



# Santander and KBC agree to merge Bank Zachodni WBK and Kredyt Bank in Poland

Towards a full divestment of Kredyt Bank

28 February 2012





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## Terms of Transaction

- KBC and Santander have agreed to merge their subsidiaries in Poland: BZ WBK and Kredyt Bank will form a new entity, subject to independent evaluation by both banks, as well as to obtaining regulatory approval from the Polish Financial Supervision Authority and relevant competition clearance
- Exchange ratio of 6.96 BZ WBK shares for every 100 shares of Kredyt Bank, corresponding to an implied premium of 51% on the 3 months average share price
- Shareholding structure of the combined entity will in principle be Santander (76.5%), KBC (16.4%) and the rest free-float
- Santander has committed to help KBC to lower its stake in the merged bank from 16.4% to below 10% immediately after the merger for a cash amount of 0.3bn EUR <sup>(1)</sup>. In this regard, Santander has also committed to acquire up to 5% of the merged bank. Furthermore, KBC's intention is to divest its remaining stake, with a view to maximising value
- KBC will provide collateralized funding to Kredyt Bank in CHF for 3 years <sup>(2)</sup> maintaining similar terms & conditions
- The merged bank will distribute KBC TFI's funds under a non-exclusive distribution agreement
- Santander has also committed to acquire 100% of Zagiel at an adjusted net asset value

## Rationale for KBC

- Another major milestone in execution of EC imposed disposal plan in challenging market circumstances
- Capital release of EUR 0.7bn at closing <sup>(3)</sup>, corresponding to 0.8% impact on T1 ratio <sup>(4)</sup>
- Capital release of EUR 0.7bn at full exit, corresponding to 0.9% impact on T1 ratio <sup>(4)</sup>
- Maintaining stake in the combined entity of below 10%, with participation in the upside of the combined entity
- Shareholders agreement between KBC and Santander including governance rights granted to KBC (among others board representation and protective rights)

(1) Based on EUR/PLN exchange rate of 4.18;

(2) CHF3bn in year 1, CHF2.5bn in year 2 and CHF2bn in year 3. The structure will be CHF 1.5bn direct funding and CHF 1.5bn through a swap structure

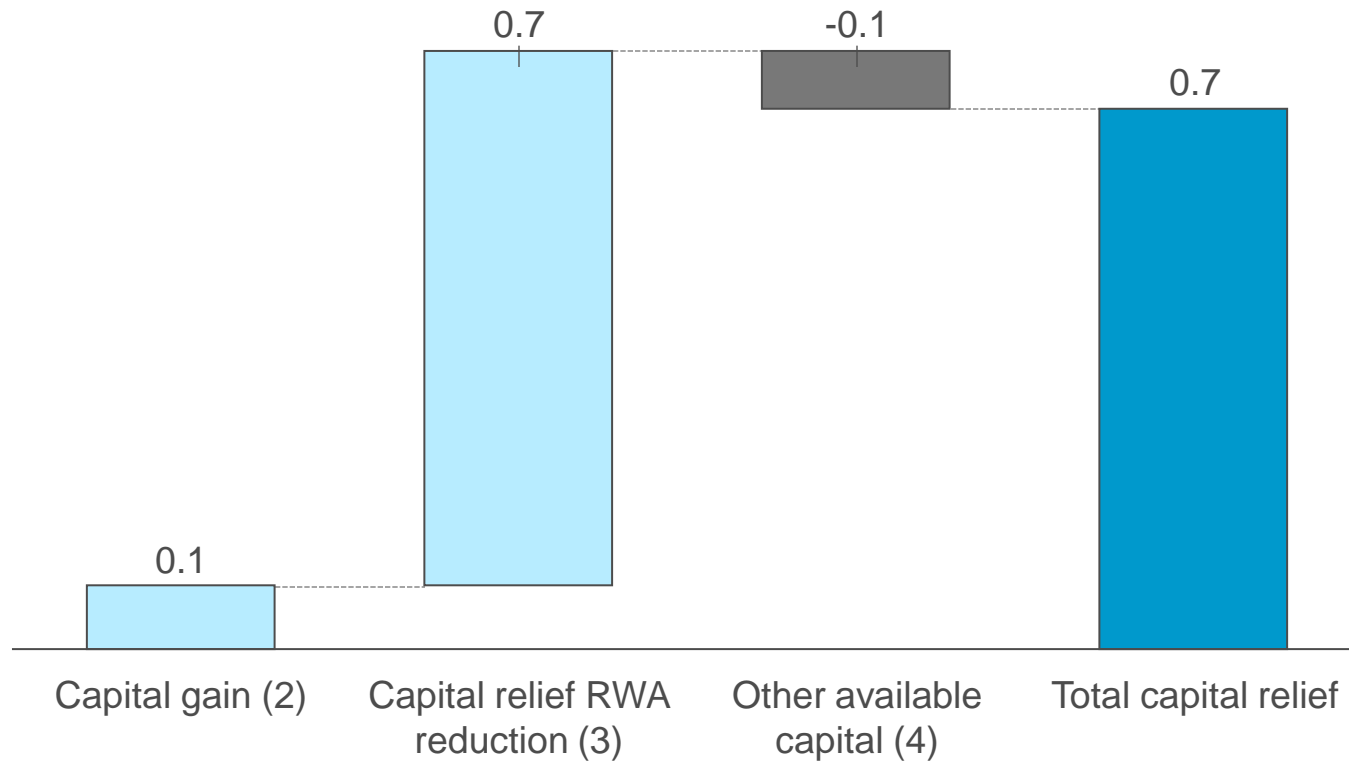
(3) Closing: registration of the merger and committed reduction of KBC's participation to 9.99%

(4) Based on current market conditions



# Capital Release for KBC at Closing (1) Impact Tier 1 Ratio of 0.8%

*Estimated transaction impact  
based on current market conditions (bn EUR)*

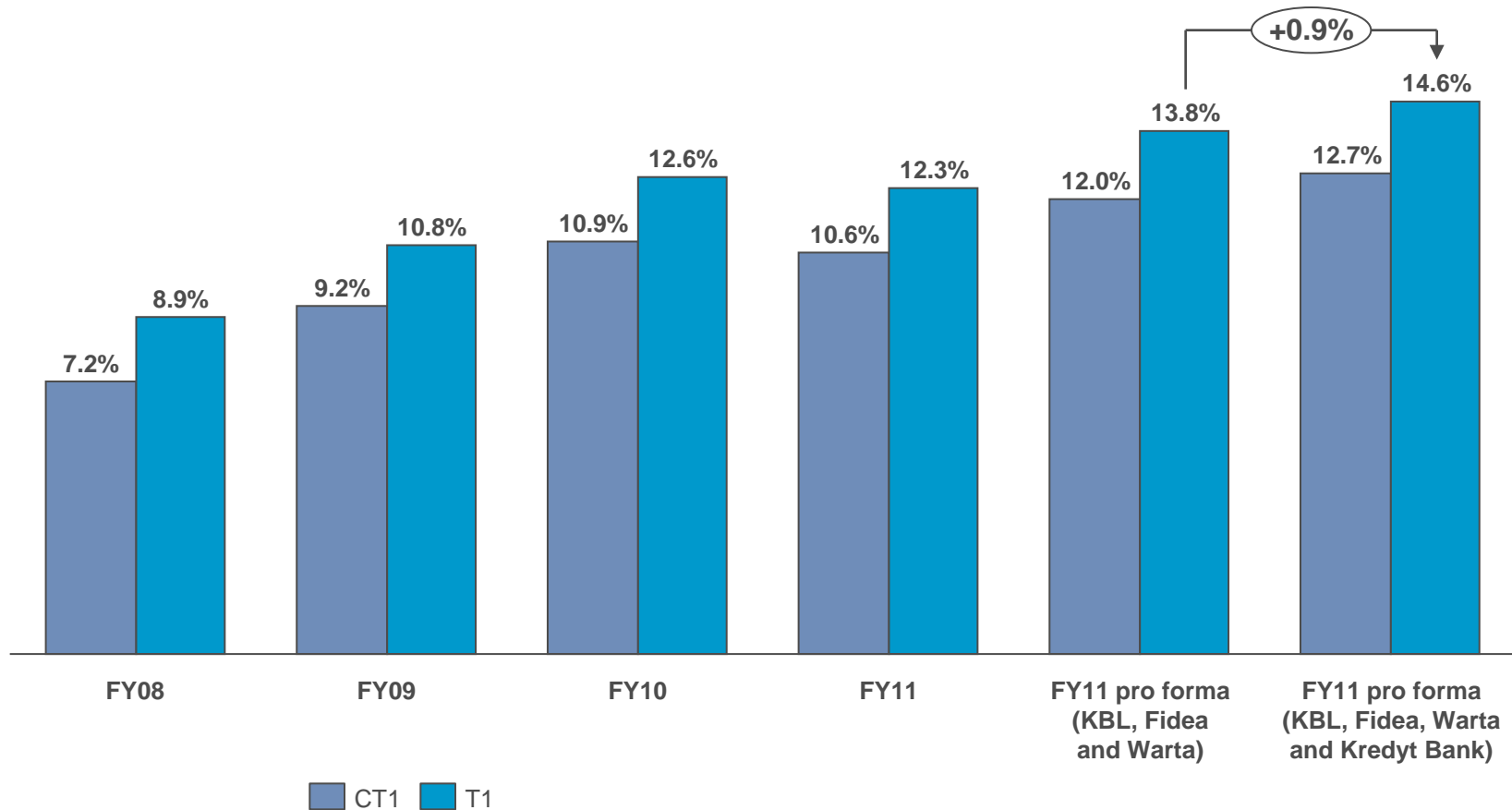


Note: EUR/PLN exchange rate of 4.18

- (1) Closing: registration of the merger and committed reduction of KBC's participation to 9.99%.
- (2) Impact including sales costs of €10m and funding cost, excluding Zagiel ;
- (3) RWAs at 11% target;
- (4) Release of minority interests, translation differences, goodwill and other intangibles;

# Pro Forma Solvency Ratios at Full Exit Impact Tier-1 Ratio 0.9%

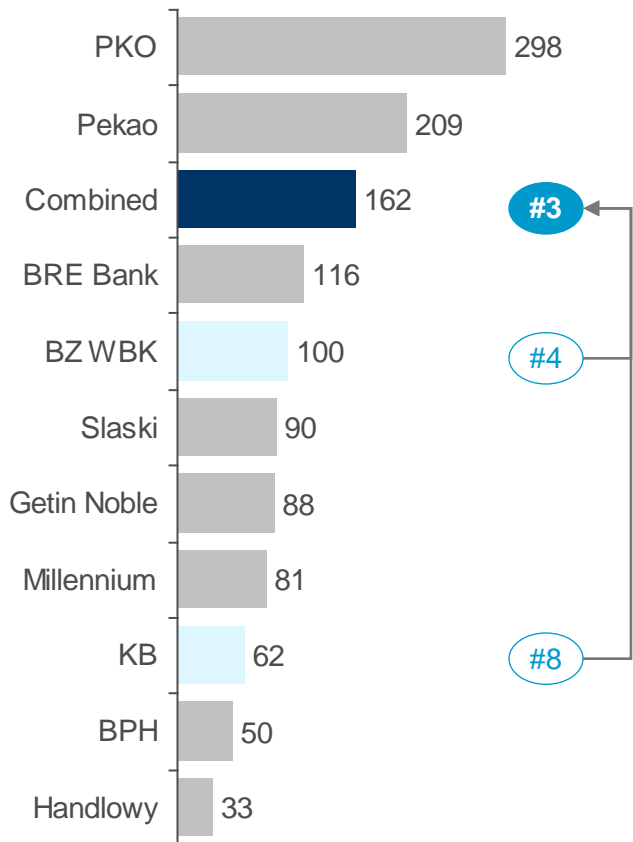
- Pro forma Tier-1 ratio at the end of 2011 – including the effect of divestments for which a sale agreement has been signed – of 14.6% at KBC Group



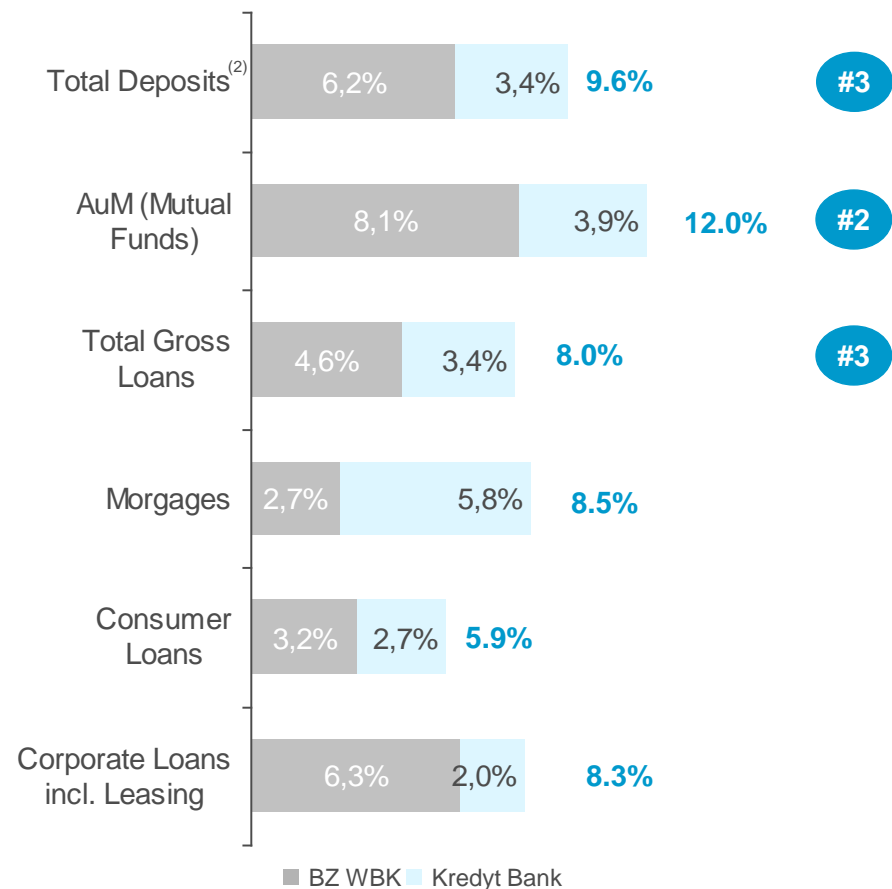
- FY11 pro forma CT1 includes the impact of divestments already signed
- Rounded figures

- BZ WBK and Kredyt bank combined will achieve critical mass across all segments
  - Creation of a powerhouse in deposit gathering

Customer Business Volumes (3Q 2011, PLN bn)<sup>(1)</sup>



Market Shares (1H 2011)



Source: Company data, KNF

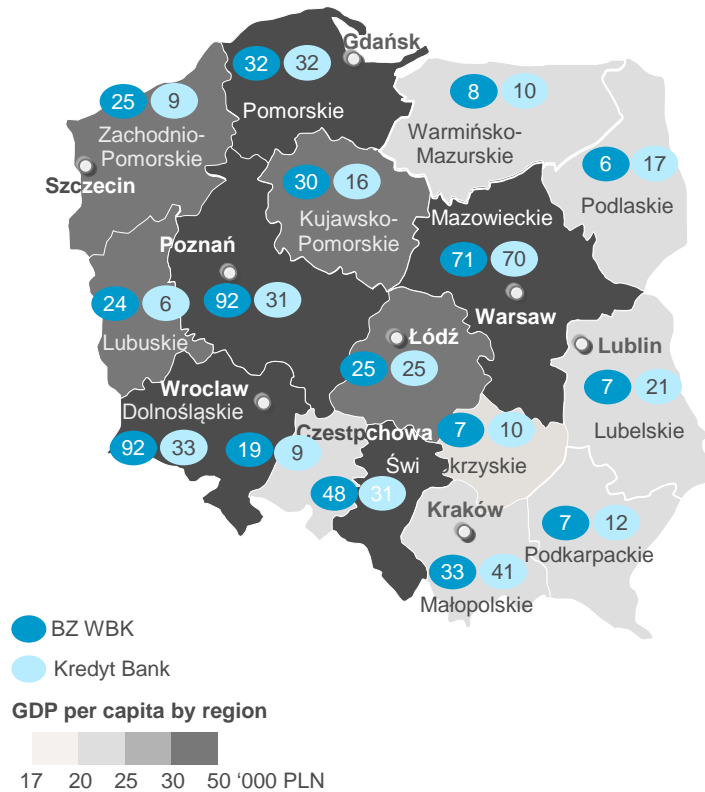
(1) Includes Gross loans, deposits and mutual funds (3Q2011)

(2) Excluding public sector deposits

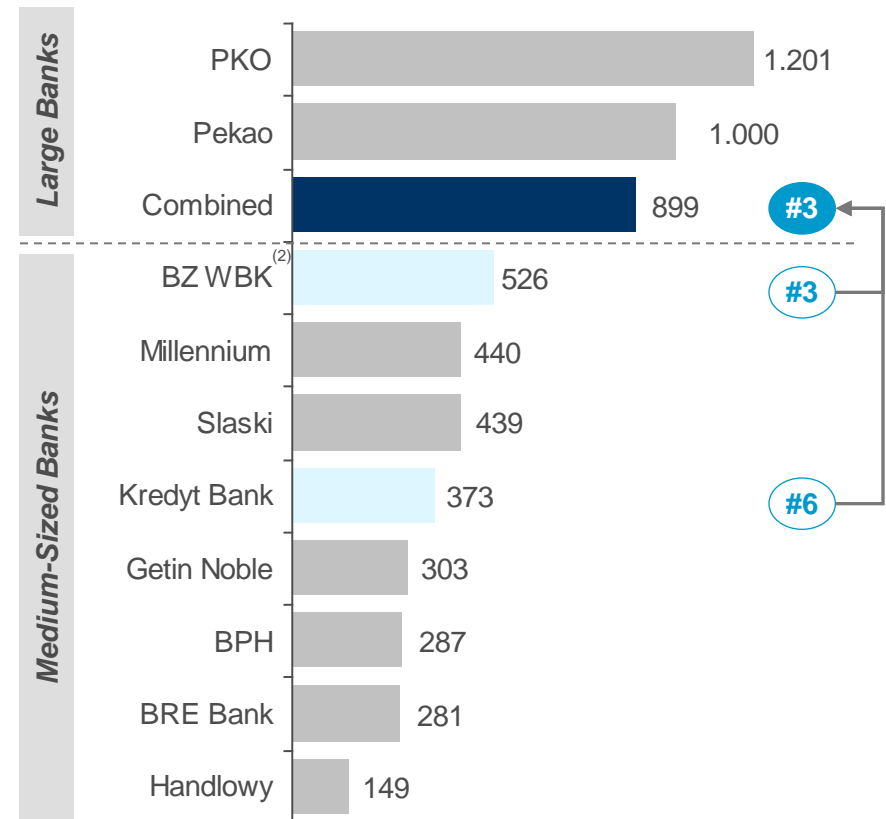
# Branch Network Filling the Gap With the Top Two

- Combined network of 899 branches present in all Polish regions
- Opportunity to rationalise branch overlap

*Geographical Footprint*



*# of Branches <sup>(1)</sup>*



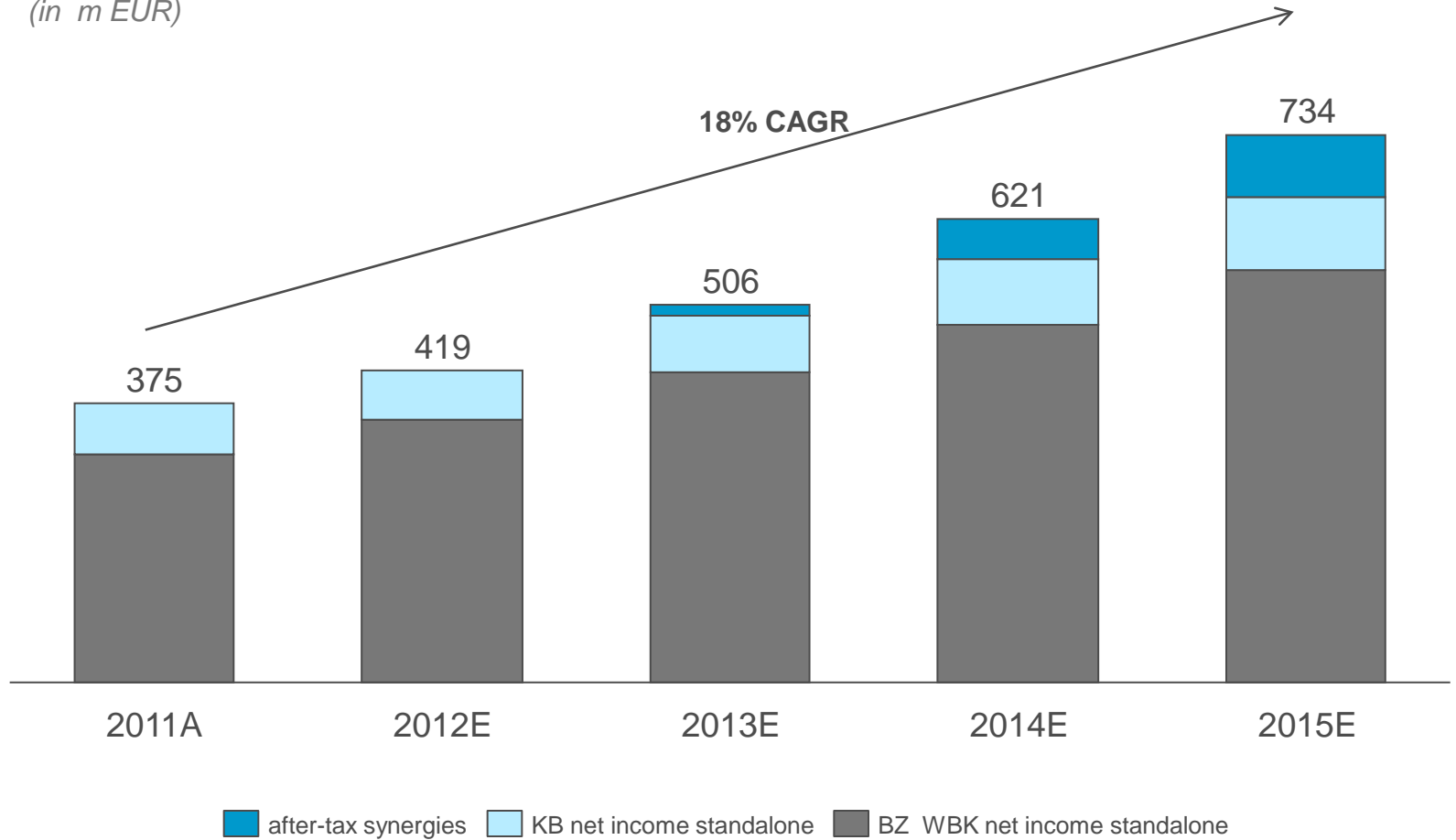
Source: SNL. Company information. Total numbers of branches as per SNL may not equal to total number of branches reported due to SNL methodology

(1) Excluding agencies / franchise network

(2) BZ WBK excluding 96 agencies

# Value Creation Potential for new group\*

(in m EUR)



\* Based on shareholders' business plan / rounded figures / EUR/PLN exchange rate of 4.18





# Value Creation Potential for KBC

Pure illustrative

m EUR	Before
	<b>2013E</b>
BZ WBK net income*	
Kredyt Bank net income (100%)*	77
Kredyt Bank net income (80%)	62
After-tax synergies*	
<b>Combined net income</b>	
Illustrative forward P/E multiple	11x
Combined value (100%)	
<b>Estimated value of KBC stake (±10%)</b>	
Cash received	
<b>Total value to KBC</b>	<b>678</b>



After		
2013E	2014E	2015E
417	479	552
77	88	99
13	54	83
<b>506</b>	<b>621</b>	<b>734</b>
11x	11x	11x
5,566	6,831	8,074
<b>557</b>	<b>683</b>	<b>807</b>
321	321	321
<b>878</b>	<b>1,004</b>	<b>1,128</b>

+30%

\* Based on shareholders' business plan / rounded figures / EUR/PLN exchange rate of 4.18

- Capital release of EUR 0.7bn at closing <sup>(1)</sup>, corresponding to 0.8% impact on T1 ratio <sup>(2)</sup>
- Remaining 9.99% stake in a highly performing and strongly solvent & liquid bank
- Significant synergies to be expected
- KBC's intention is to divest its remaining 9.99% stake, with a view to maximising value

(1) Closing: registration of the merger and committed reduction of KBC's participation to 9.99%

(2) Based on current market conditions

# Q&A

