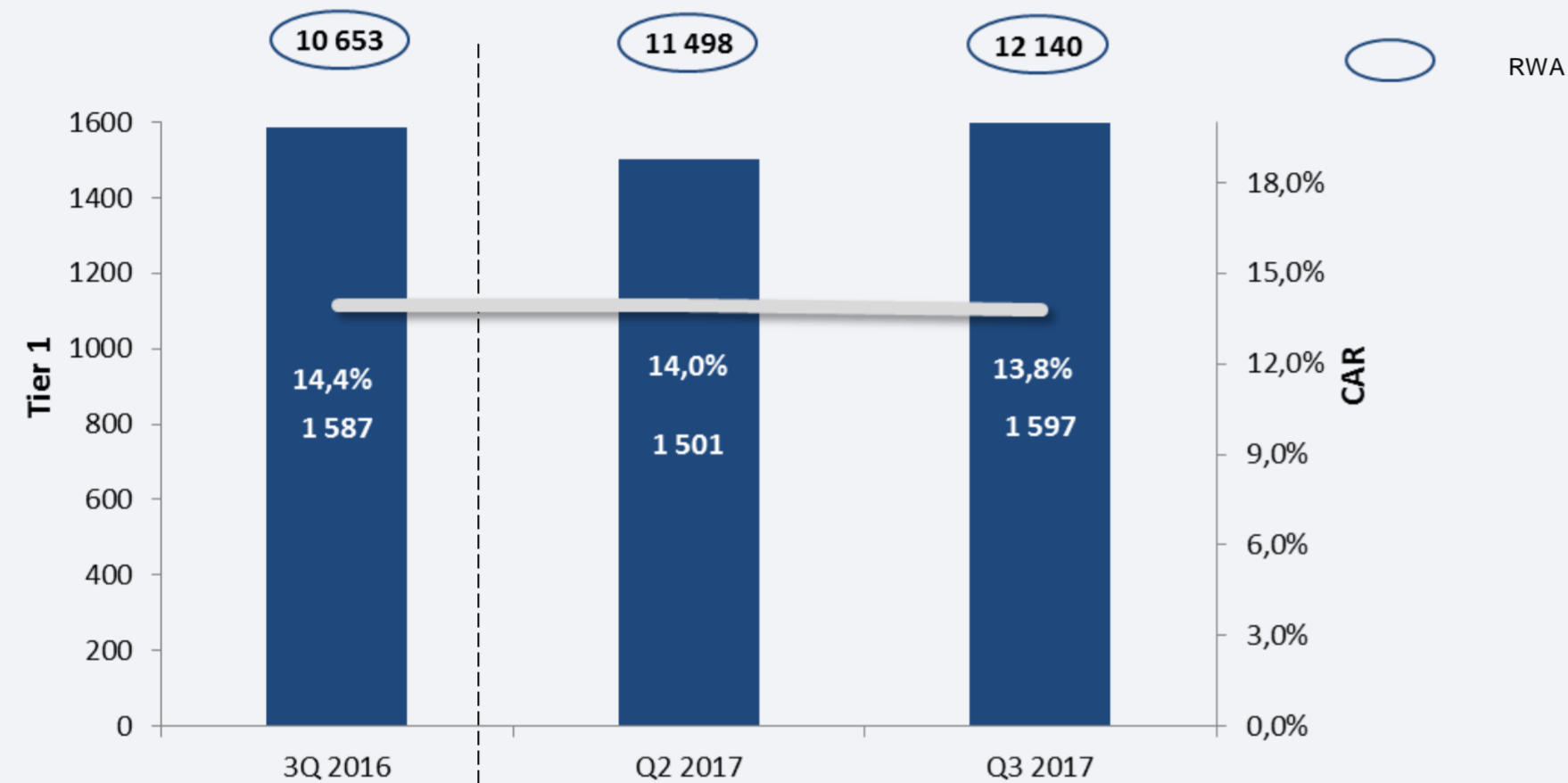
Deposit structure by maturity period	Q3 2016	Q2 2017	Q3 2017
Below 3 months	14,0%	14,9%	12,8%
3-6 months	41,3%	30,5%	43,4%
6-12 months	17,0%	24,7%	15,5%
Over 1 year	27,7%	29,9%	28,4%

❖ The Group's cost of funding has decreased by 0,19 p.p over WIBOR year on year (55% of decrease).

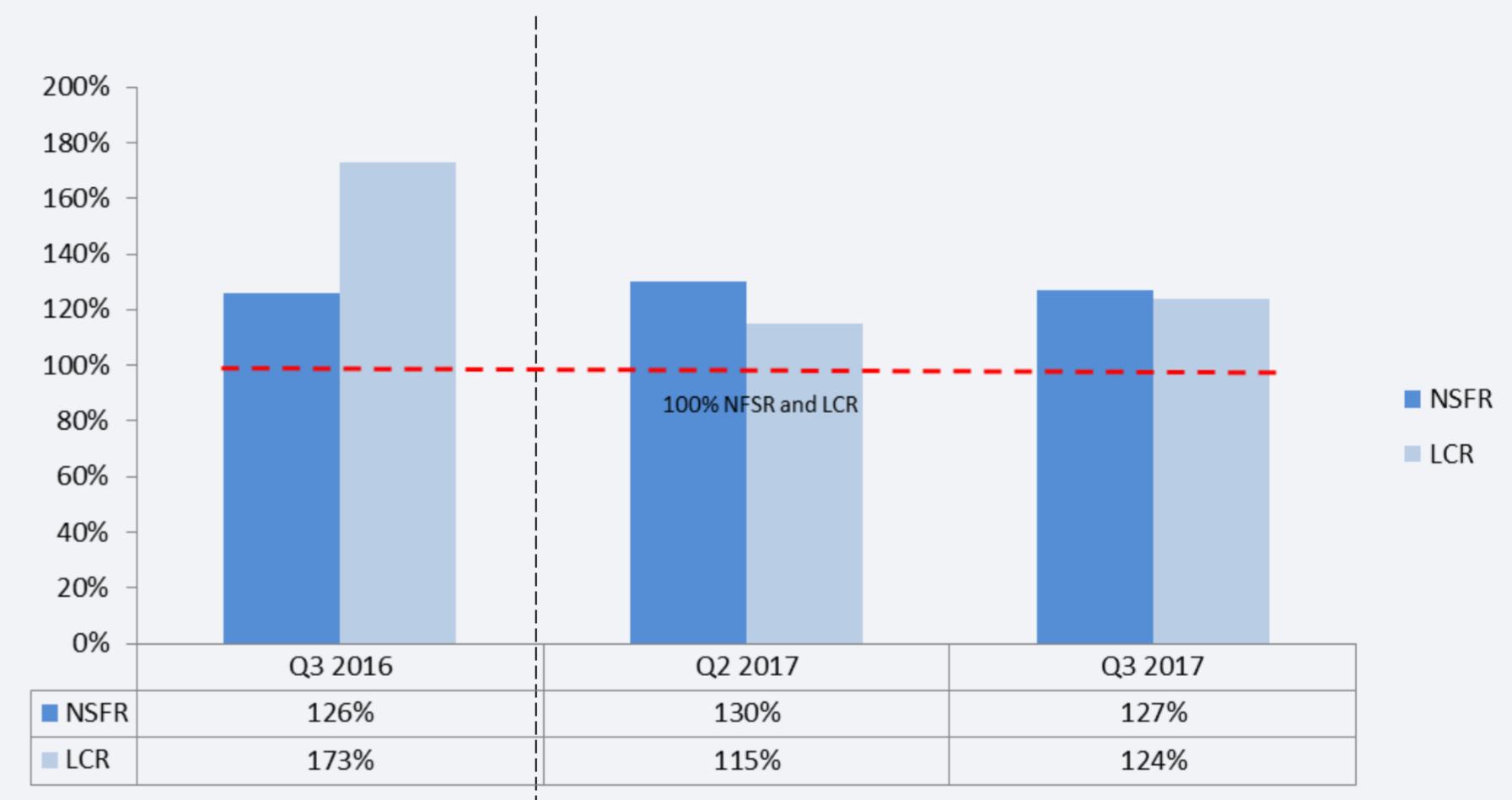


Capital adequacy and liquidity ratios

CAR and Tier 1 capital (Group)



Liquidity ratios



Comparison of Bank's and Group's ratios

Capital adequacy		30.09.2017	30.06.2017
Idea Bank	CAR	13,4%	14,0%
	TIER 1	11,7%	12,1%
Idea Bank Group	CAR	13,8%	14,0%
	TIER 1	12,1%	12,0%

Average maturity period of loan portfolio: 54 months

Average risk weight of loan portfolio: 52,3%

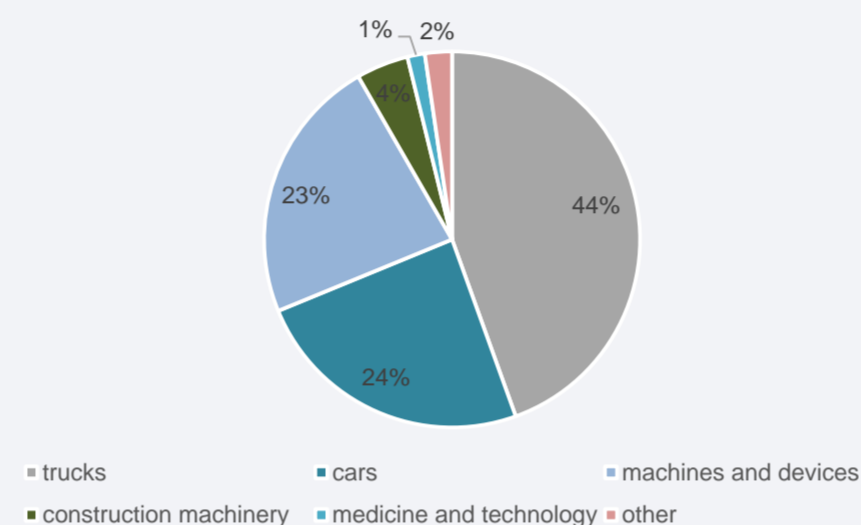
- Bank maintains the adequate level of capital ratios (CAR and Tier 1) at a level consistent with regulatory requirements. On 12th October, the Bank obtained the approval from the Financial Supervision Commission to include the result of 1H 2017 for the purpose of a capital adequacy, what will result in strengthening the capital position in the fourth quarter of 2017.

▶ Leasing and factoring segments

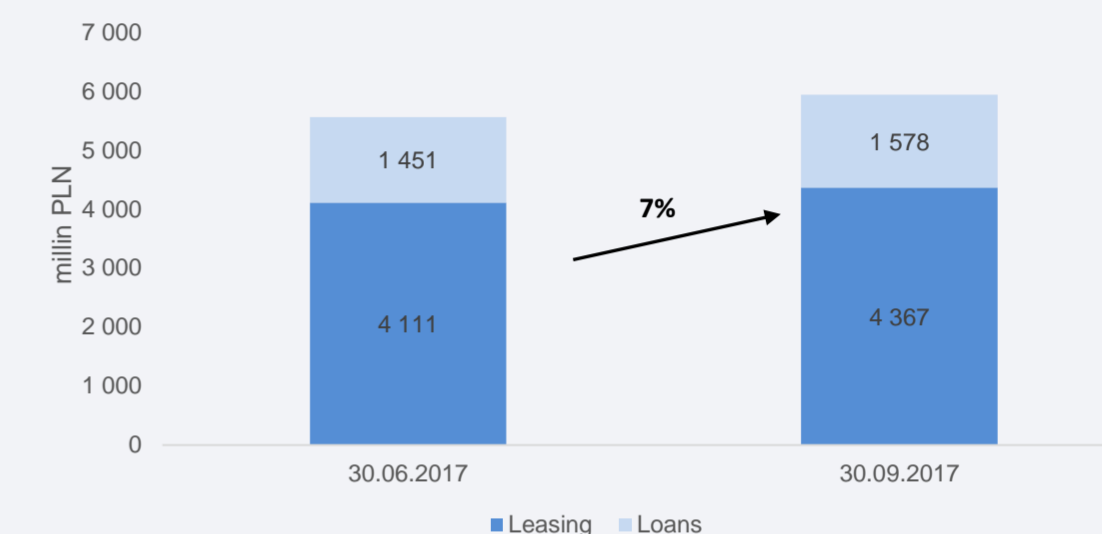
IdeaLeasing

ROE = 27,6% ROA = 0,6%	C/I = 52,4%	Value of portfolio: PLN 5 944m
NII: PLN 35,3m	NPL ratio = 4,7%	Net profit: PLN 40m

Structure of sales



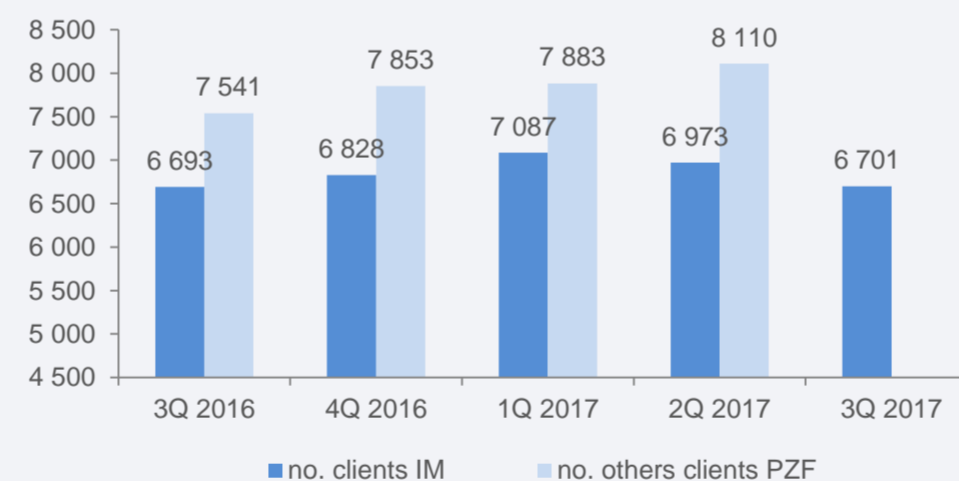
Structure of lease portfolio



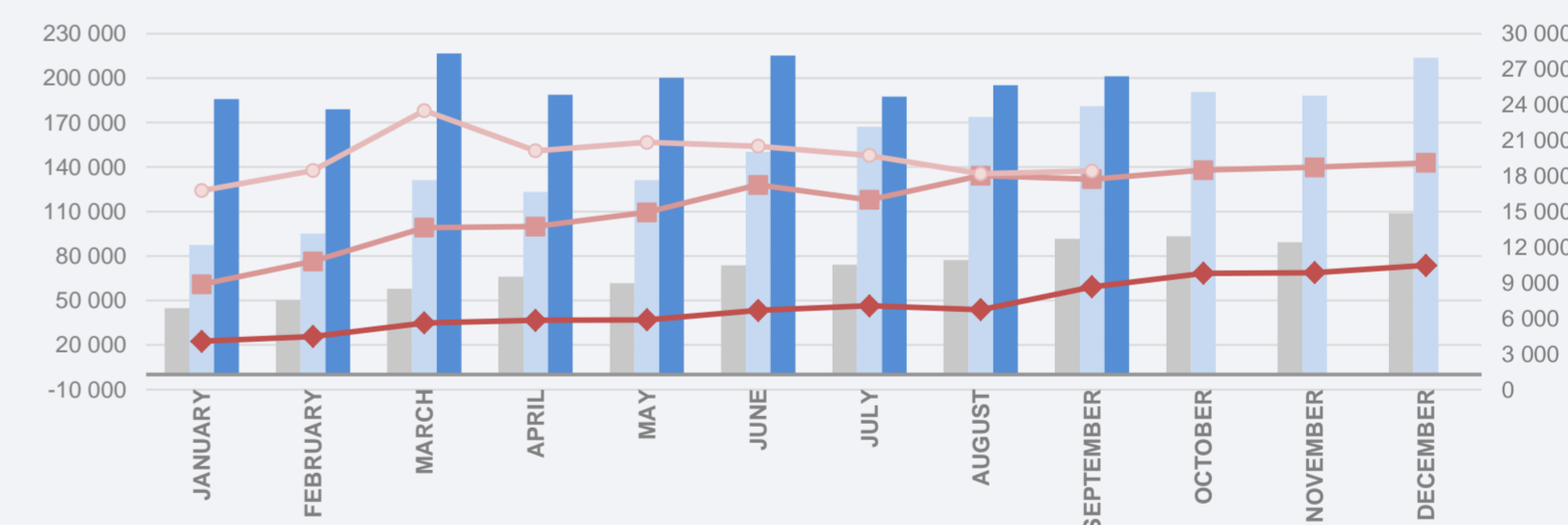
IdeaMoney

ROE = 4,6% ROA = 1,9%	C/I = 56,6%	Value of financed invoices in 2017: PLN 1,8bn
Net F&C: PLN 70,8m	NPL ratio = 13,3%	Net profit PLN 19,2m

Number of Idea Money's clients



Invoices – financing in 2017 vs 2016 and 2015 (monthly)



*lack of information from PZF

TAX CARE

ROE = 8,5% ROA = 5,7%	Loan sales: PLN 124m	No. of accounting subscriptions: 23 624
Net F&C: PLN 74,1m	Revenue from accounting services 29,9m	Net profit: PLN 6,9 m

Tax Care sales and accounting subscription



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Attachment 1 - Income Statement - Idea Bank Group



	01.07.2017- 30.09.2017	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
	(Unaudited) PLN thousand	(Unaudited) PLN thousand	(Unaudited) PLN thousand	(Unaudited) PLN thousand
Continued operations				
I. Interest income	271 960	841 331	271 524	733 191
II. Interest expenses	-102 939	-288 876	-100 574	-291 887
III. Net interest income	169 021	552 455	170 950	441 304
IV. Fee and commission income	136 146	395 573	123 751	351 776
V. Fee and commission expenses	-35 444	-107 542	-30 358	-98 941
VI. Net fee and commission income	100 702	288 031	93 393	252 835
VII. Dividend income	0	7 569	0	0
VIII. Result on financial assets at fair value	7 430	-8 531	-13 933	-22 717
IX. Results on sale of subsidiary	158 251	158 251	0	249 230
X. Foreign exchange result	4 115	9 729	1 506	3 870
XI. Other operating income	1 393	6 556	5 011	16 319
XII. Other operating expenses	-13 817	-33 989	-5 234	-22 820
XIII. Net other operating income	157 372	139 585	-12 650	223 882
XIV. Impairment losses	-85 135	-219 031	-38 599	-124 919
XV. General administrative costs	-141 883	-432 101	-137 503	-409 336
XVI. Result from operating activity	200 077	328 939	75 591	383 766
XVII. Share in profits (losses) of associates	-9 519	12 367	-413	-16 454
XVIII. Profit (loss) before income tax	190 558	341 306	75 178	367 312
XIX. Income tax	-60 170	-101 059	-23 508	-21 524
XX. Net profit (loss) from continued operations	130 388	240 247	51 670	345 788
XXI Net profit (loss) from discontinued operations	0	0	-4 591	39 090
XXII Net profit (loss)	130 388	240 247	47 079	384 878
1. Attributable to shareholders of parent company	130 388	240 247	47 079	384 701
- continued operations	130 388	240 247	51 670	345 788
- discontinued operations	0	0	-4 591	38 913
2. Attributable to non-controlling shareholders	0	0	0	177
- z działalności kontynuowanej	0	0	0	0
- discontinued operations	0	0	0	177
Weighted average number of ordinary shares in the period	78 401 981	78 401 981	78 401 981	78 401 981
Basic earnings per share (PLN per share)	1,66	3,06	0,66	4,41
Diluted earnings per share (PLN per share)	1,66	3,06	0,66	4,41



Attachment 2 - Balance Sheet - Idea Bank Group

	30.09.2017	31.12.2016
	(unaudited)	
	PLN thousand	PLN thousand
ASSETS		
Cash and balances with Central Bank	197 251	129 719
Receivables from banks and financial institutions	216 310	290 022
Derivative hedging instruments	18 887	1 075
Derivative financial instrument at fair value through profit or loss	51 582	46 693
Amounts due from clients	16 179 352	10 886 070
Finance lease receivables	42 456	3 710 107
Other loans and receivables	159 426	91 794
Available-for-sale financial assets	3 935 732	3 681 015
Investments in associates	390 282	367 568
Intangible assets	662 313	665 168
Property, plant and equipment	131 867	155 392
Investment property	51 051	66 011
Fixed assets held for sale	1 124	845
Income tax assets	279 572	519 112
- Current tax assets	1 111	0
- Deferred tax assets	278 461	519 112
Other assets	1 055 315	906 135
TOTAL ASSETS	23 372 520	21 516 726
LIABILITIES AND EQUITY		
Liabilities		
Amounts due to other banks and financial institutions	489 886	409 086
Derivative hedging instruments	5 645	71 745
Derivative financial instrument at fair value through profit or loss	8 905	5 180
Financial liabilities measured at fair value through profit or loss	1 912 067	2 126 240
Amounts due to clients	17 291 732	15 592 328
Debt securities in issue	478 850	482 101
Corporate income tax liabilities	0	13 917
Other liabilities	443 294	349 908
Deferred tax liabilities	233	379
Provisions	11 331	8 465
TOTAL LIABILITIES	20 641 943	19 059 349
Equity (attributable to shareholders of parent company)	2 730 577	2 457 377
Share capital	156 804	156 804
Retained earnings	-189 105	35 920
Net profit (loss)	240 247	440 851
Other capital	2 522 631	1 823 802
Total equity	2 730 577	2 457 377
TOTAL LIABILITIES AND EQUITY	23 372 520	21 516 726

Attachment 3 – Sale of 25,01% Idea Leasing shares

- On the 28th September 2017 the Group finalized the sale of 25,01% shares of Idea Leasing S.A. for the price amounting to PLN 107.543k. In addition, the sales contract gives LC Corp B.V. – the buyer - the possibility to buy an additional package of shares constituting 25% of Idea Leasing S.A. share capital („the Call Option”). The Call Option can be realized any time provided that LC Corp B.V. completes the purchase of 25,01% shares. As a result of the transaction the Bank lost control over Idea Leasing S.A. and as of 28th September 2017 it was deconsolidated from the Group’s statement of financial position. As of 30th September 2017 Idea Leasing became Idea Bank Group’s associate. General transaction parameters are the following:



- As a result of the transaction the Group deconsolidated Idea Leasing:

Settlement of loss of control over Idea Leasing S.A.

Proceeds from sale of 25,01% Idea Leasing S.A. shares (+)	107 543
Fair value of remaining residual shares (74,99%) (+)	322 457
Net assets of Idea Leasing S.A. as of the date of loss of control (-)	271 749
Result on sale of subsidiary	158 251
Fair value of the Call Option (-)	5 375
Gross result on sale of subsidiary	152 930
Income tax (-)	43 537
net result on sale of subsidiary	109 393

The impact on the consolidated financial data:

- A positive impact on gross profit +PLN 152,9m.
- Decrease in the consolidated total assets following sale of Idea Leasing assets by PLN 271,7m.
- PLN 107,5m receivable from LC Corp B.V. due to the payment of sale price.



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