



Bank Zachodni SA and Wielkopolski Bank Kredytowy SA to Merge

10th October 2000

Allied Irish Banks, p.l.c. ("AIB") today announced that Bank Zachodni SA and Wielkopolski Bank Kredytowy SA, its Polish subsidiaries, are to merge.

The Management Boards of Wielkopolski Bank Kredytowy SA ("WBK") and Bank Zachodni SA have entered into a preliminary agreement to merge their banks. After the merger, the new bank will be a tier one Polish bank whose combined assets will amount to PLN 21.2 billion.

The process of obtaining all the necessary shareholder and regulatory permissions will commence immediately. The merger is planned to take effect in May of 2001. It is proposed that the new entity will adopt the name Bank Zachodni WBK to reflect the strength of the individual franchises of the two banks. It is proposed that the President of the Management Board of the enlarged institution will be Jacek Kseñ, currently the President of WBK.

The Registered Office of the new company will be in Wroc³aw. It is the intention to distribute Head Office functions in a balanced way between Poznañ and Wroc³aw. WBK has five thousand staff, 196 branches and a network of 184 ATMs. Bank Zachodni has six thousand five hundred staff, 203 branches and 265 ATMs.

Speaking today Mr. Jacek Kseñ, the newly proposed President of Bank Zachodni WBK said:

"The merger of WBK and Bank Zachodni will create Poland's 5th largest Bank with a very strong business base in the West of Poland. We believe that Bank Zachodni WBK has excellent prospects for growth and we plan to exploit this by the dynamic expansion and development of our branch and electronic networks in all attractive markets. This development will benefit customers, shareholders and staff by providing better sales and service coverage, enhanced earnings and synergy benefits and improved career prospects in a stronger more competitive organisation."

It is intended that Bank Zachodni WBK will be listed on the Warsaw Stock Exchange. It is expected that its shares will be traded from May 2001. The new company will be one of the largest banks quoted on the Warsaw Stock Exchange attractive to both domestic and international investors.

The majority shareholding and controlling interest in both banks is held by AIB Group, Ireland's largest bank with worldwide assets of PLN 312,453 m [74,687 m euros] and half year profits before taxation in 2000 of PLN 2,548 m [609 m euros]*.

** for illustrative purposes, the rate used is 1 EURO = PLN 4.1835 (as at 30 June 2000)

AIB took its initial shareholding in WBK in early 1995 and increased its stake to its current 60.1% in 1997. AIB purchased 80 % of the shares of Bank Zachodni from the State Treasury in 1999 and, following the investment of an additional PLN 250 million for new shares, now owns 81.6% of Bank Zachodni.

In order to comply with the agreement between AIB Group and the Ministry of the State Treasury of Poland, the merger will take place through the mechanism of Bank Zachodni offering its shares to the shareholders of WBK at a ratio based on the adjusted net assets of each bank. The Management Boards of both WBK and Bank Zachodni will appoint independent advisors to provide fairness opinions on the terms of the share exchange before they recommend its acceptance to all shareholders at separate general meetings.

The merger will enable the maximum advantage to be derived from the joint \$100 million IT investment by WBK and Bank Zachodni on which work is already well underway. This will facilitate the convergence of the existing technologies of Bank Zachodni and WBK and will provide a platform for the creation of a single branch operating model and the provision of uniform products and services throughout the combined network. The new technology will greatly assist in the expansion of the branch network using small and versatile outlets and will provide a robust platform for e-commerce activities. It will also play a vital role in the realisation of the efficiency benefits of the merger. A key objective of the merger will be to create a strong banking brand distinguished by consistently excellent service meeting the most sophisticated demands of the market.

The Management of both institutions believe that their merging makes good business sense. Because of the close proximity of many of their operations in Western Poland, the two banks are attractive from the synergistic benefit point of view. The streamlining of work practices will contribute strongly to the overall efficiency benefits which are predicted from the merger; these efficiencies in turn will provide resources to invest in the further development of the merged bank.

An indication of the very considerable level of investment intended is the fact that in Warsaw alone, it is planned to open 19 new outlets by the end of 2001 and overall the bank will have a total of 530 branches by the end of year 2002. The electronic banking strategy will ensure that it will have a truly national reach placing the new bank in the forefront of Polish e-Banking players. For customers there is the added convenience of a larger network of branches and 3rd largest network of ATMs across Poland. Also there will be an increased focus upon customer service resulting from the re-deployment of staff currently engaged in back-office work and the faster response and product flexibility delivered by improved technology.

The merger will provide attractive opportunities for staff to learn new skills in an environment which will be characterised by sales, service and relationship banking. Apart from the enhancement of the careers of current staff, the bank will have a policy of recruitment of high quality people. There will be some staff reductions arising both from the

merger and the implementation of the IT investment, but the intention is to achieve these to the greatest extent possible by a combination of natural attrition and voluntary severance.

Consolidation in the Polish banking market has become a fact of life and a strong unified response on behalf of Bank Zachodni and WBK is required to meet the growing competition from emerging groups and new technology driven entrants. Bank Zachodni WBK will have the combined business base, human and technological resources to sustain dynamic growth.

A further PLN 100 million capital injection in Bank Zachodni planned before the end of 2000 at a price of PLN 40 per share will result in the AIB shareholding in Bank Zachodni reaching 83 % by 31 December 2000. It is likely that, after the merger is completed, AIB will own approximately 70% of Bank Zachodni WBK.