AIB to buy Bank Zachodni

24th June 1999

AIB is to pay IR £443.7 million for an 80 per cent share in Poland's ninth largest bank Bank Zachodni S.A., it was announced this morning.

The agreement with the State Treasury of the Republic of Poland will see AIB acquire a bank with a 20 per cent market share in South Western Poland. AIB already has a 60% shareholding in WBK, also based in Western Poland.

BZ has its headquarters in Wroclaw and has total assets of PLN 8.1 billion (approximately IR £1.5 billion). It provides a range of retail and commercial banking services from 182 outlets and has 6,981 employees.

The purchase, conditional on Irish and Polish regulatory approvals, is expected to close during the third quarter of this year.

AIB Group Chief Executive Tom Mulcahy said: ‘This acquisition represents a major step forward for AIB in Poland, allowing us to address a six per cent share of the Polish financial services market and bringing us important regional market concentration.

‘Our strategic shareholdings provide us with a significant presence in two of the strongest economic regions in Poland, at a time when Poland is experiencing solid economic growth. The acquisition of BZ arises as part of the privatization process for the state-owned, Polish banking sector, which started in the early 1990s, and for which only one further bank (PKO BP) remains to be privatized.

'AIB has been fortunate to become involved with the privatization of two of the nine state-owned banks, BZ and WBK, the franchises of which are contiguous. We look forward to working with the management and staff of Bank Zachodni S.A. in the development of its excellent regional franchise”.

Under the agreement, AIB's subsidiary AIB European Investments Limited will acquire an 80% shareholding in Bank Zachodni at a price of PLN 102 per share, giving a total consideration of PLN 2.285 billion (IR£ 443.7 million).

BZ, and WBK, both have strong regional market shares and if considered together, would be equivalent to the sixth largest banking group in Poland with a 20 per cent plus share of both the West and South West regional banking markets.BZ delivered an operating surplus of PLN 352 million in 1998 (an increase of 30% over 1997). Performance was adversely affected by exceptional bad debt provisions, resulting in profit before tax of PLN 119 million for the period.

AIB has committed to invest a further PLN 250 million (IR£48.5 million) in BZ which, taken in conjunction with the purchase consideration, results in a price to book of 3.3 times. The purchase consideration represents 4.1 times reported book value at 31 December 1998.

The acquisition will be funded from AIB's existing capital. On this basis, this transaction is expected to be marginally accretive for AIB's earnings per share on a cash basis in 2000. After goodwill amortisation, based on reported net assets at 31 December 1998, the basic earnings per share is modestly dilutive in 2000.

When the deal is complete, AIB Group will have more than 31,000 employees worldwide - approximately double the workforce at the end of 1993.