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**12 June 2019**

**REPORT OF THE MANAGEMENT  
BOARD**

**Santander Finanse sp. z o.o.**

with its registered seat in Poznań

**providing grounds for the division of**

**Santander Securities S.A.**

Whereas, on 12 June 2019, the management boards of Santander Securities S.A. with its registered seat in Warsaw (“**Santander Securities**” or the “**Company Being Divided**”), Santander Bank Polska S.A., with its registered seat in Warsaw (the “**Bank**”), and Santander Finanse sp. z o.o., with its registered seat in Poznań (“**Santander Finanse**”), agreed and signed a plan concerning the division of Santander Securities (the “**Division Plan**”) as a result of which the management board of Santander Finanse, pursuant to Article 536 of the Commercial Companies Code (the “**CCC**”), prepared this report providing the grounds for such division (the “**Report**”).

## **1. Type, business name and registered seat of each of the companies participating in the division**

### **1.1 The Company Being Divided:**

**Santander Securities S.A.**, with its registered seat in Warsaw, address: ul. Icchoka Lejba Pereca 1, 00-849 Warsaw, registered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under KRS No. 0000066290, NIP 6370118719, with a paid-up share capital of PLN 15,000,000.00.

### **1.2 The Acquiring Companies:**

**Santander Bank Polska S.A.**, with its registered seat in Warsaw, address: ul. Aleja Jana Pawła II 17, 00-854 Warsaw, registered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under KRS No. 0000008723, NIP 8960005673, with a paid-up share capital of PLN 1,020,883,050.00; and

**Santander Finanse sp. z o.o.**, with its registered seat in Poznań, address: ul. Kolorowa 8, 60-198 Poznań, registered in the Register of Business Entities maintained by the District Court for Poznań – Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under KRS No. 0000321386, NIP 7822457433, with a share capital of PLN 1,630,000.00.

## **2. The Division**

The division of Santander Securities (the “**Division**”) will be effected in accordance with the procedure specified in Article 529 § 1 point 1 of the CCC, i.e.:

- through a transfer of part of the assets and liabilities as well as the rights and obligations of the Company Being Divided to the Bank in the form of an organised part of the enterprise of Santander Securities connected with the provision of brokerage services involving: (i) the acceptance or transfer of orders to buy or sell financial instruments, (ii) the execution of the orders referred to in section (i) for the account of clients, (iii) the acquisition or disposal of financial instruments on its own account, (iv) the offering of financial instruments, (v) the provision of services under underwriting and placement agreements (*subemisja inwestycyjna i usługowa*) or the conclusion and performance of other similar agreements, if they relate to financial instruments, (vi) the keeping and registration of changes in holding financial instruments, including the keeping of securities accounts and cash accounts, (vii) advising companies on capital structure, corporate strategy and other matters related to such structure or strategy, (viii) the provision of advisory and other services relating to mergers, demergers and acquisitions of companies, (ix) providing foreign-exchange services where such are connected with the brokerage activity referred to in Article 69 section 2 of the Act on Trading in Financial Instruments, (x) the provision of additional services related to underwriting and placement agreements (*subemisja*

*inwestycyjna i usługowa*) (the “**Brokerage Business**”), provided that within the scope of offering financial instruments, the provision of services under underwriting and placement agreements (*subemisja inwestycyjna i usługowa*) or the conclusion and performance of other similar agreements, if they relate to financial instruments, advising companies on capital structure, corporate strategy and other matters related to such structure or strategy, the provision of advisory and other services relating to mergers, demergers and acquisitions of companies, the provision of additional services related to underwriting and placement agreements (*subemisja inwestycyjna i usługowa*) (items (iv), (v), (vii), (viii) and (x) above, respectively), it needs to be stated that, as of the date of signing the Division Plan, Santander Securities does not and, as of the Division Date (as defined below), does not intend to conduct any such business; and

- through a transfer of a part of the assets and liabilities as well as the rights and obligations of the Company Being Divided to Santander Finanse, in the form of an organised part of the enterprise of Santander Securities connected with the carrying out of training activities regarding the functioning of the capital markets (the “**Training Business**”),

in accordance with the detailed rules of the allocation of the assets and liabilities of the Company Being Divided based on the Division Plan, including Schedule 1 and Schedule 2 to the Division Plan, which describes in detail the carved out assets and liabilities of the Company Being Divided to be acquired by the Bank and Santander Finanse, respectively.

Pursuant to Article 530 § 1 of the CCC, the Company Being Divided shall be wound up without going into liquidation on the date on which it is struck off the applicable court register immediately upon the registration of the share capital increase of Santander Finanse as a result of the Division (the “**Division Date**”).

### **3. Legal grounds for the Division**

The Division will be effected pursuant to Article 529 § 1 point 1 of the CCC by way of the transfer of all of the assets and liabilities of the Company Being Divided to the Bank and Santander Finanse.

### **4. Economic justification of the Division**

At present, the brokerage business of the Santander group in Poland (the “**Group**”) is conducted by Santander Bank Polska S.A and Santander Securities S.A. The brokerage entities operate on the basis of various business and operating models. The Bank, Santander Securities and Santander Finanse decided to divide Santander Securities in order to integrate and unify investment activity within the scope of one entity, i.e. the Bank. Moreover, considering the Training Business conducted by Santander Securities, the Group resolved to incorporate such training activities in Santander Finanse, which has experience and practice in providing training to the network of agents and employees.

This decision constitutes an element of the Bank’s strategy aimed at improving the efficiency of the above-mentioned businesses conducted within the scope of the Group, including the improved quality and complexity of the brokerage offer addressed to all client groups, specifically retail clients.

The consolidation of brokerage services within a single entity will allow for the achievement of the following effects:

- the creation of a single competence centre in the Group;
- unification of the offering in terms of products and services;
- the provision of standardised access channels to clients;
- the creation of a cohesive client approach as a result of the standardisation of the parameters for assigning clients to various groups;
- the simplification of the processes and procedures both for clients and employees;
- the simplification of the structure of the operation of the above-mentioned businesses;
- the faster implementation of new products and processes for clients, including mobile solutions; and
- cost and operating synergies that will allow for the improvement of the quality of the services rendered.

As result of the above-mentioned process, the offer for the clients of Santander Securities will, specifically, be improved thanks to access to a greater number of products and services, e.g. investment advice, foreign markets and enhanced remote submission of orders thanks to a mobile application. The integration of the Bank's brokerage services will allow for the better use of available resources and potential, thus improving the Bank's competitive advantage on the brokerage services market.

As regards the Training Business conducted by Santander Securities, the incorporation thereof into Santander Finanse will specifically allow for:

- greater optimisation of the training business within the Group;
- the extension of the scope of training conducted by Santander Finanse (to include training within the scope of the brokerage business);
- the improved competence and further development of the employees who conduct the training; and
- the improved competitiveness and quality of the training offered on the market.

The integration of the Training Business within the scope of Santander Finanse will allow for the standardisation of the training business within the scope of the Group, including specifically in terms of the obligatory training for employees and collaborators required by the financial and insurance market regulators, as well as the improvement of the quality of the training available to third-party clients.

Santander Securities, the Bank and Santander Finanse intend to transfer to the Bank and Santander Finanse, respectively, all of the rights and obligations as well as the assets and liabilities existing as at the Division Date and assign them to the Brokerage Business and the Training Business, respectively. However, another assumption of the contemplated transaction is that the legal model for the transfer of such rights and obligations as well as the assets and liabilities will ensure as a complete and uninterrupted continuation of the business conducted within the Brokerage Business and the Training Business as possible.

## **5. Share exchange ratio**

The share capital of the Company Being Divided amounts to PLN 15,000,000.00 and is divided into 150,000 shares having a nominal value of PLN 100 each. According to the applied method of valuation based on the book value, the book value of the estate of the Company Being Divided as at 1 May 2019 is PLN 40,645,837.24 (forty million, six hundred and forty-five thousand, eight hundred and thirty-seven zlotys and 24/100). The net asset value per one share in the Company Being Divided as at 1 May 2019 equals PLN 270.97 (two hundred and seventy and 97/100). The

book value of the organised part of the enterprise connected with the Training Business is PLN 470,000.00 (four hundred and seventy thousand zlotys), which represents 1.156330% of the balance sheet value of the Company Being Divided.

The share capital of Santander Finanse amounts to PLN 1,630,000.00 and is divided into 32,600 shares having a nominal value of PLN 50 each. According to the applied method of valuation based on the book value, the book value of the estate of Santander Finanse as at 1 May 2019 is PLN 253,537,204.06 (two hundred and fifty-three million, five hundred and thirty-seven thousand, two hundred and four zlotys and 06/100). The net asset value of one share in Santander Finanse as at 1 May 2019 amounts to PLN 7,777.21 (seven thousand, seven hundred and seventy-seven zlotys and 21/100).

Considering that there is no exchange of shares in the Company Being Divided into the shares in the Bank in result of the Bank's acquisition of the Brokerage Business (as provided in section 5.7 below), the exchange ratio pursuant to which the shares in the Company Being Divided will be exchanged for the shares in Santander Finanse is as follows: every 2,500 (two thousand five hundred) shares in the Company Being Divided will entitle the holder thereof to one newly created share in the increased share capital of Santander Finanse (the "**Share Exchange Ratio**"). The book value of the organised part of the enterprise connected with the Training Business as at 1 May 2019 represents 60 shares in Santander Finanse.

In order to determine the Share Exchange Ratio, the estate of Santander Finanse as well as the assets related to the Training Business that will be taken over by Santander Finanse as a result of the Division have been valued. The valuations were based on the book value of the estates subject to the valuation. The book value method was chosen because of its simplicity, the clear interpretation of the valuation result and the fact that the valuation was based on the same generally accepted accounting standards. In addition, the choice of such method is supported by the fact that the companies subject to the valuation, Santander Securities and Santander Finanse (and thus the part of the assets of Santander Securities to be carved-out, i.e. the estate related to the Training Business), are subject to the joint control of the same parent entity, i.e. the Bank, and that the Division will not result in any change of control over such entities. The adopted valuation method also will not affect the economic result of the transaction. In accordance with the valuation methodology, the value of equity based on the book value is calculated by determining the difference between the balance sheet value of the assets and liabilities as of the valuation date. Those values were stated as at 1 May 2019, i.e. the valuation date. Consequently, in view of the purpose of the valuation and the above-described justification of the choice of the valuation method, the determined value of equity equals the book value of the net assets of the companies.

Since the methodology for the determination of the share exchange ratio is connected with rounding up the results and, in addition, the Division is being carried out by entities that are under joint control, the results of the above-mentioned calculations were rounded down to the nearest integer.

Following a review of the results of the above-mentioned valuations, the management boards of the Bank, Santander Securities and Santander Finanse agreed to the above-mentioned Share Exchange Ratio.

Pursuant to Article 550 of the CCC, since the Bank is the sole shareholder of the Company Being Divided, no increase of the share capital of the Bank is envisaged in connection with the Bank's acquisition of some of the assets and liabilities of the Company Being Divided. Consequently, the Bank will not issue any shares in exchange for the assets and liabilities of the Company Being Divided that it will acquire.

## **6. Special issues related to the valuation**

No special issues were encountered in the course of the valuation of the assets of and shares in Santander Securities.

**7. Division criteria**

As a result of the Division, the Bank will acquire the organised part of the enterprise related to the Brokerage Business, while Santander Finanse will acquire the organised part of the enterprise related to the Training Business.

As mentioned in section 5 above, the Bank will not award any shares in exchange for the acquired assets and liabilities of the Company Being Divided.

However, the share capital of Santander Finanse will be increased in connection with the Division through the creation of new shares in a number determined by applying the adopted Share Exchange Ratio. As a result of the Division, the Bank, as the sole shareholder of the Company Being Divided, will subscribe for all of the new shares in Santander Finanse created in connection with the increase of the share capital of Santander Finanse within the scope of the Division, i.e. 60 (sixty) shares having a nominal value of PLN 50 (fifty zlotys) each and a total nominal value of PLN 3,000.00 (three thousand zlotys).

**8. Summary and recommendation**

In view of the above, the management board of Santander Finanse recommends to the shareholder of Santander Finanse the above-presented concept of the Division of Santander Securities and the adoption of the resolution regarding the Division of Santander Securities in accordance with the draft attached as a schedule to the Division Plan.

*[Signature page follows]*