10th March 2009

EBS Annual Results 2008

EBS REPORTS OPERATING PROFIT OF €71.8M

Impairment charge of €110m results in loss of €38.2m

- **Total income of €172.3m down 11% on 2007 but ahead of 2006 levels**
- **EBS balance sheet continues to be strong with a total capital of 10.6% and a tier 1 capital of 7.9% - levels well in excess of regulatory requirements**
- **EBS core business performs well achieving 14.3 % retail market share in mortgages and 16 % in retail savings**
- **EBS approach to bad loans is very realistic recognising losses as early as possible and is designed to focus the Society on moving forward decisively**
- **EBS Chairman and Finance Director announce plans to step down to demonstrate accountability and responsibility to members**

EBS Building Society today reported total income of €172.3m and an operating profit of €71.8m, before impairment charges, for 2008. The Society has taken a robust approach to impairment charges recognising losses as early as possible and resulting in a charge for 2008 of €110m and a consequent loss before taxation of €38.2m. The Society believes that by dealing very proactively with losses incurred in its overall commercial loan book, it will be better placed to move forward decisively. The Board and senior management of EBS also believes it is important that they demonstrate appropriate accountability and responsibility to members, Government, staff and the public for the very disappointing financial results being announced today. Accordingly, the Chairman of EBS, Mark Moran, and the Finance Director, Alan Merriman, have decided to step down from their positions. Mark Moran will stay in his position until the Society's AGM in May. Alan Merriman is stepping down from his executive position immediately but will work with the board during this period. The Society also announced that no bonuses will be paid to management in respect of 2008.

Commenting, Chairman Mark Moran said *"EBS is a transparent organisation whose sole motivation is to take the right decisions for its members. As Chairman for the past two years that has been my focus. Today our core savings and loan business continues to be resilient in a very challenging market and we have a strong balance sheet. EBS fully accepts that mistakes were made in becoming involved in development finance a number of years ago. The Society took corrective action a year ago by ceasing new lending in this area. Nevertheless although development finance accounts for only 3% of the overall EBS loan book the losses involved are significant. I believe that the changes announced today demonstrate accountability to our members both at Board and management levels. I am sorry that we are presenting our members with such poor results today as a result of our impairment provisions but we are dealing with this in a very proactive and honest way. I am confident that the management team under the leadership of Fergus Murphy are well positioned to focus on rebuilding EBS."*

The main components of the impairment charge of €110m are loan loss charges of €95m to provide against bad debts, €69m of which relate to development finance, and a €15m impairment charge to provide against long term funding given to an Icelandic Bank in 2004 which has subsequently been nationalised by the Icelandic government in late 2008.

In assessing its loan book, the main concern of EBS relates to circa €500m of development finance lending, which accounts for a large part of the impairment figure. While the ultimate amount of loan loss incurred is difficult to estimate with certainty, in the opinion of the directors the provisions included in the year end accounts are a very realistic estimate of incurred losses at this point. In particular, the impairment provision reflects the Board's assumption that market recovery will be slow to gather momentum. It is most likely to be early to mid 2011 before this is visibly evident both in terms of house prices picking up and employment rising again.

Financial and operational highlights 2008

- EBS income before impairment losses was €71.8m with a loss before tax of €38.2m due to impairment charges of €110m
- Strong balance sheet with total capital of 10.6% and tier 1 capital of 7.9%
- Operating costs down 7% for the year, or by €7.6m to €100.5m
- No bonuses paid to management
- Overall loan book up 6% to €16.9bn, supported by well diversified funding – primarily customer based
- EBS competitive position strengthened: over 18,000 new members joined the Society in 2008; 14.3% of all new mortgages were with EBS; 40% of first time buyers choose EBS as their mortgage provider
- 12,500 new residential mortgages to members with a value of €1.65bn
- EBS members increased their savings by €750m – some 16% of all new inflows in the savings market

Operating profit before impairment charges and tax was €71.8m, down 16% on the previous year. This reflected the reduced mortgage and other product activity in the market generally, and also the increased funding costs to EBS which the Society absorbed for as long as was practicable through lower charges to members.

However, operationally, the core member business in the residential mortgage and retail savings markets performed resiliently during 2008 with gross lending at €2.6bn for the Group and the overall loan book up 6% to €16.9bn. Good growth was achieved in the broker market through wholly owned subsidiary Haven Mortgages which now has an 8% market share.

EBS competitive position strengthened with over 18,000 new members joining the Society in 2008. In terms of new mortgages, 14.3% were with EBS during the year, with 40% of first time buyers choosing EBS as their mortgage provider. Overall, EBS provided 12,500 new mortgages to members with a value of €1.65bn.

Growth was also achieved in the savings market with members increasing their savings by €750m. During 2008, some 16% of all new savings inflows in the market went to EBS.

The Society's balance sheet continues to be strong with a total capital of 10.6% and a tier 1 ratio of 7.9%. Our core tier 1 ratio was 5.5%. These levels are well in excess of regulatory requirements. Despite the difficult environment the Society's funding position continues to be robust. Customer accounts make up circa 50% of total funding at year-end and our retail funding flows have been very strong, up over 15% in the year.

Commenting on the financial performance EBS Finance Director, Alan Merriman said *"Our impairment charge of €110m is realistic. This year's development finance charge of €69m together with our loan loss estimates for 2009 means that the Society is facing up to writing off over 20% of our development finance book over a two year period. In taking this approach we believe the Society is being realistic and is positioning itself to move the business forward decisively. Members can also be reassured by the fact that the quality of our core mortgage book, which represents 90% of lending, is satisfactory and typically all member mortgages with a loan to value ratio above 85% are insured."*

Commenting on the future outlook for EBS Chief Executive Fergus Murphy, said *"The current recession has significant implications for our business and we have already taken steps to reduce our cost base to reflect the new reality. This adjustment will be an ongoing process for the Society but is essential. Looking to the year ahead, member savings, access to funding and increasing capital levels to meet new international norms, as opposed to regulatory norms, are key priorities for me and the management team. Despite these challenges I believe that the EBS Building Society model is a resilient one in these times of market turbulence and provides both security and good value to our members. I am fully committed to working through the current market difficulties and to working with Government and others on our strategic options."*