



Bank Zachodni WBK - AVIVA

Revised Bancassurance Model

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Bank Zachodni WBK

 Grupa Santander

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Bancassurance Business Model

- In 2007 BZ WBK and AVIVA entered into a 15 year co-operation agreement and established two JV companies:
 - **BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. (“TU S.A.”)**
 - **BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. (“TUO S.A.”),**
- The purpose of the strategic co-operation was to develop and distribute insurance products to BZ WBK customers under a 50/50 bancassurance model.
- The model has proven to be very successful with BZ WBK’s income from insurance activity by 21% CAGR since 2007.
- On 2nd August, BZ WBK and AVIVA agreed to amend their strategic co-operation agreement for the bancassurance business.

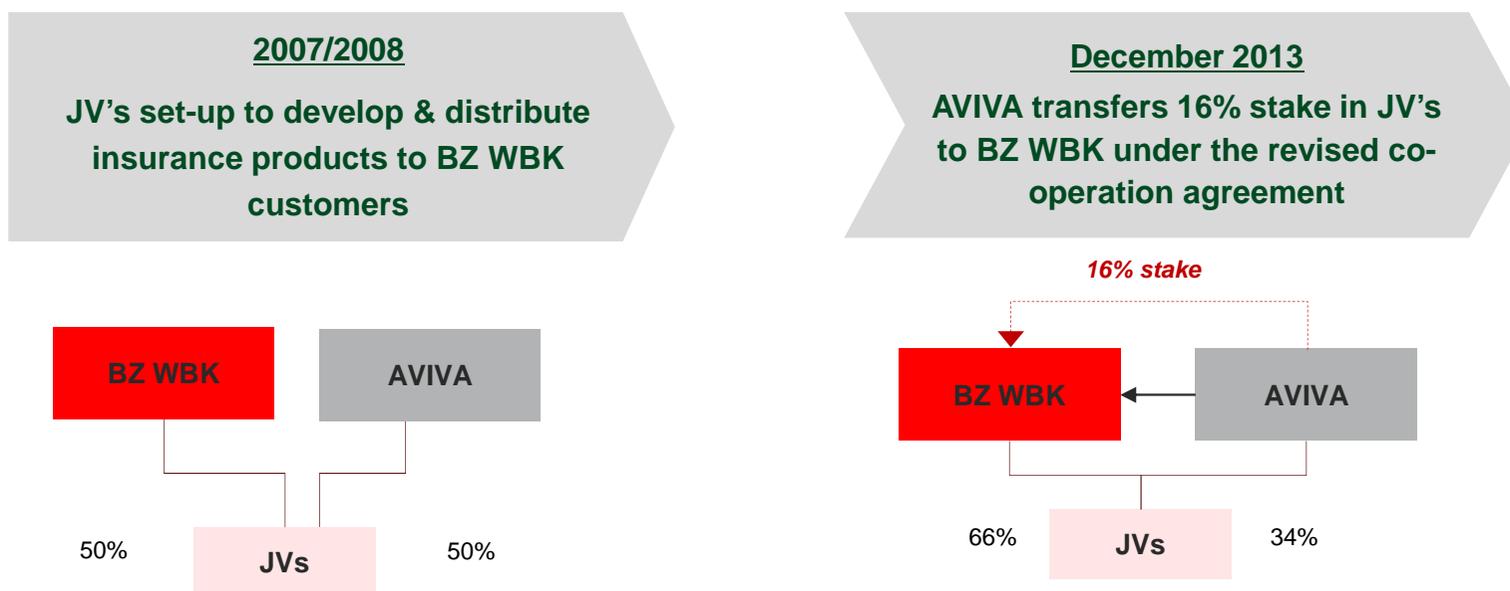
Re-negotiation of the Bancassurance Model

Both parties agreed that two key developments had increased the value of the Insurance JV's:

- **The merger with Kredyt Bank**, resulting in:
 - An enlarged branch network through which the JV insurance products can be distributed;
 - An increased number of BZ WBK customers to whom JV insurance products can be sold to; and
 - An increased number of pre-existing Kredyt Bank customers in BZ WBK to cross sell JV insurance products and other banking products.
- **The extension of the duration of the current bancassurance co-operation agreement by an additional 10 years to December 2033.**

Re-negotiation of the Bancassurance Model

- The increase in value of the JV's provides a benefit to both parties (in the form of a higher value of the Insurance JVs, of which each partner owns 50%) and in this case BZ WBK is the party that is contributing the value increase.
- In order to reflect this, 16% of both JV's has been transferred to BZ WBK increasing the stake in both Insurance JVs to 66% and AVIVA will have the remaining 34%.



Financial Impact of the Transaction

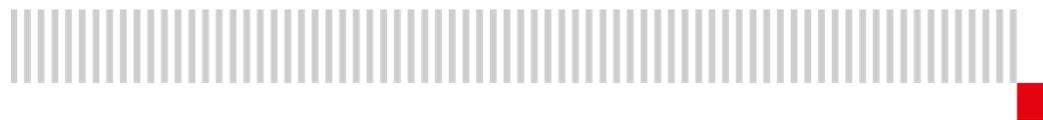
- As BZ WBK has acquired control over both JV entities; full consolidation will apply for financial reporting purposes.
- The transaction will generate a profit in the consolidated profit and loss account estimated in the amount of PLN 420m and PLN 336m on pre-tax and after tax basis, respectively. The profit is the result of revaluation to the fair value of the existing (50%) stake in both JV companies at the moment of taking the control, as required by IFRS.
- As the result of the transaction, goodwill will be recognised in the consolidated account. BZWBK has not yet completed the process of goodwill estimation. The goodwill amount will be impacted by the fair value of net assets acquired, additional assets recognised at the acquisition and the fair valuation of the non-controlling interest.
- It is estimated that the reduction of the total capital ratio resulting from the transaction will still allow maintaining prudent capitalisation level above internal management and regulatory limits.

Summary

The revised strategic co-operation agreement between BZ WBK and

AVIVA:

- Strengthens the existing successful relationship between the parties.
- Reflects the increased value of the core Bancassurance model in the enlarged BZ WBK Group post merger with Kredyt Bank.
- Creates additional value in the long-term both in Life and Non-Life Insurance JV companies.



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