

BGŻ BNP Paribas Group more than doubles net profit in Q1 2018

BGŻ BNP Paribas Group in the first quarter of 2018 generated PLN 85.5 million in net profit, twice higher than in the same period of 2017. The improved profitability was mainly driven by lower costs and significantly lower cost of risk.

– A more than two-fold profit growth is a good opening for a year in which many challenges await us. First-quarter results show that we are past the integration stage and confirm our ambitious merger projects. I believe that thanks to the planned acquisition of Raiffeisen Bank Polska's core business, we will strengthen our position amongst the largest banks in Poland and create a dynamic and fully technologically advanced Bank. At the same time, we are continuing to expand our client offering. Recently, we have introduced a comprehensive solution for newly-established companies and rolled out additional functionalities in our mobile app for retail clients. These initiatives, alongside a number of others, should consistently translate into further growth in our operational scale and improvement in the Bank's effectiveness – commented Przemek Gdański, CEO of Bank BGŻ BNP Paribas.

The result of banking activities in the first quarter of 2018 reached PLN 654.6 million, essentially in line with the same period last year, despite some negative impacts (deconsolidation of the factoring company, costs of securitization and decrease in the interest rate on the required reserve). The Group's operating costs (including depreciation) reached PLN 421.0 million, down by 3.6% in comparison with the first quarter of 2017. A significant driver of net profit growth in Q1 2018, comparing to Q1 2017, was a 27.5% decline in the balance of impairment losses on financial assets and provisions for conditional liabilities.

In the first quarter of 2018, interest income was 3.6% lower than in Q1 2017, while fee and commission income declined by 5.6% from the same period last year. When comparing interest income and fee and commission income it must be considered that BGŻ BNP Paribas Faktoring Sp. z o.o. was deconsolidated in Q4 2017. This reduced interest income by PLN 3.1 million and fee and commission income by PLN 3.3 million compared to Q1 2017.

Result on impairment losses on financial assets and provisions for conditional liabilities in the first quarter of 2018 was PLN -62.4 million, an improvement of PLN 23.6 million, or 27.5%, on the same period of 2017. Annualized cost of credit risk in Q1 2018 stood at 0.46%, down by 0.16 percentage points from the same period last year (0.62%).

The Group's balance sheet total at the end of March 2018 was PLN 71.9 billion, denoting a 1.1% decline from the end of 2017. The value of net loans at the end of March 2018 amounted to PLN 52.3 billion, which means a decrease by 1.4%. At the end of March 2018, liabilities towards clients amounted to PLN 55.1 billion, down by 2.2% from the end of December 2017.

Total equity as at 31 March 2018 was PLN 6.33 billion. Total capital requirement at the end of the quarter was 13.78% (denoting a 3bp increase from 31 December 2017), while Tier 1 ratio was 10.82% (up by 1bp from the end of last year). In order to improve the level of capital adequacy ratios allowing for the further development of the Bank and the fulfilment of new regulatory requirements, Bank BGŻ BNP Paribas plans to conduct a new equity issue by the end of July this year.

At the end of March 2018, the Group had 7,581 employees, down by 53 FTE from the end of March 2017. At the end of March this year, Bank BGŻ BNP Paribas Group had 2.75 million clients, representing an increase of 6.4%. The Bank's branch network spanned 473 locations across the country and 98 customer service points.

Selected consolidated financial results

Statement of profit and loss (in PLN 000s)			
	31.03.2018	31.03.2017	y/y change in %
Interest income	449 912	466 815	-3.6%
Commission income	120 674	127 825	-5.6%
Result before tax	121 194	79 455	52.5%
Result after tax	85 458	39 563	116.0%
Profit (loss) per share (in PLN)	1.01	0.47	114.9%
Balance sheet (in PLN 000s)			
	31.03.2018	31.12.2017	change in % from Dec 17
Total assets	71 920 674	72 749 259	-1.1%
Loans and advances to customers (net)	52 251 312	52 967 568	-1.4%
Total liabilities	65 586 917	66 189 796	-0.9%
Liabilities towards clients	55 116 570	56 328 897	-2.2%
Capital adequacy (in %)			
	31.03.2018	31.12.2017	y/y change in basis points
Total capital requirement	13.78%	13.75%	+3
Tier 1 ratio	10.82%	10.81%	+1

In December 2017, the Bank sold a 100% stake in BGŻ BNP Paribas Faktoring Sp. z o.o. for a total price of PLN 10.4 million to BNP Paribas S.A. After the transaction closing, the Bank and BGŻ BNP Paribas Faktoring Sp. z o.o. continue to work together as before, supporting the Bank's clients with a wide array of high-quality factoring services. The sale and the resulting deconsolidation (i.e. not including this company's data in the consolidated financial statements, in the statement of profit and loss and the balance sheet as at 31 March 2018) adversely impacts the comparison with Q1 2017 results.