

## **EBS interim results for H1 2008 - Management commentary**

### *Financial and operational highlights – H1 2008*

- Profit before tax of €27m down from record high of €43m in H1 2007 and up on H1 2006 performance of €26.3m.
- Total income down 16.9% reflecting weaker Irish housing market and higher funding costs due to global credit crunch.
- Cost reduction of 6.2% compared to same period last year.
- Overall loan book growth up 4.5%, supported by well diversified funding.
- Customer funding up 3.8% led by strong retail growth of 8.3%.
- Strong performance in broker market through wholly owned subsidiary Haven Mortgages, with 8.8% market share up from 6.3% in 2007.
- Strong balance sheet with total capital of 10.5% and Tier I capital of 7.8%.

EBS Building Society is reporting an interim profit before tax of €27m in a difficult market for all lenders in H1 2008. The first half performance is down on the record €43m performance of H1 2007 and ahead of the €26.3m H1 performance of 2006.

Income is down by 16.9% reflecting both the Society's core business focus on the Irish housing market and increased funding costs as a consequence of the global credit crunch.

Costs have been reduced by 6.2% compared to the same period last year and include the ongoing investment in developing Haven, EBS' 100% intermediary subsidiary, which is delivering on plan.

The results reflect the fact that the Society has kept its commitment to its members not to pass on rate increases for as long as possible – however given the continuing outlook for higher funding costs, standard variable rate and new tracker pricing have been increased recently in line with market developments.

In the savings market the Society experienced a very positive first half, with retail savings up nearly €400m or 8.3%. This was enabled by a very competitive range of savings products including offerings in 1 year savings (currently paying 5.60%) and regular savings products currently paying 7.50%. Existing customers are on average regularly saving more with the Society now than last year.

The EBS balance sheet remains very strong with total capital of 10.5% and tier 1 capital of 7.8% as well as a robust liquidity position. The Society's funding position is well diversified and over 85% of mortgage balances are funded through customer accounts and funding maturing beyond 2008. Long term wholesale maturities are well spread over the next five years with only €430m maturing in H2 2008 and another €815m in 2009.

As expected asset quality has deteriorated in a more challenging economic environment. An increased impairment charge to €5.0m reflects a rigorous and up to

date examination of our book. A continuation of these higher loan loss charges is likely if the property market and economy remains stressed.

Whilst the outlook is for credit trends to continue to weaken, the Society will benefit from its limited exposure to development finance ( 3% of total book) and buy to let (13% of total book). Further protection exists through the mortgage indemnity insurance the Society has maintained for high loan to value residential and buy to let lending.

Commenting on the interim results for 2008, Alan Merriman, CFO said:

*“In a very challenging environment the first half year results demonstrate the operating resilience of EBS and reflect a performance more in line with that of 2006 than the record performance in H1 2007. In a more difficult market, with income down, cost management and vigilant credit portfolio management are key areas of focus and a reduction of 6.2% in costs reflects this.”*

Commenting on the interim results for 2008, Chief Executive Fergus Murphy said:

*“Despite the credit crunch and difficult market conditions, EBS continues to punch above its weight in the Irish Market in supporting members and especially first time buyers getting on the property ladder with access to funds at competitive rates. More than 1 in 3 first time buyers accessing funds directly from lending institutions are being supported by EBS.*

*In a quieter market, thanks to our committed staff and agents our core Member Business is performing well with strong retail deposits growth, Haven Mortgages our exclusive broker business is performing fully in line with plan, whilst our Commercial Lending business is focused on vigilant credit management as distinct to growth in the current market.”*

Turning to the future, Fergus Murphy said:

*“Despite the current market difficulties EBS is performing very resiliently. Given the current market outlook the Society will continue to operate with a strong bias towards prudent balance sheet management and cost containment rather than asset growth to ensure we build long term value for our members and their families. Building on our strong savings franchise in particular will be a priority in this regard as we and the economy as a whole adjusts to the consequences of a possible prolonged credit crunch”.*