



Bank Polski

Non-banking sector

Annual Report 2017

Investment fund market

In 2017, the assets of Polish investment funds increased by PLN 19.5 billion (+7.5%) to PLN 278.6 billion. The situation on the investment fund market in 2017 was affected by the favourable situation on the Warsaw Stock Exchange (WSE), the decrease in profitability of Polish Treasury bonds, low interest rates on bank deposits and changes in the regulatory environment.

In 2017, the majority of the main segments of the retail funds market generated annual rates of return exceeding the average interest rate of new term bank deposits of households. This affected the attractiveness of the investment fund market as an alternative to placing savings on the banking market and thus resulted in an increase in the share of investment funds in the structure of household savings.

The increase in assets of investment funds in 2017 was mainly a result of a strong net inflow of the funds of individuals (PLN +17.0 billion compared with PLN +5.0 billion in 2016) and a net outflow of funds of other investors (PLN -4.6 billion), which, to a considerable extent, was due to regulatory changes resulting in the lower attractiveness of closed-end funds for investors. Net income from fund management activity (PLN +6.9 billion) also had a significant share in the increase in assets of the investment fund market.

Open pension funds market

In 2017, assets of open pension funds (OFE) increased by 17% (PLN 26.1 billion) to PLN 179.5 billion compared with a 9.2% (PLN +12.9 billion) increase in 2016. In 2017, the drop in the number of OFE participants continued (-322 thousand to 16.1 million).

The OFE market remained under the influence of uncertainty as to the terms under which they are going to function in the future, the improved situation on the labour market, regulatory changes (including the change in the structure of OFE investment portfolio) and the improved situation on the WSE (the WIG index increased by 23.2% y/y).

Shares continued to hold a dominant position in the structure of OFE assets (85% as at the end of 2017 compared with approx. 83% as at the end of 2016).

Lease market

In 2017, the positive development trend on the lease market continued (for the fifth year in a row). The market continued its two-digit growth, despite a slight slowdown.

In accordance with the data of the Polish Leasing Association (Związek Polskiego Leasingu), the value of assets financed by lease companies increased by 15.7% y/y reaching a level of PLN 67.8 billion (compared with a 17.7% increase in 2016). Apart from investment loans, leases constituted the second most important external sources of financing investments. As at the end of 2017, the total value of the active lease portfolio increased to PLN 119.3 billion compared with bank investment loans of PLN 127 billion. The development of the lease market was supported by accelerated economic growth dynamics in Poland and the improving economic situation in Eurozone countries.

Microfirms and small and medium enterprises with turnover up to PLN 20 million were the main customer group of lease firms. They accounted for more than 71% of lease firm customers.

Leases of light vehicles, mainly passenger cars, had the largest positive impact on the development of the lease market. The value of assets leased out in this segment increased to PLN 30.5 billion (+22% y/y), which constituted 45% of the total leases granted by lease companies. The development of this segment was supported by strong domestic consumer demand stimulated by increased employment and higher salaries and good consumer moods.

Leases of machinery and equipment were the second strongly developing market segment. The total value of new contracts in this sector amounted to PLN 17.6 billion (+20% y/y). The high growth dynamics of this segment was supported, among other things, by the low reference base in the prior year related to the limited investments of firms. The strongest development occurred in leases of agricultural machines (+45% y/y).

Leases of heavy vehicles, the third largest segment of the lease market, developed at a considerably higher pace than the above-mentioned segments. The value of new contracts amounted to PLN 17.5 billion and was +2.3% higher than in the corresponding period of the prior year. However, in the individual quarters of 2017 the annual growth dynamics of the segment noticeably and systematically improved, which was supported by the improving dynamics of economic growth in the Eurozone, the replacement of the used fleet with new vehicles fulfilling the Euro 6 standard, and launching of projects co-financed with EU funds, which resulted in an increased demand for the transport of goods.

In the period under analysis, there was also a strong increase in leases of real estate to PLN 909 million (+26% y/y) and their share in the market structure increased slightly (to 1.3%).

Insurance market

As at the end of the third quarter of 2017, the net profit of insurance companies increased by 63.0% y/y to PLN 4.8 billion. The situation of the insurance sector was affected by the improved profitability of automotive insurance, the occurrence of mass losses in connection with violent atmospheric phenomena, as well as the favourable situation on the stock exchange market.

Insurance companies recorded an increase in gross written premium to PLN 46.1 billion (+12.7% y/y). This was a result of an increase in gross written premium in both market segments (+20.4% in the segment of other personal and property insurance and by 4.5% in the segment of life insurance). At the same time, the total value of claims paid by insurance companies (PLN 28.6 billion) was 13.9% higher than in the corresponding period of 2016. The value of claims in the segment of other personal and property insurance increased by +16.5% and in the segment of life insurance by +11.7%.

The increase in the costs of insurance activities (+2.4% y/y) was a result of an increase in costs in the segment of other personal and property insurance (+6.0% y/y) and a decrease in costs in the life insurance sector (-2.8% y/y). During the three quarters of 2017, the total assets of insurance companies increased by 6.7% to PLN 197.5 billion, which was the result of an 11.2% increase in assets of insurance companies offering other personal and property insurance

and a 3.2% increase in the assets of life insurance companies.

Factoring market

In 2017, the high demand for the services of factoring firms was maintained. The revenue of 22 firms belonging to the Polish Factors Association (Polski Związek Faktorów) grew with a two-digit pace for another year in a row (+16.7% y/y compared with 20.9% y/y in 2016) reaching a level of PLN 185 billion.

Customers of factoring firms mainly availed themselves of domestic factoring, which represented approx. 80% of the market. In 2017, the demand for domestic factoring grew more strongly than for export factoring, the share of which amounted to approx. 20%.

The share of import factoring in the market structure remained on a marginal level (approx. 1.0%).

The share of full factoring in the structure of factoring revenue continued to grow to approx. 55%, which shows the growing appetite of factoring firms for risks when there is a good situation in the economy and the economic situation of enterprises is good.

The high growth dynamics on the factoring market can be attributed, among other things, to the growing number of customers of factoring firms, which exceeded 9 thousand as at the end of 2017 (8 thousand as at the end of 2016). The factoring services were used most frequently by entities in the food, chemical and metallurgical industries.