



BGZ BNP Paribas Group increased its net profit by 29% in 2018, to PLN 360 million

The Bank BGZ BNP Paribas Group earned a net profit of PLN 360.4 million in 2018, with a 28.8% yoy increase. The result includes the effect of settlement of the transaction of acquisition of the core business of Raiffeisen Bank Polska and the costs of integration. Excluding the effects of settlement of the transaction acquisition and the related integration costs, net profit would have increased by 57% yoy.

"As a result of the acquisition of the core business of Raiffeisen Bank Polska (RBPL), we achieved a leap in the scale of our business, thanks to which we have joined the first league of Polish banks. The acquisition allowed us to strengthen our position as a bank with total assets over PLN 100 billion and improve the structure of generated our results by increasing non-interest income. Moreover, highly qualified professionals have joined us, together with whom we will build an inspiring organization, and compete with the largest players of the banking sector" said Przemek Gdański, CEO of Bank BGZ BNP Paribas. "In parallel to works on integration, we are pursuing the transformation programme through the implementation of new solutions and improvements in offer for our clients. We have launched Apple Pay and are consistently expanding the GOMobile application, adding new functionalities. We are also continuing to strengthen our network in an innovative, digital and cash-free format. Implemented changes positively influence our key business dynamics, which is a source of great satisfaction for us. The acquisition of the core business of RBPL strengthened the development and growth of business."

The acquisition of the core business of Raiffeisen Bank Polska by Bank BGZ BNP Paribas was finalised on 31 October 2018. The merger with RBPL strengthened the position of BGZ BNP Paribas primarily in the areas of SMEs and corporate banking, as well as private banking, where the Bank serves clients under the new brand BNP Paribas Wealth Management.

The income from banking activity generated by the Group in 2018 was PLN 3.29 billion, 22.0% higher year-on-year. Excluding the gain from a bargain purchase of RBPL core business, recognized in 2018 results, the growth of income from banking activity stood at 12.3%. The Group's interest income in 2018 rose by 9.3% y/y, to PLN 2.1 billion, and the fee and commission income rose 16.8%, to PLN 567.4 million. The general administrative expenses together with depreciation incurred by the Group in 2018 were PLN 2.05 billion, including costs of integration and Bank's restructuring. Total costs associated with the merger with the core business of RBPL amounted to PLN 265.8 million, of which PLN 236.2 million was included in general administrative expenses, and PLN 29.6 million in other operating expenses. Excluding integration costs, annual growth of costs progressed by 10.3%, and the cost-to-income ratio improved by 1.1 pp to 59.9% in 2018.

The result of recognition of impairment in value of financial assets and provisions for contingent obligations was PLN 557.7 million. This result includes a one-off additional provision for the acquired receivable portfolio in accordance with the requirements of IFRS 9 in the amount of PLN 236 million. Excluding this effect, the Group's underlying cost of risk declined by 6 bp yoy to 55 bp.

Przemek Gdański added: *"We have behind us a year of major changes, and the Bank is undergoing a sweeping transformation. We have built a bank with assets of significant scale, and now we are focusing on delivering state of the art technologically advanced solutions to our clients. In cooperation with start-ups, we have built an environment for testing innovative IT solutions, simplified many internal processes, and developed solutions for our clients' business. The GOMobile application doubled the number of active users to 164,000 and tripled the number of transactions to 4.4 million. At the same time, we are working on improving effectiveness of internal processes, leveraging robotics and automation. Recently, we have launched nearly 30 robots, streamlining 56 processes across various areas of the Bank's operations. We*



face another year of challenges, as we are planning unification of our product offering and rebranding, followed in the next stage by the operational merger with RBPL, while working on further transformation of the Bank. We are confident that we will successfully achieve these goals."

The Group's balance sheet total at the end of December 2018 was PLN 109.0 billion, as compared to PLN 72.7 billion at the end of 2017, an increase of 50%. Net credits and loans to clients rose in 2018 by 38.6%, to PLN 73.4 billion. In retail banking, we saw a significant increase of sales, as the annual growth rate in sales of cash loans was 19%, and for mortgage loans 157%.

Jean Charles Aranda, Vice President of the Management Board responsible for Finance Area said: *"In 2018, we also worked on strengthening our capital position. The issue of shares and retention of profits ensured that we comply with regulatory requirements."*

Customer deposits grew by 54.8%, to PLN 87.2 billion, which significantly improved the Bank's liquidity position, and created scope for further optimization of the deposit margin. The Group's equity at the end of the year stood at PLN 10.6 billion. At the end of the year, the Group's total capital ratio was 14.63% and the Tier 1 ratio was 12.38%.

As at 31 December 2018 the Bank had 674 retail and business branches and 105 customer service points. At the end of 2018, Bank BGŻ BNP Paribas was serving 3.8 million customers, while the employment at the Bank was 10,900 full-time jobs, and for the Group, 11,200 full-time jobs.

Selected consolidated financial data (PLN '000)

Statement of profit and loss	4Q 2018	4Q 2017	<i>change y/y</i>	2018	2017	<i>change y/y</i>
Interest income	653,772	474,671	+37.7%	2,106,851	1,926,744	+9.3%
Fee and commission income	182,718	114,415	+59.7%	567,390	485,979	+16.8%
General administrative expenses	-724,971	-386,876	+87.4%	-1,859,672	-1,506,866	+23.4%
Operating result	89,525	129,705	-31.0%	682,018	659,751	+3.4%
Net profit	40,879	49,138	-16.8%	360,378	279,707	+28.8%
<i>per share (PLN)</i>	<i>0.02</i>	<i>0.59</i>	-96.6%	<i>3.63</i>	<i>3.32</i>	+9.3%

Statement of financial position	31.12.2018	31.12.2017	<i>change</i>
Total assets	109,022,519	72,655,491	+50.1%
Liabilities to clients	87,191,708	56,328,897	+54.8%
Total liabilities	98,462,706	66,096,028	+49.0%
Total equity	10,559,813	6,559,463	+61.0%
Capital adequacy	31.12.2018	31.12.2017	<i>change</i>
Total capital ratio	14.63%	13.75%	+88 pb
Tier 1 ratio	12.38%	10.81%	+157 pb