



Agreement concerning the demerger plan of Raiffeisen Bank Polska S.A. First notification on the intended demerger. Satisfaction of the condition to the significant agreement.

## current report no. 24/2018

date: 28 April 2018

The Management Board of Bank BGŻ BNP Paribas S.A. (the "**Bank**") in reference to Bank's current report No. 18/2018 dated 10 April 2018 regarding the conclusion by the Bank on 10 April 2018 with Raiffeisen Bank International AG and BNP Paribas SA of the agreement 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 "**Transaction Agreement**") hereby informs that on 28 April 2018 the Management Board of the Bank and the Management Board of RBPL agreed and signed the demerger plan of RBPL prepared in compliance with Article 534 § 1 i § 2 of the Commercial Companies Code dated 15 September 2000 (consolidated text Dz. U. of 2017, Item 1577, as amended) (the "**CCC**") (the "**Demerger Plan**").

Agreeing and signing of the Demerger Plan satisfy one of the conditions to the Transaction Agreement necessary for the completion of the transaction of acquiring the demerged part of RBPL by the Bank.

The Demerger Plan (along with attachments) as well as the report of the Management Board of the Bank justifying the demerger are attached to this current report.

The Demerger Plan includes a description of the assets and liabilities that would be transferred to the Bank at completion of the demerger (the "**RBPL Core Bank Business**"). It also includes details on the assets and liabilities that will not be transferred to the Bank including:

- The FX mortgage portfolio as defined in Schedule 1 to the Demerger Plan;
- A portfolio of selected exposures as listed in Table 1A-a to Schedule 1 of the Demerger Plan;
- The relationships of RBPL in respect of certain investment funds under liquidation listed in Schedule 1 to the Demerger Plan.

The Demerger Plan also:

- Sets out the share exchange ratio based on which the shareholders of RBPL will receive shares issued by the Bank in respect of holding certain reference shares of RBPL; and
- Includes a fairness opinion issued by mCorporate Finance S.A. that such share exchange ratio is fair and reasonable from the financial point of view for the shareholders of the Bank.

Selected financial data in respect of the RBPL Core Bank Business based on unaudited RBPL Core Bank Business pro-forma financials for full-year 2017 (the "**RBPL Core Bank Financials**") provided by the Management Board of RBPL has been presented below.

This current report should be treated as a first notification to the shareholders of the intention to conduct the demerger of RBPL within the meaning of Article 539 § 1 and § 2 of the CCC, read in conjunction with Article 402<sup>1</sup> of the CCC. The Demerger Plan was announced and published pursuant to Article 535 § 3 of the CCC by being posted on the Bank's website: [www.bgzbnpparibas.pl](http://www.bgzbnpparibas.pl) in the bookmark "Investor Relations".

Pursuant to Article 540 § 3<sup>1</sup> of the CCC, the Bank hereby announces that until the day of completion of the general meetings of shareholders of the RBPL and the Bank, the agenda of which will include the adoption of a resolution on the demerger, the shareholders may review the documents referred to in Article 540 § 1 items 1, 2, 3 and 4 of the CCC posted on the Bank's website: [www.bgzbnpparibas.pl](http://www.bgzbnpparibas.pl) in the bookmark "Investor Relations".

Moreover, the Bank explains that the auditor opinion regarding the audit of the Demerger Plan, in terms of its accuracy and reliability, as referred to in Article 537 § 1 of the CCC, will be provided immediately after it is made by the auditor appointed by a competent registry court, so as to allow the shareholders to review it pursuant to Article 540 of the CCC. The information about the possibility of reviewing the auditor opinion will be published by way of a current report as a supplement to this notification.

Furthermore, in connection with the demerger, the Management Board of the Bank announces that the Bank intends to amend its statute in the manner indicated in the attachment to this report.

The amendments to the statute referred to above are related to issuance of the demerger shares.

### **RBPL Core Bank Financials**

The RBPL Core Bank Financials have been prepared on the basis of the allocation of assets and liabilities of RBPL set out in the Demerger Plan solely for illustrative purposes, and due to its nature present an indicative view of the results of operations or financial position of the RBPL Core Bank Business as of 31 December 2017.

#### ***Financial position of the RBPL Core Bank Business (in PLN million)***

<b>Balance Sheet</b>	<b>RBPL Core Bank Business for the year ended 2017</b>
<b>Assets</b>	<b>39 847</b>
Cash and balances with Central Bank	1 316
Amounts due from banks	103
Loans and advances to customers	18 001
Derivative financial instruments	443
Financial assets held for trading	6 675
Investment securities	12 648
Investments in subsidiaries	31
Tangible and Intangible Fixed Assets	356
Other Assets	230
Deferred Tax Assets	44
<b>Liabilities</b>	<b>36 070</b>
Amounts due to banks and other monetary institutions	635
Amounts due to customers	34 392
Provisions for Liabilities and Charges	142
Derivative financial instruments	406
Other Liabilities	495
<b>TOTAL Equity</b>	<b>3 777</b>

As of year-end 2017, RBPL intangible assets amounted to PLN 268m, while tangible assets were PLN 88m.

All RBPL's deposits will be allocated to the RBPL Core Bank Business and will be transferred to the Bank, resulting in a significant excess of liquidity. In order to balance assets and liabilities as well as to meet the guaranteed Core Equity Tier 1 level, as explained below, a 'theoretical' balancing assets portfolio has been assumed amounting to PLN 5.4bn, composed of Polish treasury bonds yielding on average 1.71% and exempted from payment of banking tax, contributing by PLN 93m to 'theoretical' interest income of FYE 2017 pro-forma statement of profit or loss.

The Transaction Agreement provides that the Bank will acquire at the Demerger Effective Date (i.e. at the date of the registration of the Bank's share capital increase in connection with the demerger by the relevant registry court) the RBPL Core Bank Business with a guaranteed Core Equity Tier 1 capital equal to PLN 3,400m. The Core Equity Tier 1 would take into account the applicable adjustments and deductions from own funds according to the CRR, however, would not take into account any transitional provisions from the application of IFRS 9 on the RBPL Core Bank Business even if such provisions are currently applicable at RBPL.

The amount of adjustment of the adaptation of IFRS 9 on the RBPL Core Bank Business (whether in P&L, retained earnings or reserves) was estimated at PLN 311m before any tax effect (Deferred Tax Assets) on 1 January 2018.

**Pro-forma statement of profit or loss (in PLN million)**

<b>Income Statement</b>	<b>RBPL Core Bank Business for the year ended 2017</b>
<b>Net Interest Income</b>	<b>883</b>
Interest Income	1 257
Interest Expense	-374
<b>Revenues non-interest</b>	<b>596</b>
Net Fee and Commission Income	574
Net income from financial instruments measured at fair value and net foreign exchange result	17
Dividends	5
<b>Operating Income</b>	<b>1 479</b>
<b>Provisioning for impairment losses</b>	<b>-116</b>
<b>Operating Profit</b>	<b>1 363</b>
<b>General administrative expenses</b>	<b>-1 011</b>
<b>Other operating result</b>	<b>-108</b>
Other operating income	44
Other operating expenses	-152
<b>Bank Tax</b>	<b>-80</b>
<b>Pretax Profit/(loss)</b>	<b>164</b>
CIT	-81
<b>Net Profit/(loss)</b>	<b>83</b>

Pro-forma statement of profit or loss of the RBPL Core Bank Business includes the following non-recurring items:

- PLN 114.0m of Polbank brand write-off (included in 'Other operating expenses');
- PLN 7.2m of IPO-related costs (included in 'Other operating expenses');

- PLN 32.1m of restructuring costs and PLN 13.4m of restructuring provisions (included respectively in 'General administrative expenses' line and in 'Other operating expenses');
- PLN 10.9m of one-off retention bonus (included in 'Other operating expenses').

Presented pro-forma statement of profit or loss of the RBPL Core Bank Business is based on the assumption of use of PLN 4,0bn free amount for Bank Tax charges calculation.

Presented pro-forma statement of profit or loss of the RBPL Core Bank Business includes:

- PLN 6m income related to the Service Agreement that would be signed between the Bank and RBPL for the purpose of the servicing of RBPL after completion of the transaction;
- PLN 2m expenses relating to IT services to be performed by RBPL to the RBPL Core Bank Business.

These amounts are estimates and relate to future services which were not provided in 2017.

- PLN 93m of 'theoretical' interest income of balancing assets (PLN 5.4bn) portfolio assuming an average 1.71% yield on such a portfolio and no banking tax charges.

Total Risk Weighted Assets of the RBPL Core Bank Business as of 31 December 2017 are estimated at PLN 20.9bn.

#### Legal basis

*Article 539 § 1 and § 2 in connection with Article 402<sup>1</sup> of the CCC and 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.*

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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") 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 financial data of RBPL Core Bank Business. The above estimates comprising the pro forma financial data as of 31 December 2017 regarding the RBPL Core Bank Business were compiled and delivered by RBPL. 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 above estimates prepared by RBPL are current as of the date of their preparation, based on the assumption that the source data regarding the RBPL Core Bank Business, that were a basis for the above estimates, were correct and reliable and that no circumstances had or would arise or occur which could materially affect these financial data after their compilation and provision to the Bank by RBPL.

Neither of the above estimates regarding the RBPL Core Bank Business were subject of an audit.

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.

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