MANAGEMENT BOARD REPORT

DATED 11 MAY 2012

prepared by the Management Board of Kredyt Bank S.A.

under Art. 501 of the Commercial Companies Code

justifying the merger of
Bank Zachodni WBK S.A.

and

Kredyt Bank 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:

Act on Public Offerings	the Act of 29 July 2005 on Public Offerings, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws 2005, No. 184, item 1539), as amended.
Banco Santander	Banco Santander S.A., a public joint-stock company incorporated under the laws of Spain, with its registered office at Paseo de Pereda, numbers 9 to 12, Santander, Spain and its operational headquarters at Avda. Cantabria s/n, 28660 Boadilla del Monte (Madrid) Spain.
Banking Law	the Act of 29 August 1997 on banking law (consolidated text: Journal of Laws of 2002, No. 72, Item 665, as amended).
Banks	BZ WBK and Kredyt Bank.
Barclays	Barclays Bank PLC.
BZ WBK, Surviving Bank	Bank Zachodni WBK S.A., with its registered office in Wrocław, at ul. Rynek 9/11, Wrocław, Poland, entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for Wrocław-Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register, under KRS No. 0000008723.
CCC	the Act of 15 September 2000, the Code of Commercial Companies and Partnerships (Journal of Laws 2000, No. 94, item 1037), as amended.
Deutsche Bank	Deutsche Bank AG, London Branch.
EC	European Commission.
GM	the general meeting.
KBC Bank	KBC Bank NV, a limited liability company incorporated under the laws of Belgium whose registered office is at Havenlaan 2, 1080 Brussels, Belgium registered with the Register of Legal Entities ("*rechtspersonenregister*") under number 0462.920.226 (Brussels).
KB, Kredyt Bank, Non-Surviving Bank	Kredyt Bank Spółka Akcyjna, with its registered office in Warsaw, at ul. Kasprzaka 2/8, Warsaw, Poland, entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, the 12th Commercial Division of the National Court Register, under KRS No. 0000019597.
Management Board Report	this document.
Management Boards	the management board of BZ WBK and the management board of Kredyt Bank.
Merged Bank	BZ WBK following its merger with Kredyt Bank.
Merger	the Merger of BZ WBK and Kredyt Bank.

Merger Day	the day on which the Merger is entered in the National Court Register by the registry court competent for the registered seat of BZ WBK.
Merger Issue Shares	Up to 18,907,458 (eighteen million, nine hundred and seven thousand, four hundred and fifty-eight) series J ordinary bearer shares in BZ WBK with a nominal value of PLN 10.00 (ten) each, issued in connection with the Merger.
Merger Regulation................................	Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings.
NDS	the National Depository of Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*).
PFSA	the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*).
Share Exchange Ratio..........................	the exchange ratio of the shares in Kredyt Bank to the shares in BZ WBK.
UBS...	UBS Limited.
WSE..	the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*).

1 INTRODUCTION

On 11 May 2012, BZ WBK and Kredyt Bank signed the Merger Plan setting out, in accordance with Art. 499 section 1 of the CCC, among others, the method of the Banks' merger and the Share Exchange Ratio, and therefore Kredyt Bank's Management Board, acting under Art. 501 of the CCC, has prepared this Management Board Report justifying the Merger.

In preparing the Merger Plan Kredyt Bank conducted legal, financial and economic analysis of BZ WBK. Legal analysis was conducted by Domański Zakrzewski Palinka sp. k. Financial and economic analysis was conducted by Ernst & Young Corporate Finance sp. z o.o.

2 DESCRIPTION OF THE INTENDED MERGER

2.1 Method of the Merger, its legal basis and an understanding regarding the Merger

The Merger will be executed pursuant to Art. 492 § 1 item 1 of the CCC through the transfer of the entire estate (all the assets and liabilities) of Kredyt Bank, as the target entity, to BZ WBK, as the surviving entity, with a simultaneous increase in the share capital of BZ WBK through the issue of the Merger Issue Shares which BZ WBK will issue to all existing shareholders of Kredyt Bank.

As a result of the Merger, BZ WBK will acquire all the rights and obligations of Kredyt Bank, whereas Kredyt Bank will be dissolved, without conducting any liquidation proceedings, as of the date the Merger is entered in a register relevant for the registered office of BZ WBK and the share capital increase of BZ WBK is registered.

The transfer of the entire estate (all the assets and liabilities) of Kredyt Bank to BZ WBK will take place on the date of entering the Merger into the Register of Business Entities of the National Court Register maintained by the registry court competent for the registered office of BZ WBK. The increase in the share capital of BZ WBK through the issuance of the Merger Issue Shares will be registered on the same day.

The effect of the Merger will be that Kredyt Bank's shareholders will become BZ WBK's shareholders. Details regarding allocation of the Merger Issue Shares among Kredyt Bank's shareholders are described in Section 5 of the Management Board Report.

The business name of the Merged Bank shall be: Bank Zachodni WBK S.A.

On 27 February 2012 the strategic shareholders of the Banks, Banco Santander and KBC Bank, concluded an investment agreement in which they expressed the intention to merge the Banks. Additionally, on the same date, Kredyt Bank, BZ WBK, Banco Santander and KBC Bank concluded an understanding regarding the commencement of the activities aimed to proceed to the Merger. The information about the conclusion of the investment agreement and the understanding has been publicly announced in current report of Kredyt Bank No. 8/2012 dated 28 February 2012.

2.2 Required consents or permits

In accordance with Art. 34 item 2 in reference to article 31 item 3 and Art. 124 item 1 of the Banking Law, the Merger will be executed subject to obtaining permits from the PFSA permitting:

(i) the Merger; and

(ii) the amendments to BZ WBK's statute made in connection with the Merger as provided for in Schedule No. 3 to the Merger Plan.

Moreover, if Article 25, section 1 of the Banking Law applies, the exceeding by KBC Bank of the threshold of 10% of the votes at the GM of BZ WBK shall depend on the PFSA issuing a decision to the effect that there are no grounds to object against KBC Bank exceeding the threshold of 10% of the votes at the GM of BZ WBK or the end of the statutory deadline for the delivery of a decision containing an objection raised with respect to the above.

In connection with the issuance of the Merger Issue Shares, it will also be necessary for the PFSA to determine that both the form and content of the BZ WBK information memorandum are equivalent to the information required to be included in a prospectus, in accordance with the Act on Public Offerings.

Additionally, the EC will need to issue a decision declaring that the concentration by way of the Merger (or any part of the concentration which has not been referred to one or more competent authorities of a member state of the European Economic Area (an "**EEA Member State**") pursuant to Article 9(3) of the Merger Regulation) is compatible with the common market (or the concentration or any part thereof not referred to an EEA Member State will be deemed to be so declared under Article 10(6) of the Merger Regulation); and/or if a request under Article 9(2) of the Merger Regulation has been made by a competent authority of one or more EEA Member States, and the EC has referred the concentration, in whole or in part, to one or more EEA Member States, the competent authority of each such EEA Member State will need to issue a decision approving the concentration in whole or in part.

2.3 Resolutions of the GM of the Banks

In accordance with Art. 506 § 1 and § 2 of the CCC, the Merger will require resolutions of the GM of the Banks, including:

(i) consent to the Merger Plan; and

(ii) consent to amendments to BZ WBK's statute made in connection with the Merger set out in Schedule no. 3 to the Merger Plan.

2.4 Increase in BZ WBK's share capital in connection with the Merger

In connection with the Merger, BZ WBK's share capital will be increased by no more than PLN 189,074,580 (one hundred and eighty-nine million, seventy-four thousand, five hundred and eighty) up to no more than PLN 935,450,890 (nine hundred and thirty-five million, four hundred and fifty thousand, eight hundred and ninety) by way of issuing the Merger Issue Shares, which will be granted and allocated to the shareholders of Kredyt Bank.

If the issuance of 1,561,618 (one million, five hundred and sixty-one thousand, six hundred and eighteen) ordinary series I bearer shares in BZ WBK the legal basis for which is the resolution of the general meeting of BZ WBK dated 10 May 2012 adopted in connection with the planned subscription of such shares by the European Bank for Reconstruction and Development ("**EBRD**") is unsuccessful, the share capital in BZ WBK will be increased, in connection with the Merger by the sum of no more than PLN 189,074,580 (one hundred and eighty-nine million, seventy-four thousand, five hundred and eighty) up to no more than PLN 919,834,710 (nine hundred and nineteen million, eight hundred and thirty-four thousand, seven hundred and ten) through the issuance of the Merger Issue Shares, which will be granted and allotted to the shareholders of Kredyt Bank.

The Surviving Bank will take action to procure the admission and introduction of the Merger Issue Shares to trading on the regulated market operated by the WSE. To that end, the Surviving Bank will file a motion with the PFSA requesting the determination whether both the form and content of the BZ WBK information memorandum are equivalent to the information required to be included in a prospectus, in accordance with the Act on Public Offering, and will file a motion for registration of the Merger Issue Shares with the NDS as well as a motion with the WSE for the introduction of the Merger Shares to trading on the regulated market.

2.5 General succession

As a result of the Merger, pursuant to Art. 494 § 1 of the CCC BZ WBK will on the Merger Day assume all the rights and obligations of Kredyt Bank.

In accordance with Art. 494 § 4 of the CCC, on the Merger Day the shareholders of Kredyt Bank will become the shareholders of BZ WBK.

3 STRATEGIC REASONS FOR AND ECONOMIC ADVANTAGES OF THE MERGER

3.1 Strategic reasons for the Merger

BZ WBK and Kredyt Bank are medium-sized banks operating in Poland. As of 31 December 2011, the Banks, according to data from the PFSA, ranked fifth and eighth, respectively, in respect of business volume (including gross loans, deposits and mutual funds).

BZ WBK has a strong track record as a universal bank providing a broad range of banking services to corporate, SME and retail customers, as well as complex treasury and investment products to all client segments. In addition, BZ WBK has strong position in investment banking and brokerage services area (offered through specialized subsidiaries).

Kredyt Bank is a universal bank focused on providing banking services, mostly to retail and corporate customers. Kredyt Bank also provides treasury and investment products to its clients.

Both Banks possess professional and experienced management staff with many years of experience in the Polish and/or international banking sectors. The Banks operate complementary distribution networks and have access to a considerable percentage of Poland's population through their branches, franchisees, brokers and agents.

The Merger will create a top three bank in Poland in respect of business volume, including gross loans, deposits and mutual funds (estimate based on data from the PFSA), with a market share in terms of business volume close to 10%, as well as a strong balance sheet with a stable funding profile and adequate capitalization.

It is expected that the Merger will result in specific synergies. Both Banks have been conducting comprehensive studies in the respective areas of their business to establish the optimum operating model based on best practices, ensuring efficient and secure integration process and providing significant advantages to their customers, employees and shareholders. Taking into consideration that the Merger will be an integration of complementary businesses, in the conducted analyses and studies the Banks have focused on the opportunities to increase profitability and economic effectiveness through economies of scale, better risk management and the better opportunities to offer a complete portfolio of banking services to a larger number of customers.

The Banks believe that cost synergies will result mainly from improvements in processes and using the most effective operational solutions, the optimization of the head office and combined branch network, and the integration of IT systems (a single IT platform), whereas revenues synergies will stem from productivity enhancement (pricing policy and product mix) by combining complementary networks and cross selling the products offered by both Banks to their customers.

It is envisaged that after the Merger the combination of both Banks’ customer bases and distribution networks will enable the Merged Bank to effectively cover whole territory of Poland and to become one of the top three universal banks in Poland. BZ WBK will continue to be a leading supplier of high quality solutions for all types of customers.

3.2 Economic advantages of the Merger for the Banks’ shareholders

(a) General outline

The Merger will create a top three universal bank in Poland in respect of business volume (including gross loans, deposits and mutual funds) according to data from the PFSA, with a significant growth potential.

The Management Board believes that there are clear economic reasons for the Merger. The Merged Bank will be able to take advantage of cost synergies, to increase market penetration, in particular with regard to the effective coverage of the entire territory of Poland with an integrated branch network, to stimulate further growth and development of the product mix. In the long term, the Merger will result in an improvement in Merged Bank's business effectiveness, which will translate into an increase in the net profit that may be distributed among the shareholders, as well as an improvement in customer service standards.

(b) **Economic benefits of the Merger**

Improved competitive position

The Merged Bank will have a strong market position in terms of its balance sheet equity and the number of branches. Being a top three bank in Poland in terms of business volume (including gross loans, deposits and mutual funds) according to data from the PFSA, the Merged Bank will operate on a scale that will allow it to compete effectively with the two largest banks operating on the Polish market, i.e. PKO BP S.A. and Bank Pekao S.A.

Contribution to the development of the Polish banking sector

Thanks to the Merged Bank achieving a market position that enables it to compete effectively with the two largest banks operating on the Polish market, i.e. PKO BP S.A. and Bank Pekao S.A. will undoubtedly strengthen competition on the Polish banking services market, which should increase the attractiveness of banking products and services offered to Polish clients.

Cost synergies and increase in economic effectiveness

The Merger will allow significant cost synergies to be achieved as compared with the cost levels in the Banks before the Merger. Focusing the operations on profitable client segments that offer good prospects and developing products that carry high margins, which will be accompanied by cost optimization leading to an increased return on equity, will translate into an increase in profitability and business effectiveness of the Merged Bank. Restructuring the organizational back office and the IT systems are also expected to result in savings and an increase in the long-term growth potential.

Increased appeal to investors

One of the most important effects of the Merger will be an increase in the number of Merged Bank shares subject to free trading on the Warsaw Stock Exchange and, consequently, increased liquidity of trading in Merged Bank shares on the Warsaw Stock Exchange.

4 SHARE EXCHANGE RATIO

4.1 Valuation methods

In order to determine the Share Exchange Ratio a number of generally accepted valuation methods for have been applied. The valuation assumed that both Banks operated on a stand-alone going concern basis.

The principal valuation methods included, inter alia: (i) valuation based on the historical share prices of both Banks and share price estimates of independent analysts of research departments of brokerage houses and investment banks, who cover listed Polish banks; (ii) fundamental valuation using the dividend discount models; (iii) valuation based on the ratios of share price to profit per share and book value per share of comparable Polish banks; and (iv) valuation based on precedent transactions involving comparable Polish banks.

A dividend discount model calculates the net present value of a bank, using appropriate discount rates, on the basis of its asset growth profile, earnings, required capital to support balance sheet growth and resultant ability to distribute dividends to its shareholders.

For both Banks, the models used were based on the assumption that the Banks would continue as going concerns without executing the Merger.

Having reviewed the results of the valuation of Kredyt Bank and BZ WBK, and taking into account the expected net synergies resulting from the Merger, the Management Boards established the Share Exchange Ratio.

4.2 Ratio of exchange of the Kredyt Bank shares for the BZ WBK shares

In the appraisal of values of the Banks and the determination of the Share Exchange Ratio, the Management Board of BZ WBK took into account, inter alia, the valuations of BZ WBK and Kredyt Bank prepared by Deutsche Bank and Barclays and the Management Board of Kredyt Bank took into account, inter alia, the valuations of BZ WBK and Kredyt Bank prepared by UBS.

On 10 May 2012 UBS issued the fairness opinions for the Management Board of Kredyt Bank.

In addition, on 10 May 2012 Deutsche Bank and Barclays issued the fairness opinions for the Management Board of BZ WBK.

On the basis of the assumptions and valuation methods employed in the process of establishing the value of BZ WBK and Kredyt Bank, it was established that the Share Exchange Ratio is as follows:

shares in BZ WBK	shares in Kredyt Bank
6.96	100

This means that for 100 (one hundred) Kredyt Bank shares, the shareholders of Kredyt Bank will receive 6.96 (six point ninety-six) Merger Issue Shares, i.e. for 1 (one) share in Kredyt Bank, 0.0696 shares in BZ WBK will be granted and allocated.

The number of Merger Issue Shares to be allocated to each shareholder of Kredyt Bank shall be the product of the number of Kredyt Bank shares held by such a shareholder on the Merger Day and the Share Exchange Ratio, rounded (if not an integer) down to the nearest integer.

4.3 Additional Payments

Each and every KB shareholder who, as a result of the rounding down referred to in sub-clause 6.5 of the Merger Plan has not been allotted a fraction of the Merger Issue Shares he was entitled to according to the Share Exchange Ratio, will receive an additional cash payment (the "**Additional Payment**").

The Additional Payment due and payable to a given KB shareholder will be calculated in accordance with the following formula:

$$\mathbf{D = A \times W},$$

where: **D** – means the Additional Payment, **A** – means a fraction by which the product referred to in sub-clause 6.5 of the Merger Plan was rounded down, and **W** – means an arithmetic mean of the closing price quotations per share in BZ WBK over 30 (thirty) consecutive days of quotations of shares in BZ WBK on the WSE, preceding the Reference Date.

The restriction referred to in Article 492 § 2 of the CCC will apply to the Additional Payments. The Additional Payments will be disbursed to the shareholders of Kredyt Bank in a period of up to 14 days from the Reference Date through the intermediation of the NDS.

Within 15 (fifteen) business days from the Reference Date, the Management Board of BZ WBK will:

(a) Make every effort to ensure that the Merger Issue Shares that have not been allotted to the KB shareholders as a result of the rounding down in accordance with sub-clause 6.5 are subscribed for by a financial institution selected by the management board of BZ WBK. The Merger Issue Shares will be subscribed by a selected financial institution at the price representing the arithmetic mean of the closing price quotations per share in BZ WBK over 30 (thirty) consecutive days of quotations of the shares in BZ WBK on the WSE preceding the Reference Date;

(b) Make a statement referred to in Article 310 of the CCC read in conjunction with Article 497 of the CCC, including: (i) the number of the Merger Issue Shares allotted to the KB shareholders in accordance with the rules set out in sub-clause 6.5; or (ii) the number of shares subscribed for by the financial institution referred to in item (a), unless it had already made such statement prior to the entry of the Merger in the register of business entities of the National Court Register.

Pursuant to Article 514 §1 of the CCC no Merger Shares will be issued in exchange for the own shares held by Kredyt Bank. Similarly, in case BZ WBK holds any Kredyt Bank shares, no Merger Issue Shares will be issued in exchange for such shares.

5 PRINCIPLES OF ALLOCATING THE SHARES OF BZ WBK

5.1 General principles

As mentioned in Section 2 of the Management Board Report Kredyt Bank's shareholders shall become BZ WBK's shareholders on the Merger Day by virtue of law without subscribing or paying for the Merger Issue Shares.

The Additional Payments, calculated in accordance with section 4.3 of the Management Board Report, shall be paid to the shareholders of Kredyt Bank within a period of up to 14 days from the Reference Date.

5.2 Allocation of Merger Issue Shares

The Merger Issue Shares shall be allocated to Kredyt Bank's shareholders in accordance with the Share Exchange Ratio set forth in section 4.2 of the Management Board Report.

This means that for 100 (one hundred) Kredyt Bank shares, the shareholders of Kredyt Bank will receive 6.96 (six point ninety-six) Merger Issue Shares, i.e. for 1 (one) share in Kredyt Bank 0.0696 shares in BZ WBK will be granted and allocated.

6 PARTICULAR PROBLEMS RELATED TO THE VALUATION OF THE BANKS'

No particular problems arose in the course of the valuation of the merging Banks' assets and shares

7 ADDITIONAL INFORMATION

7.1 Date from which the Merger Issue Shares will participate in the Surviving Bank's profit

The Merger Issue Shares allocated to the shareholders of Kredyt Bank will participate in profit distribution on equal terms with all other shares in BZ WBK from 1 January 2012, i.e. for the fiscal year ending 31 December 2012.

7.2 Rights granted by the Surviving Bank to the shareholders and other persons with special rights in the Non-Surviving Bank

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

7.3 Special benefits for the members of the corporate bodies of the Banks and for other persons who participated in the Merger

Pursuant to the resolution of the Supervisory Board of Kredyt Bank and the contracts of employment, the members of the Management Board of Kredyt Bank are entitled, if the employing establishment is transferred to another employer as provided in Article 23^1 of the Labour Code in result of the merger, to an additional remuneration (the "**Transaction Bonus**"). The Transaction Bonus will amount to 12 times the average monthly remuneration provided in the contracts of employment of the members of the Management Board of Kredyt

Bank. The Transaction Bonus will be payable in four consecutive tranches, the last of which will be paid within seven days after the end of the six-month period from the date of registration of the Merger in the National Court Register. It is estimated that the total value of the Transaction Bonus will not exceed the sum of PLN 8.1 million (eight million one hundred thousands).

8 SUMMARY AND RECOMMENDATION

The economic and financial advantages, both for the Banks themselves and their shareholders, allow to conclude that the Merger is justified in strategic, operating and cost terms as well as those resulting from the experiences of the Banks.

Therefore, the Management Board of Kredyt Bank recommends to the GM to adopt resolution consenting to effecting the Merger Plan; and amendments to BZ WBK's statute made in connection with the Merger set out in Schedule no. 3 to the Merger Plan.

On behalf of Kredyt Bank:

Maciej Bardan
President of the Management Board

Piotr Sztrauch
Vice-President of the Management Board