



Merger of Wielkopolski Bank Kredytowy S.A. and Bank Zachodni S.A.

14th November 2000

Allied Irish Banks, p.l.c. (“AIB”) today announced further details in relation to the merger of its Polish subsidiaries...

The Management Boards, and both the Bank Council of Wielkopolski Bank Kredytowy S.A. (“WBK”) and the Supervisory Board of Bank Zachodni S.A. (“BZ”), have approved the final merger agreement in respect of the proposed merger of the two banks.

This merger will be effected by way of BZ’s acquisition of WBK’s property in exchange for the issuance of shares by BZ to WBK shareholders. This mechanism has been adopted to comply with the agreement between AIB European Investments and the Ministry of State Treasury of Poland, with regard to its acquisition of BZ.

The merger requires the approval of the shareholders of WBK and BZ at extraordinary general shareholders meetings for each bank to be held on 20 December 2000. The merger is also subject to various regulatory approvals, including Banking Supervisory Commission.

#### SHARE EXCHANGE RATIO

The Management Boards have agreed that forecast adjusted net assets, as at 31 December 2000, best reflect the principle of pooling of interests and the relative size and input of each bank to the future development of Bank Zachodni WBK (“BZWBK”). The primary adjustments to the net asset value of WBK and BZ include the valuation of WBK’s joint ventures with CGNU, loan loss provisions in BZ and property revaluations.

In deciding to use forecast adjusted net assets, the Management Boards also considered;

- Financial forecasts for both Banks
- Each bank’s contribution to operational areas of the merged bank (including synergies)
- Impact on future earnings per share

The share exchange ratio has been set at 1.72 WBK shares being exchanged for each BZ share. The investment banks Merrill Lynch, acting on behalf of WBK, and CAIB, acting on behalf of BZ, have issued opinions confirming the fairness of the adopted exchange ratio from a financial viewpoint for the minority shareholders.

The post merger shareholdings in BZWBK will be as follows – WBK S.A. shareholders, 54.8% and BZ S.A. shareholders, 45.2%.

#### EARNINGS IMPLICATIONS

The merger of WBK and BZ will deliver significant cost efficiencies over the next three years. These efficiencies will be achieved in the areas of:-

- Scale efficiencies
- Streamlining of Head Office functions
- Human resource initiatives
- Marketing
- Common products
- Enhancement of work practices
- E-banking

It is anticipated that cost synergies, arising from the merger and the completion of the B1 project (new integrated branch banking platform), will amount to Pln 54m in 2001, Pln 162m in 2002 and Pln 202 in 2003. The 2002 synergies represent 14% of forecast 2000 costs.

It is estimated the cost of concluding the merger will amount to Pln 153.5m.

It is expected that WBK shareholders will see an enhancement in earnings per share, excluding merger costs, of 10.4% in 2001, 28.7% in 2002 and 36.2% in 2003.

#### BANK ZACHODNI WBK ("BZWBK")

The merger of WBK and BZ will create Poland's fifth largest bank with a very strong business base in the west and south of Poland. It will have a combined branch network in excess of 400 outlets, growing to 530 outlets by end 2002. It will be the third largest issuer of credit cards, the fourth largest issuer of bank cards and will have a network of more than 450 ATMs, expanding to 657 by end 2002.

#### MERGER BENEFITS

The Management Boards believe that significant benefits will accrue from the proposed merger as follows:-

For Customers:-

- Broader range of products
- Improved service levels
- Competitive prices

- Outstanding e-Banking capability

For staff:-

- Being part of a strong and dynamic organisation
- New career opportunities
- Acquisition of new skills and enhanced training
- Liquidity for staff shareholders in Bank Zachodni

For shareholders:-

- Scale to compete in a consolidating market
- Significant potential for earnings enhancement
- Strengthened presence in new and existing markets
- Greater liquidity for minority shareholders

## KEY DATES

Shareholders in both banks should be aware of the following key dates.

- 28/11/2000 Information circular to shareholders
- 20/12/2000 Shareholder EGMs
- May 2001 Deletion of WBK from register
- May 2001 Listing of BZWBK

## BOARD RECOMMENDATION

The Management Boards of both WBK and BZ, supported by the fairness opinions from Merrill Lynch and CAIB respectively, believe that the share exchange ratio is fair to WBK and BZ shareholders from a financial point of view. They also believe that the merger as a whole is fair and reasonable and creates significant value for their respective shareholders.

The Management Boards of both banks strongly recommend that shareholders vote in favour of the merger resolution.

Commenting on the proposed merger Mr Jacek Kseñ, the intended president of BZWBK said:-

‘The formation of BZWBK will create a strong dynamic organisation capable of competing in a consolidating Polish banking market. We believe that BZWBK has excellent prospects for growth and that this merger will clearly benefit customers, staff and shareholders. Therefore the Management Boards of both banks have strongly recommended that shareholders of both banks vote in favour of the resolution.’

In order for the merger to proceed 75% of WBK shareholders must vote in favour of the resolution. Shareholders are, therefore, urged to attend the meeting and vote on the resolution or appoint proxies for that purpose.

AIB European Investments, whose ownership of BZWBK will be 70.5% on completion of the proposed merger, is currently the majority shareholder in both banks and has indicated that it plans to vote its shares in both banks in favour of this merger.

-ENDS-

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