

REPORT OF THE MANAGEMENT BOARD OF

Bank Zachodni WBK S.A.

with its registered office in Wrocław

**REGARDING IN-KIND CONTRIBUTIONS MADE TO COVER THE INCREASED
SHARE CAPITAL**

dated 9 April 2014

In connection with the extraordinary general meeting of Bank Zachodni WBK S.A. with its registered office in Wrocław (“**BZ WBK**”) planned for June 2014 and with an planned agenda including, *inter alia*, a resolution regarding the increase in the share capital of BZ WBK through the issuance of ordinary bearer series L shares, the exclusion of the pre-emptive rights of the existing shareholders of BZ WBK with respect to all the series L shares, amendments to the statute of BZ WBK and the seeking of admission and introduction of the series L shares to trading on the regulated market operated by the Warsaw Stock Exchange (*Gielda Papierów Wartościowych w Warszawie S.A.*) and the dematerialisation of the series L shares and the corresponding intention of BZ WBK to offer Santander Consumer Finance S.A. with its registered office in Madrid (“**SCF**”), by way of a private subscription, the subscription for the new series L shares, with a nominal value of PLN 10 (ten zlotys) each, in exchange for an in-kind contribution, acting pursuant to Article 311 § 1 in conjunction with Article 431 § 7 of the Act dated 15 September 2000 – the Polish Commercial Companies Code (the “**CCC**”), the management board of BZ WBK (the “**Management Board**”) has prepared the following report:

1. Description of the in-kind contribution

The newly issued shares will be offered to SCF in exchange for an in-kind contribution in the form of 3,120,000 (three million, one hundred and twenty thousand, i.e. 1,040,001 preferred shares and 2,079,999 ordinary shares) shares with a nominal value of PLN 100 (one hundred zlotys) each in the share capital of Santander Consumer Bank S.A. with its registered office in Wrocław and postal address: ul. Strzegomska 42C, 53-611 Wrocław, entered in the National Court Register kept by the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register under No. KRS 0000040562 (“**SCB**”), with a share capital paid-up in full, held by SCF, representing a 60% stake in the share capital and 67% of the total number of votes at the general meeting of SCB (the “**In-Kind Contribution**”).

2. Number and type of the series L shares issued in exchange for the In-Kind Contribution

In exchange for the In-Kind Contribution, BZ WBK will offer and issue to SCF 5,383,902 (five million, three hundred and eighty-three thousand, nine hundred and two) ordinary bearer series L shares with a nominal value of PLN 10 (ten zlotys) each (the “**Series L Shares**”). The issue of the Series L Shares will be addressed to SCF by way of a private subscription, with the exclusion of all the pre-emptive rights of the existing shareholders.

BZ WBK will undertake efforts to procure that the Series L Shares are admitted and introduced to trading on the regulated market operated by the Warsaw Stock Exchange.

3. Issue price of the Series L Shares

The issue price of one Series L Share will amount to PLN 400.53 (four hundred zlotys and 53/100), whereas the total issue price of all of the Series L Shares will amount to PLN 2,156,414,268.06 (two billion, one hundred and fifty-six million, four hundred and fourteen thousand, two hundred and sixty-eight zlotys and 06/100) (the “**Issue Price**”).

4. Valuation of the In-Kind Contribution

The value of the In-Kind Contribution corresponds to at least the Issue Price.

In order to determine the value of the In-Kind Contribution, a set of commonly used valuation methods has been applied. The basic valuation methods included, specifically: (i) fundamental valuation using the dividend discount model; (ii) valuation based on the Price Earnings Ratio (P/E ratio) and Price/Book Value ratio (P/BV ratio) per share in comparable Polish banks; and (iii) valuation based on comparable transactions involving Polish banks.

The dividend discount model is used to calculate the current net value of a bank, using the relevant discount rates, based on the growth profile of assets, earnings and equity required to deliver balance sheet growth and develop the corresponding ability to distribute dividends to its shareholders.

For the purposes of preparing this report, on 9 April 2014 Citigroup Global Markets Limited issued a fairness opinion to the management board of BZ WBK, such report is attached to this report as a schedule hereto.

5. Entities making the In-Kind Contribution

The Series L Shares will be offered exclusively to SCF.

6. Justification of making the In-Kind Contribution in exchange for the Series L Shares

The issue of the Series L Shares and the In-Kind Contribution resulting therefrom is connected with the planned reorganisation of the group of Banco Santander S.A. (with its registered office at Paseo de Pereda 9-12, Santander, Spain) (“**Santander**”) in Poland by making SCB a direct subsidiary of BZ WBK. The aforementioned reorganisation is being carried out by Santander as part of its commitment made to the Polish Financial Supervision Authority (the “**PFSA**”) in connection with the approval granted by the PFSA for the merger between BZ WBK and Kredyt Bank S.A.¹

In connection with the fulfilment of the aforementioned commitment, on 27 November 2013, BZ WBK, SCF and SCB executed an investment agreement (the “**Investment Agreement**”), whereby the shares in SCB held by SCF were to be acquired by BZ WBK from SCF in exchange for a specific number of new shares in BZ WBK in accordance with the formula included in the Investment Agreement, which will be issued as a result of the increase in the share capital of BZ WBK. The value of the SCB shares as indicated in the Investment Agreement is PLN 2,156,414,400 (two billion, one hundred and fifty-six million, four hundred and fourteen thousand, four hundred zlotys).

The issue of the Series L Shares in exchange for the In-Kind Contribution will enable BZ WBK to take control over SCB without the necessity for BZ WBK to incur significant funds or debt. The Management Board of BZ WBK believes that the increase in the share capital through the issuance of new shares in BZ WBK, with the exclusion of all the pre-emptive rights of the existing shareholders, and BZ WBK’s intention to offer, by way of a private subscription, the Series L Shares exclusively to SCF, is the optimal instrument and in the best interest of BZ WBK to perform the aforementioned transaction, as committed to the PFSA.

¹ The decision of the PFSA approving the merger between BZ WBK and Kredyt Bank S.A. was issued on 4 December 2012 (see: current report No. 37/2012 dated 4 December 2012).

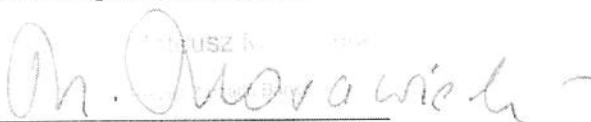
7. Conclusion and recommendation

SCB's business is focused on the attractive consumer finance market, i.e. the market of consumer loans to individual customers and deposits offered to individual and corporate customers. With its professional and dedicated managerial team with many years of experience in banking sector, SCB is a leader on the consumer finance market and provides a diversified product offer and effective channels of distribution.

The Management Board of BZ WBK believes that the consolidation of BZ WBK and SCB will strengthen the position of the BZ WBK Group, as the third largest bank in Poland and the provider of high quality solutions for diversified segments of the banking market in Poland. Additionally, the Management Board of BZ WBK expects that after the inclusion of SCB in the BZ WBK Group, additional synergies may arise for the BZ WBK Group, which can be evaluated after the acquisition of the shares in SCB by BZ WBK.

In view of the foregoing, the Management Board of BZ WBK recommends that the shareholders of BZ WBK adopt a resolution regarding the increase in the share capital through the issuance of the Series L Shares on the terms and conditions as described above.

The Management Board of Bank Zachodni WBK S.A.




Mateusz Morawiecki
President of the Management Board



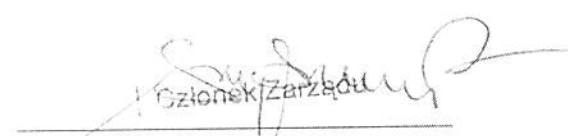
Członek Zarządu

Michael McCarthy
Member of the Management Board



Członek Zarządu

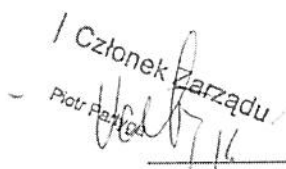
Marcin Prell
Member of the Management Board



Członek Zarządu

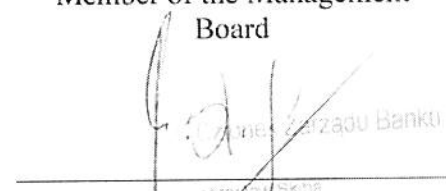
Feliks Szyzkowiak
Member of the Management Board

Andrzej Burliga
Member of the Management Board



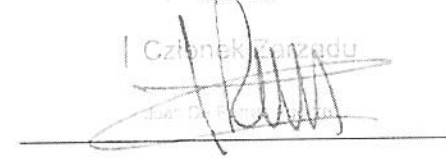
Członek Zarządu

Piotr Partyga
Member of the Management Board



Członek Zarządu Banku

Mirosław Skiba
Member of the Management Board



Członek Zarządu

Juan de Porras Aguirre
Member of the Management Board


Członek
Zarządu Banku
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Eamonn Crowley
Member of the Management
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Członek
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Marco Antonio Silva Rojas

Marco Antonio Silva Rojas
Member of the Management
Board

