



Transaction Agreement regarding the acquisition of the core bank business of Raiffeisen Bank Polska S.A.

current report no. 18/2018

date: 10 April 2018

Acting pursuant to Article 17 item 1 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC ("**MAR Regulation**"), and referring to the current report of Bank BGŻ BNP Paribas S.A. (the "**Bank**") no. 17/2018 of 10 April 2018, in which the Bank reported on the Bank's Management Board taking a decision on joining the negotiations between BNP Paribas SA ("**BNPP**"), a majority shareholder of the Bank, and Raiffeisen Bank International AG ("**RBI**") regarding the acquisition by the Bank of the core business of Raiffeisen Bank Polska S.A. ("**RBPL**") excluding the FX mortgage portfolio of RBPL through a demerger of RBPL by spin-off of the core business of RBPL to the Bank (the "**Negotiations**"), the Management Board of the Bank hereby gives notice that on 10 April 2018 the Bank executed with RBI and BNPP a transaction agreement regarding the acquisition of the RBPL Core Bank Business (as defined below) (the "**Transaction Agreement**").

The Transaction

The transaction contemplated in the Transaction Agreement involves:

- (i) an acquisition by BNPP from RBI of the shares representing less than 50% of the share capital of RBPL; and
- (ii) a demerger of RBPL in accordance with Article 124c of the Polish Banking Law and Article 529 §1 item 4 of the Polish Commercial Companies Code to be effected through a transfer (spin-off) of the RBPL Core Bank Business to the Bank and the issuance by the Bank of new shares to RBI and BNPP (the "**Demerger**"); RBPL will be the demerging company and the Bank the acquiring company (jointly referred to as the "**Transaction**").

Overview of the Transaction

The Transaction will be implemented as follows:

- (i) Following satisfaction or waiver of all conditions precedent in the Transaction Agreement, to facilitate the Demerger, BNPP will acquire from RBI a minority stake of shares in RBPL representing less than 50% of the share capital of RBPL, estimated to be circa 45% of the share capital of RBPL as at the date of this current report.
- (ii) On the Demerger Effective Date (as defined below), the RBPL Core Bank Business will be acquired by the Bank and, in exchange for the RBPL Core Bank Business, the Bank will issue new registered ordinary shares (the "**Demerger Shares**") to both BNPP and RBI as shareholders of RBPL. The shares that BNPP will hold in RBPL will cease to exist.
- (iii) The Demerger Shares allocated to RBI will represent 9.8% of the share capital of the Bank as at the Demerger Effective Date. Promptly after the Demerger Effective Date, the Demerger Shares will be acquired from RBI by BNPP or a third party or parties nominated by BNPP.

As a result of the Transaction, on the date of the registration of the Bank's share capital increase in connection with the Demerger by the relevant registry court (the "**Demerger Effective Date**"), the Bank will acquire RBPL's core bank business (the "**RBPL Core Bank Business**") that will consist of an organised part of the enterprise (zorganizowana część przedsiębiorstwa), including all the assets and liabilities of RBPL connected with that business, excluding the assets and liabilities that will remain in RBPL following the Demerger (the "**RBPL Mortgage Business**"). The RBPL Mortgage Business which is to remain with RBPL following the Demerger will include FX residential and non-residential mortgage loans granted by RBPL, other credit

exposures as well as any legal relationships of RBPL related to the six investment funds under liquidation managed by FinCrea TFI S.A. until November 2017.

Price

The Transaction Agreement provides that the Bank will acquire the RBPL Core Bank Business with a guaranteed Core Equity Tier 1 capital equal to PLN 3,400m (the "**Target Capital**") for an agreed price of PLN 3,250m (the "**Purchase Price**") including an up-front complement of PLN 50m for digitalization investment projects to be developed between signing of the Transaction Agreement and the Demerger Effective Date. It implies a P/TBV (price / tangible book value) multiple of 0.95x based on end 2017 pro-forma accounts of the RBPL Core Bank Business and a P/BV (price / book value) multiple of 0.87x based on estimated pro-forma book value of the RBPL Core Bank Business at the Demerger Effective Date including the assumed value of the intangibles of the RBPL Core Bank Business.

If the RBPL Core Bank Business is transferred to the Bank with the Core Equity Tier 1 capital lower or higher than the Target Capital, the difference will be settled between the Bank and RBPL after establishment of closing accounts of the RBPL Core Bank Business after the Demerger Effective Date so that the Core Equity Tier 1 capital of the RBPL Core Bank Business is equal to the Target Capital.

The Purchase Price assumes creation of certain IT intangibles (in the amount of PLN 50m) in respect of digitalization investment projects. If the amount of intangibles of the RBPL Core Bank Business as at the Demerger Effective Date is different than the assumed level, the difference will be settled between RBPL and the Bank in cash along with the settlement in respect of the Target Capital described above.

The obligation to pay the Purchase Price to RBI is to be satisfied by BNPP paying or procuring payment of the Purchase Price for (i) the RBPL shares to be acquired by BNPP from RBI and (ii) the Demerger Shares to be issued to RBI by the Bank.

Implementation of the Transaction

Completion of the Transaction is subject to satisfaction of conditions specified in the Transaction Agreement, which include the following:

- (i) signing of a pre-demerger and cooperation agreement between RBPL, the Bank, RBI and BNPP regulating cooperation between RBPL and the Bank in connection with the Demerger;
- (ii) review of the pro-forma financial information of the RBPL Core Bank Business by the auditor and the Bank's satisfaction with such information and review;
- (iii) execution of the Demerger Plan (as defined below) by RBPL and the Bank;
- (iv) obtaining consent of a relevant antimonopoly authority;
- (v) obtaining approvals and clearances of the PFSA in respect of the Demerger;
- (vi) obtaining approvals and clearances of the PFSA and the European Central Bank in respect of the cross-border merger of RBPL into RBI; and
- (vii) approval of the Demerger by the shareholders' meetings of the Bank and RBPL.

Completion of the Transaction is also subject to satisfaction of additional conditions such as signing of certain agreements between the Bank, RBPL, and where relevant, also RBI, related to the Transaction as well as obtaining certain tax rulings (interpretacje podatkowe) in respect of the Demerger.

The Demerger Effective Date is expected to occur in the fourth quarter of 2018.

The share exchange ratio established for the Demerger

The Transaction Agreement provides that in the demerger plan of RBPL to be agreed by the Bank and RBPL (the "**Demerger Plan**") the number of Demerger Shares allotted to RBI and BNPP for each reference share of RBPL held by them will be equal to 0.3595197657 (the "**Share Exchange Ratio**"). The Share Exchange Ratio has been calculated as the Purchase Price divided by PLN 65.56, being the arithmetic average of the daily volume weighted average prices of shares of the Bank traded on the Warsaw Stock Exchange during the period of 30 days starting 8

March 2018 and ending 6 April 2018¹, and divided by 137,886,467 being the number of the reference shares of RBPL. The resulting number of the Demerger Shares to be issued by the Bank is 49,572,910, which constitutes 37.05% of the share capital of the Bank following the issuance of such shares (without taking into account the increase of the share capital of the Bank referred to below).

The Share Exchange Ratio and the number of the Demerger Shares to be issued by the Bank will be subject to an adjustment dilution factor, if applicable, in respect of the share capital increase of the Bank planned to be completed before the Demerger and about which the Bank informed in the current report no. 9/2018 dated 6 February 2018. The Bank plans to increase own funds (share capital and supplementary capital) in the amount of circa PLN 800m.

The number of the reference shares of RBPL to be attributed to each BNPP (equal to the number of RBPL shares that BNPP will acquire from RBI before the Demerger) and RBI will be set in a way so that RBI is allotted Demerger Shares representing 9.8% of the share capital of the Bank on the Demerger Effective Date.

The Demerger Plan is intended to be agreed by the Bank and RBPL by 27 April 2018, subject to a possible extension.

Other Transaction documents

In the course of the implementation of the Transaction, RBI, BNPP, RBPL and the Bank will sign other ancillary agreements related to the Transaction and various services provided in connection therewith.

Strategic rationale for the Transaction

The execution of the Transaction Agreement is consistent with the development strategy consistently pursued by the Management Board of the Bank, based on a dynamic growth ensuring the achievement of the highest levels of return on equity.

Thanks to the complementarity of the activities of the two banks, the Transaction will allow the Bank to become a Tier 1 market player with over PLN 100bn total assets, will further strengthen the Bank's position as the #6 bank in the Polish market and challenge top 5.

The longstanding expertise of the teams of the RBPL Core Bank Business, in particular in SME, Corporate banking and Factoring, in affluent/private banking, as well as its retail network, will reinforce the role of the Bank as a key player in the Polish banking sector and BNP Paribas Group ability to support the growth of the Polish economy.

Legal basis

Article 17 item 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

Disclaimer:

Not for release, publication or distribution, directly or indirectly, in or into the United States of America, Australia, Canada, Japan or any other jurisdiction where to do so would constitute a violation of the relevant laws or regulations of such jurisdiction.

This material is for informational purposes only and under no circumstances shall constitute an offer or invitation to make an offer, or form the basis for a decision, to invest in the securities of Bank BGŻ BNP Paribas S.A. (the "Company" or the "Bank"). This material does not constitute marketing or advertising material within the meaning of Art. 53 of the Polish Act on Public Offerings, the Conditions for Introducing Financial Instruments to an Organized Trading System, and Public Companies.

Except for the issuance of the new registered ordinary demerger shares of the Bank to both Raiffeisen Bank International AG ("RBI") and BNP Paribas SA ("BNPP"), as future shareholder of Raiffeisen Bank Polska S.A. ("RBPL"), in relation to the contemplated acquisition by BNPP from RBI of the shares representing less than 50% of the share capital of RBPL and demerger of RBPL in accordance with the respective provisions of the Polish Banking Law and the Polish Commercial Companies Code to be effected through a transfer (spin-off) of the RBPL core bank business ("RBPL Core Bank Business")

¹ Which is close to and slightly above the three month average of daily VWAP (PLN 65.40) as of 6 April 2018 and the 6 April 2018 daily VWAP (PLN 65.02) and above the 6 April 2018 spot closing price (PLN 62.80).

to the Bank (the "Transaction"), there will be no offer of securities of the Bank under the Transaction to any shareholders of the Bank or any other persons.

This material contains certain estimates relating to RBPL Core Bank Business. The above estimates were prepared on the basis of preliminary financial data as of 31 December 2017 regarding the RBPL Core Bank Business. These data were not the subject of the Bank's normal procedures regarding the closing of accounting books at the end of each period and the process of verifying the financial data (including the corrections required for the purpose of presenting financial information) in accordance with IFRS. These procedures have not been performed by the Bank with respect to financial data regarding the RBPL Core Bank Business at all.

The estimates were prepared by the Bank as of the date of their preparation, based on the assumption that the source data regarding the RBPL Core Bank Business were correct and reliable and that no circumstances had or would arise or occur which could materially affect these financial data after their provision to the Bank.

Neither of the above estimates nor source data regarding the RBPL Core Bank Business were subject of an audit, a review or any other evaluation by any external auditor in regard to the completeness and reliability of either the adopted assumptions of the specified estimates or the accounting principles that were used to prepare them.

Statements contained herein may constitute "forward-looking statements". Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "aim", "plan", "expect", "anticipate", "estimate", "believe", "intend", "project", "goal" or "target" or the negative of these words or other variations on these words or comparable terminology.

Forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause the Company's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. The Company does not undertake publicly to update or revise any forward-looking statement that may be made herein, whether as a result of new information, future events or otherwise.

Neither the Company nor any of its subsidiaries, professional advisors or any other related entities shall be held accountable for any damages resulting from the use of this material or part thereof, or its contents or in any other manner in connection with this material.