29th April 2010

EBS reports pre-provision operating profit of €96m for financial year 2009

Impairment charge of €195m results in loss after tax of €79m

- Operating profit up 33% on 2008 to €96m
- Total income of €193m up 12% on 2008
- Total capital ratio of 10.1% and tier 1 capital ratio of 6.7% - levels in excess of regulatory requirements
- Strong EBS Brand delivers 50% of all first time buyer mortgages and attracts 20% of new savings
- EBS total capital requirement of €875m to achieve new minimum capital level set by Central Bank of Ireland by end of 2010 - government commitment to provide this capital in a manner consistent with EU state aid rules
- Discussions ongoing re possible private equity investment

The EBS core business performed well in 2009 with total income up 12% to €193 million and operating profits up 33% to €96 million. However, the impact of heavy impairment charges of €195 million in relation to previously written loans has resulted in the Society incurring a post tax loss of €79 million for the year. Approximately €83 million of the impairment charge relates to assets transferring to NAMA, while the balance of €114 million relates to the remaining assets of the business.

The Central Bank of Ireland has recently determined that EBS has a capital requirement of €875m and the Government has made a commitment to provide this capital in a manner consistent with EU State aid rules.

In 2009 the EBS Brand delivered a strong performance despite a tough operating environment. The Society provided €1.07 billion in new mortgages to members and a further €311 million through Haven Mortgages. Last year EBS accounted for a very impressive 50% of all first time buyers who chose to go directly to a Financial Institution and EBS now has an overall market share of new business of 17.1%, an increase of 5.6% on the previous year.

EBS also increased its market share of the savings market and now has a 20% share of all new savings inflows in Ireland and almost 9% of the entire savings market.

Commenting on the results the Chairman of EBS Philip Williamson said *"Our main objective since the financial crisis began has been to work to stabilise the Society, secure our future and ensure that we emerge in good shape to continue delivering for our members. This would not have been possible without the support of Government for which we are deeply appreciative. Despite all the challenges I am heartened by the fact that EBS is continuing to play an increasingly important role in the mortgage and savings market in Ireland. This is why EBS was first established and the Board and management are committed to our policy of delivering good value products and services to our members."*

EBS worked hard throughout 2009 on further stabilising its funding position by reducing its reliance on ECB funding, issuing covered bonds, issuing long-term wholesale instruments and growing retail deposits. The Society established a covered bond bank in 2008 and this has been instrumental in providing funding flexibility. EBS has also been successful in raising funding in the wholesale markets under the Government Guarantee Schemes. The Society's retail savings franchise has gone from strength to strength with €673 million of retail deposits secured this year resulting in a loan to deposit ratio of 167.6% (excluding NAMA assets) for EBS.

The Society's capital ratios are satisfactory with a total capital ratio of 10.1% and a tier 1 ratio of 6.7%. This will be supplemented with new capital from Government in a manner consistent with EU State aid rules.

Financial & Operational Highlights 2009

- Income before impairment losses and taxation up 33% to €96m
- Net interest margin has reduced from 77bps to 72bps
- Total impairment losses of €195m including €83.4m for NAMA loans with €114m charge against the rest of the loan book
- Non interest income (before Government Guarantee Scheme charges), down 36.4% to €9.1m
- Government Guarantee Scheme charges up from €1.8m for 3 months to €7.9m for a full year charge
- Profit on debt buy backs and sale of financial assets of €34m
- Administrative expenses down 9% to €82.2m as our strategic cost programme continued to drive lower costs in the Society
- Costs-to-mean-assets-ratio down from 0.49% to 0.46%
- €1.47bn in gross new lending, €1.38bn of which was residential lending across the Group, and €1.07bn of which was member lending
- €673m of net new retail savings, representing 20% of market share
- Over 10,900 EBS family savings accounts
- Loan to deposit ratio of 167.6% (excluding NAMA assets), 175.2% (including NAMA assets)
- Tier 1 capital ratio of 6.7%, total capital ratio of 10.1%
- Asset quality of our residential book has deteriorated but the pace of deterioration has slowed, with home lending arrears greater than 3 months at 4.9% at end of December 2009

Commenting on the future outlook for EBS Chief Executive Fergus Murphy said *"2010 marks 75 years of EBS serving the needs of its members and is also set to be another very challenging year for the Society. By end June of this year we will submit our plan to restructure the business to the EU and this will include a review of all options on the future strategic direction of the Society. We believe that EBS has a crucial role to play in ensuring a strong competitive marketplace in the Irish Financial Services market. The transfer of assets to NAMA is expected to result in further loan losses. As a result further impairments will be necessary and funding costs will continue to be high due to the high cost of retail and wholesale funding and the cost of the new Government guarantee scheme. We will continue to execute our successful market strategy for both mortgages and savings while managing our costs down further to reflect our new operating environment."*