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## **MANAGEMENT BOARD REPORT**

**DATED 28 APRIL 2018**

**prepared by the Management Board of Bank BGŻ BNP Paribas S.A.**

**in accordance with Art. 536 of the Commercial Companies Code**

**justifying the demerger of**

**Raiffeisen Bank Polska S.A.**

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## DEFINITIONS USED IN THE MANAGEMENT BOARD REPORT

The following terms shall have the following meaning in this Management Board Report:

<b>Acquiring Bank</b> .....	Bank BGŻ BNP Paribas S.A., a joint stock company organised and existing under the laws of Poland, with its registered office in Warsaw (address: ul. Kasprzaka 10/16, 01-211 Warsaw), entered into the Register of Business Entities of the National Court Register maintained by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, under KRS number 0000011571, tax ID number 526-10-08-546, REGON number 010778878, with fully paid-up share capital of PLN 84,238,318.
<b>Adjusted Share Exchange Ratio</b> .....	has the meaning ascribed to it in Section 3.2.
<b>Antimonopoly Clearance</b> .....	(i) the issuance by the relevant antimonopoly authority (the “ <b>Antimonopoly Authority</b> ”) of a (unconditional or conditional) decision consenting to a concentration involving the acquisition of control by the Acquiring Bank over the Core Bank Business (including the Subsidiaries of the Bank Being Divided) in accordance with applicable laws, or (ii) the issuance by a competent court (as a result of an appeal filed by the Acquiring Bank) of a final non-appealable judgment in favour of an appeal and amending the decision consenting to the concentration, or (iii) the issuance by the Antimonopoly Authority of a decision on discontinuing the proceedings or the Antimonopoly Authority returning the notice regarding the concentration on account of the acquisition of control by the Acquiring Bank over the Core Bank Business (including the Subsidiaries of the Bank Being Divided) not being subject to notification pursuant to applicable laws, or (iv) the lapse of the deadline set out under applicable laws within which the Antimonopoly Authority may issue a decision regarding a concentration, provided that under the applicable laws, in the event of the Antimonopoly Authority’s failure to issue a decision within the specified deadline, the concentration may be implemented without the consent of the Antimonopoly Authority.
<b>Bank Being Divided</b> .....	Raiffeisen Bank Polska S.A., a joint stock company organised and existing under the laws of Poland, with its registered office in Warsaw (address: ul. Grzybowska 78, 00-844 Warsaw), entered into the Register of Business Entities of the National Court Register maintained by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, under KRS number

14540, tax ID number: 526-02-05-871, REGON number 010000854, with a fully paid-up share capital of PLN 2,256,683,400.

<b>Banking Law</b> .....	the Banking Law dated 29 August 1997 (Journal of Laws of 2017, item 1876, as amended).
<b>Banks</b> .....	the Bank Being Divided and the Acquiring Bank.
<b>BNPP</b> .....	BNP Paribas S.A., a company duly incorporated under the laws of the Republic of France and registered with Paris Trade and Company Register under registration number RCS Paris 662 042 449, with its registered address at 16, boulevard des Italiens, 75009 Paris, France.
<b>CCC</b> .....	the Commercial Companies Code dated 15 September 2000 (Journal of Laws of 2017, item 1577).
<b>Core Bank Business</b> .....	an organised part of the enterprise of the Bank Being Divided, the composition of which is established as set out in Schedule 1 to the Demerger Plan.
<b>Demerger</b> .....	the demerger of the Bank Being Divided pursuant to the terms and conditions presented in the Demerger Plan.
<b>Demerger Effective Date</b> .....	has the meaning ascribed to it in Section 1.1.
<b>Demerger Shares</b> .....	series L ordinary registered shares in the Acquiring Bank with a nominal value of PLN 1 (one zloty) each issued as a result of the Demerger, the number of which is calculated based on the formula described in the Demerger Plan.
<b>Demerger Plan</b> .....	Demerger Plan of the Bank Being Divided.
<b>Dilution Adjustment Ratio</b> .....	has the meaning ascribed to it in Section 3.2.
<b>Entitled Shareholders</b> .....	BNPP and RBI; and the “Entitled Shareholder” means either of them.
<b>Management Boards</b> .....	the management board of the Bank Being Divided and the management board of the Acquiring Bank.
<b>Mortgage Business</b> .....	an organised part of the business of the Bank Being Divided, the composition of which is established as set out in Schedule 1 to the Demerger Plan.
<b>Payment Institutions Law</b>	the Act on payment services dated 19 August 2011 (Journal of Laws of 2017, item 2003, as amended).
<b>PFSA</b> .....	the Polish Financial Supervision Authority ( <i>Komisja</i>

*Nadzoru Finansowego).*

<b>Purchase Price</b> .....	the purchase price payable for the Core Bank Business in the amount of PLN 3,250,000,000 (three billion two hundred and fifty million Polish Zloty) agreed in the Transaction Agreement.
<b>RBI</b> .....	Raiffeisen Bank International AG, a company duly incorporated under the laws of Austria and registered with the Austrian Company Register (Firmenbuch) under registration number FN 122119 m, with its registered address at Am Stadtpark 9, 1030 Vienna, Austria.
<b>RBI's Reference Shares</b> .....	has the meaning ascribed to it in Section 4.1.1.
<b>Reference Date</b> .....	the business day directly preceding the day on which the relevant registry court registers the share capital decrease of the Bank Being Divided in connection with the Demerger.
<b>Reference Shares</b> .....	137,886,467 (one hundred thirty-seven million eight hundred eighty-six thousand four hundred sixty-seven) shares of the issued and outstanding shares in the share capital of the Bank Being Divided.
<b>Share Capital Increase</b> .....	has the meaning ascribed to it in Section 3.1.
<b>Share Exchange Ratio</b> .....	has the meaning ascribed to it in Section 3.1.
<b>Subsidiaries of the Bank Being Divided</b> ....	(i) Raiffeisen Financial Services Polska spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, Poland, (ii) Raiffeisen Investment Polska spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, Poland, (iii) Raiffeisen Solutions spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, Poland, and (iv) Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw, Poland.
<b>Transaction Agreement</b> .....	the transaction agreement concluded on 10 April 2018 between RBI, BNPP and the Acquiring Bank regarding transfer of the Core Bank Business to the Acquiring Bank.
<b>WSE</b> .....	Warsaw Stock Exchange ( <i>Gielda Papierów Wartościowych w Warszawie S.A.</i> ).

## **INTRODUCTION**

On 28 April 2018, the Management Board of the Bank Being Divided and the Management Board of the Acquiring Bank agreed the Demerger Plan setting out, in accordance with Article 529 § 1 Item 4, Article 533 § 1 and Article 534 of the CCC, among others, the manner in which the Demerger will be effected and the Share Exchange Ratio, and therefore the Management Board of the Acquiring Bank, acting under Article 536 of the CCC, has prepared this Management Board Report justifying the Demerger.

### **1. DESCRIPTION OF THE INTENDED DEMERGER**

#### **1.1. Legal Basis of the Demerger**

The Demerger will be effected in accordance with the procedure specified in Article 529 § 1 item 4 of the CCC. Under the Demerger, an organized part of the enterprise of the Bank Being Divided, i.e. the Core Bank Business, will be demerged to the Acquiring Bank, while the remaining organised part of the enterprise of the Bank Being Divided, i.e. the Mortgage Business, will remain in the Bank Being Divided.

Pursuant to Article 530 § 2 of the CCC, the Core Bank Business will be demerged to the Acquiring Bank on the date of registration of the share capital increase of the Acquiring Bank by way of the issuance of the Demerger Shares as a result of the Demerger (the “**Demerger Effective Date**”).

As a result of the Demerger, pursuant to Article 531 § 1 of the CCC, the Acquiring Bank will on the Demerger Effective Date assume all of the rights and obligations of the Bank Being Divided connected with the Core Bank Business. Consequently, immediately following the Demerger Effective Date, the Bank Being Divided will retain rights and obligations relating to the Mortgage Business. The business of the Bank Being Divided will be limited to the Mortgage Business and the Acquiring Bank’s business will be enlarged by the Core Bank Business.

#### **1.2. Required regulatory consents or permits**

The Demerger will be executed subject to obtaining the following regulatory approvals:

- (a) obtaining a decision from the PFSA permitting the Demerger pursuant to Article 124c section 2 of the Banking Law;
- (b) obtaining a decision from the PFSA permitting the amendments to the articles of association of the Acquiring Bank in connection with the Demerger as provided for in Schedule 4 to the Demerger Plan pursuant to Article 34 section 2 of the Banking Law;
- (c) obtaining a decision from the PFSA permitting the amendments to the articles of association of the Bank Being Divided in connection with the Demerger pursuant to Article 34 section 2 of the Banking Law;
- (d) obtaining a decision from the PFSA stating that that there are no grounds to object against BNPP exceeding the threshold of 33% of the share capital and the votes in the Bank Being Divided or, alternatively, the lapse of the statutory time period for the PFSA to raise objections against BNPP exceeding the threshold of 33% of the share capital and the votes in the Bank Being Divided, such lapse of the statutory time period being confirmed by the PFSA in writing;

- (e) obtaining a decision issued by the PFSA in accordance with the Act on Investment Funds confirming that there is no objection to the acquisition by the Acquiring Bank of shares in Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A. representing more than 50% of the share capital and the votes in Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A. or the lapse of the statutory time period for the PFSA to raise objections with respect to the above, such lapse of the statutory time period being confirmed by the PFSA in writing;
- (f) if such decision will be required under the applicable provisions of Polish law regarding the payment institutions, obtaining a decision issued by the PFSA in accordance with the Payment Institutions Law confirming that there is no objection to the acquisition by the Acquiring Bank of shares in Raiffeisen Solutions sp. z o.o. representing more than 50% of the share capital and the votes in the Raiffeisen Solutions sp. z o.o. or the lapse of the statutory time period for the PFSA to raise objections to such acquisition, such lapse of the statutory time period being confirmed by the PFSA in writing;
- (g) obtaining the Antimonopoly Clearance.

### **1.3. Resolutions of the general meetings of the Banks**

The Demerger will require resolutions of the general meetings of the Banks, including resolutions regarding:

- (a) consent to the Demerger Plan; and
- (b) consent to the amendments to the Acquiring Bank's statute to be made in relation to the Demerger as provided for in Schedule 4 to the Demerger Plan.

### **1.4. Increase in the Acquiring Bank's share capital in connection with the Demerger**

In connection with the Demerger, the Acquiring Bank's share capital will be increased through the issuance of the Demerger Shares, which will be allocated to the Entitled Shareholders based on the rules set out in the Demerger Plan.

### **1.5. Decrease in the share capital of the Bank Being Divided in connection with the Demerger**

In connection with the Demerger, the share capital of the Bank Being Divided will be decreased through cancelation of all Reference Shares.

## **2. ECONOMIC JUSTIFICATION OF THE DEMERGER**

The acquisition of the Core Bank Business by the Acquiring Bank is consistent with the development strategy consistently pursued by the Management Board of the Acquiring 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 Demerger will allow the Acquiring Bank to become a Tier 1 market player with over PLN 100bn total assets, will further strengthen the Acquiring Bank's position as the #6 bank in the Polish market and challenge top 5.

The longstanding expertise of the teams of the Core Bank Business of the Bank Being Divided, in particular in SME, Corporate banking and Factoring, in affluent/private banking, as well as its retail network, will reinforce the role of the Acquiring Bank as a key player in

the Polish banking sector and BNP Paribas Group ability to support the growth of the Polish economy.

### 3. SHARE EXCHANGE RATIO

#### 3.1. Exchange ratio of the shares in the Bank Being Divided for the shares in the Acquiring Bank

The share exchange ratio based on which the Demerger Shares will be allotted to the RBI and BNPP in respect of their holding of the Reference Shares on the Reference Date is: for 1 (one) Reference Share held on the Reference Date the Entitled Shareholder shall be allotted 0.3595197657 Demerger Shares (the “**Share Exchange Ratio**”).

The Share Exchange ratio was determined as follows:

$$SER = x / y / z$$

where:

*SER* – the Share Exchange Ratio,

*x* – is equal to the Purchase Price,

*y* – is equal to PLN 65.56 (sixty-five and fifty-six one hundredths), being the arithmetic average of the daily volume weighted average prices of shares of the Acquiring Bank traded on the WSE during the period of 30 calendar days ending on 6 April 2018,

*z* – is equal to the total number of the Reference Shares.

If before the registration of the Demerger there is a registration of the share capital increase in the Acquiring Bank such share capital increase will be referred to hereinafter as the “**Share Capital Increase**” and the Share Exchange Ratio will be adjusted by dividing it by the dilution adjustment ratio (RF) determined in accordance with the Dilution Adjustment Formula described in Section 3.2 below. If there is any spilt of the shares of the Acquiring Bank or any other change to the structure of the share capital of the Acquiring Bank, the Share Exchange Ratio will be adjusted accordingly.

#### 3.2. Dilution Adjustment Formula

The Share Exchange Ratio shall be subject to dilution adjustment, if any, in respect of the Share Capital Increase, which will be calculated based on the following formula:

$$RF = ((SR * PR) + (SI * PI)) / (PR * (SR + SI))$$

where:

*RF* – means the dilution adjustment ratio (the “**Dilution Adjustment Ratio**”),

*SR* – means the number of the shares in the Acquiring Bank on the last day of the subscription period under the Share Capital Increase,

*PR* – means the closing price for the shares in the Acquiring Bank on the last day of the subscription period under the Share Capital Increase,

*SI* – means the final number of the shares of the Acquiring Bank issued as part of the Share Capital Increase,

*PI* – means the issue price for the shares of the Acquiring Bank as part of the Share Capital Increase.

The dilution adjustment shall be applied to the Share Exchange Ratio by dividing the Share Exchange Ratio by the Dilution Adjustment Ratio (the “**Adjusted Share Exchange Ratio**”).

### **3.3. The methods applied to determine the Share Exchange Ratio**

The Share Exchange Ratio has been calculated by dividing the Purchase Price and the Acquiring Bank Reference Share Price and the number of the Reference Shares. The Purchase Price was determined as a result of the negotiations.

### **3.4. Recommendations regarding the Share Exchange Ratio**

In its determination of the Share Exchange Ratio, the management board of the Acquiring Bank took into account a fairness opinion prepared by mCorporate Finance Spółka Akcyjna with its registered office in Warsaw.

## **4. RULES ON THE ALLOTMENT OF THE SHARES IN THE ACQUIRING BANK**

### **4.1. Rules for the calculation of the number of the Demerger Shares**

- 4.1.1. The number of the Reference Shares attributable to RBI (the “**RBI’s Reference Shares**”) will be set as the number which based on the Share Exchange Ratio or the Adjusted Share Exchange Ratio, if applicable, results in the issuance of the Demerger Shares in a number equal to 9.8% (nine and eight tenths percent) of the total share capital of the Acquiring Bank on the Demerger Effective Date (after the issuance of the shares as part of the Share Capital Increase and the Demerger Shares), such number to be rounded up to the nearest integer if it is not an integer.
- 4.1.2. The number of the Reference Shares attributable to BNPP will be equal to the total number of the Reference Shares minus the number of the RBI’s Reference Shares.
- 4.1.3. The Demerger Shares will be allotted to the Entitled Shareholders based on the Share Exchange Ratio or the Adjusted Share Exchange Ratio, if applicable, in the following manner:
  - (a) the total number of the Demerger Shares will be determined by multiplying the total number of the Reference Shares held by the Entitled Shareholders on the Reference Date by the Share Exchange Ratio or the Adjusted Share Exchange Ratio, if applicable, and by rounding the product thereof down to the nearest integer (if the product is not an integer); and
  - (b) the number of Demerger Shares that will be allotted to RBI will be determined by multiplying the number of the RBI’s Reference Shares by the Share Exchange Ratio or the Adjusted Share Exchange Ratio, if applicable, and by rounding the product thereof up to the nearest integer (if the product is not an integer); and
  - (c) the number of Demerger Shares that will be allotted to BNPP will be determined as the total number of Demerger Shares minus the number of the Demerger Shares allotted to RBI in accordance with paragraph (b) above.
- 4.1.4. No additional payments within a meaning of Article 529 § 3 of the CCC will be granted to the Entitled Shareholders.



#### **4.2. Shares in the Bank Being Divided following the Demerger**

As a result of the Demerger:

- (a) BNPP will cease to be a shareholder of the Bank Being Divided as the result of cancelation of all shares in the Bank Being Divided held by BNPP; and
- (b) RBI will be the sole shareholder of the Bank Being Divided holding 100% of the shares in and 100% of the votes at the general meeting of the Bank Being Divided.

#### **5. PARTICULAR PROBLEMS RELATED TO THE VALUATION OF THE BANK BEING DIVIDED**

No particular problems arose in the course of the valuation of the assets and shares of the Bank Being Divided.

#### **6. ADDITIONAL INFORMATION**

##### **6.1. Date from which the Demerger Shares will participate in the Acquiring Bank's profit**

If the Demerger Shares are registered for the first time on the securities account of the Entitled Shareholder by the dividend date (*dzień dywidendy*), referred to in Article 348 § 2 of the CCC, established in 2019 including that date, the Demerger Shares will participate in the profits distributed after the end of the fiscal year lapsing on 31 December 2018. However, if the Demerger Shares are registered for the first time on the securities account of the Entitled Shareholder after the dividend date established in 2019, the Demerger Shares will participate in the profits distributed after the end of the fiscal year lapsing on 31 December 2019.

##### **6.2. Rights granted by the Acquiring Bank to the shareholders and other persons with special rights in the Bank Being Divided**

It is not planned to grant any special rights to the shareholders of the Bank Being Divided and/or to other persons holding special rights in the Bank Being Divided.

##### **6.3. Special benefits for the members of the corporate bodies of the Banks and for other persons who participated in the Demerger**

Pursuant to a resolution of the supervisory board of the Bank Being Divided and the management agreements, the members of the management board of the Bank Being Divided are entitled to a "Demerger Bonus" and "Closing Bonus" as provided for in the management agreements. It is estimated that the total value of the Demerger Bonus and Closing Bonus will not exceed the amount of PLN 12,105,236, including employer's social contributions.

Additionally, pursuant to the incentive programme addressed to selected employees of RBPL, such employees are entitled under certain conditions to bonuses connected with the preparation and execution of the Demerger and closing of the transaction, as provided for in individual information on qualification for an award in the "Demerger and Closing Project". It is estimated that the total value of such bonuses for employees will not exceed the amount of PLN 19,717,575, including employer's social contributions.

The Acquiring Bank has not granted any special benefits to the members of the corporate bodies of the Acquiring Bank or for other persons who participated in the Demerger, however a decision to do so may be adopted in the future.

**7. SUMMARY AND RECOMMENDATION**

The economic and financial advantages, both for the Banks themselves and for their shareholders, allow to conclude that the Demerger is justified in strategic, operating and cost terms.

Therefore, the Management Board of the Acquiring Bank recommends to the general meeting of the Acquiring Bank to adopt the resolutions consenting to effecting the Demerger Plan, and the amendments to the statute of the Acquiring Bank resulting from the Demerger.