DIRECT INVESTMENT IN POLAND BY BANCO SANTANDER

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On autumn 2010, Banco Santander announced the acquisition of the Polish bank Zachodni WBK by an amount of about 4.3 billion euro. Zachodni had 512 branches throughout the country, representing a market share of 8% in terms of number of branches, so being the third bank in Poland. In addition, it had 10.3 billion in deposits and 8.9 billion in loans, representing a market share of 6.4% and 4.7% respectively. In 2009, it managed a profit of 222 million euro.

The operation, advised by Nomura investment bank, was carried out through a takeover bid for 100% of Zachodni's capital. For ensuring the success of the operation, Banco Santander had reached a preliminary agreement with Allied Irish Bank (AIB), owner of 70.36% of the Polish bank since 2009, to accept the bid. AIB was nationalized as a result of the Irish financial crisis.

Poland was considered one of the most attractive markets in Europe due to its good growth prospects in the upcoming years. Banco Santander was already present in Poland since 2004 through Santander Consumer, having 250 branches, 3.4 billion in loans and 1.2 billion in deposits. By incorporating the new assets from Zachodni, mainly devoted to commercial banking, its competitive position in the country was considerably strengthened. Zachodni WBK was established in 2001 as a result of the merger between Zachodni and Wielkopolski.

In 2012, the Spanish bank reached an agreement with the Belgian group KBC, which was the owner of another Polish bank (Kredyt Bank), for merging it with Zachodni. The resulting entity was controlled by Banco Santander at 75.2%, while the rest of the shares were property of KBC (16.2%), the European Bank for Reconstruction and Development (EBRD) (2%), and other minority shareholders (6.6%).

With this merger, the new bank increased its market share to 8.7% in deposits and 7.5% in loans, and had 889 offices, thus reaching 4.1 million customers.

With the aim of allowing the participation of local investors and to ensure the liquidity of the resulting bank's stocks, the Polish regulator imposed that controlling shareholders could not exceed 70% of the share capital as a condition for accepting the merger. Although the deadline for meeting this requirement was the end of 2014, in spring 2013 both KBC and Santander announced that they put up for sale their shares. KBC would release all its participation, whereas Banco Santander will sell up to 5.2% of the share capital, just enough to comply the regulation.