15th April 2011

EBS report post tax loss of €590m and operating profit of €56m for financial year 2010

Impairment charge of €285m and loss and impairments on transfer of assets to NAMA of €392m results in loss after tax of €590m

- **Total income of €153m down 21% on 2009**
- **EBS savings performed strongly with new inflows in excess of €532m representing some 20% of all new inflows in the Irish market**
- **Strong EBS Brand resulted in one in three people purchasing a property for the first time choosing EBS in 2010**
- **EBS total capital requirement under PCAR of €1.5bn**

The EBS core business reported a profit in 2010 of €56m. However, total income reduced by 21% to €153 million with operating profit down 41% to €56m, mainly due to increased funding costs. The impact of impairment charges and losses on NAMA assets of €392 million together with impairments in relation to previously written loans of €273m and an impairment on a financial assets of €11.4m resulted in EBS incurring a post tax loss of €590 million for the year.

Despite the difficult environment in 2010, EBS demonstrated the strength of its commitment to customers by continuing to deliver a range of compelling and competitive mortgage and savings products. The nature of competition in the mortgage and savings areas of the business was intense throughout 2010. This was particularly so in the retail savings market as more competitors sought to increase their share of the Irish consumer's savings market. EBS secured new savings inflows of €532m in 2010 representing some 20% of all new inflows in the Irish savings market. On the mortgage front the strong EBS Brand resulted in one in every three people purchasing a property for the first time in 2010, choosing EBS.

Regulatory Capital requirements

In December 2010, the Central Bank announced that in the first quarter of 2011 it would conduct a further review of the capital adequacy of domestic banks (PCAR) and that a new liquidity framework (PLAR) would be implemented. The results of this review were published by the Central Bank on 31 March 2011. The Central Bank announced that EBS requires €1.2bn of capital to meet the new target core tier 1 capital ratio of 10.5% under the PCAR base case and 6% under the stress case on the basis of the combined results of the PCAR and PLAR assumptions and three year projected provisions estimates from BlackRock. This capital requirement is before the addition of a conservative capital buffer of €0.3bn in addition to the €1.2bn referred to above. This brings the total capital requirement for EBS announced on 31 March 2011 to €1.5bn. The Central Bank has not yet stipulated the date by which this capital is required to be raised. The Minister for Finance also confirmed on 31 March 2011 that, subject to seeking capital from sources other than the State, Irish domestic banks and building societies will be recapitalised to the levels required under the PCAR.

National Asset Management Agency (NAMA)

Throughout 2010, the successful transfer of assets in a timely manner to NAMA has been a priority for EBS with significant internal resources dedicated to the project. Five tranches of assets totalling €836.4m were transferred to NAMA during 2010, representing 178 obligors with a total realised loss on sale of these assets of €275.6m. NAMA have requested the transfer of a further €65.6m in commercial and associated assets which we expect to complete shortly. This will conclude the transfer by EBS of all land and development and associated assets requested by NAMA. However NAMA may seek the transfer of further loans as they complete their due diligence on loan portfolios transferred by other participating institutions.

Commenting on the future of EBS, Chairman Philip Williamson said "2010 will be remembered as a year of huge economic change in Ireland. During 2011, our focus will be on the successful formation of a "Pillar" bank through the combination of AIB and EBS whilst also serving our customers, maintaining a clear focus on capital, liquidity, funding, regulatory compliance, prudent risk management and continuing to manage our cost base. The EBS Board will continue to guide and support the senior management team through this next phase in EBS, and I look forward to working closely with all stakeholders as the future takes shape."

Financial & Operational Highlights 2010

- Income before impairment losses and taxation down 41% to €56.4m.
- Net Interest Margin (NIM) has reduced from 72bps to 63bps.
- Total loan impairment losses of €390m including €116.8m for NAMA loans with a €273.2m charge against the other loan books.
- Non interest income (before Government Guarantee Scheme charges) up 4% to €9.5m.
- Profit on debt buy backs and sale of financial assets of €8.5m.
- Operating expense down by 1.3%.
- Administrative expenses up 2.7% to €84.4m, principally as a result of increased costs in relation to risk and regulatory compliance, all of which are non-controllable. Excluding these non-controllable costs, administrative expenses are down 4.1% on 2009 and 19.6% since 2008.
- Costs-to-mean-assets-ratio at 0.45% is an improvement on the 2009 outcome of 0.46%.
- Cost to Income ratio increased to 61.6% due to reduced income levels in 2010.
- €1.1bn in gross new lending, c.€0.9bn of which was residential lending through the Society and c.€0.2bn of which was through our wholly-owned subsidiary, Haven Mortgages Limited.
- €532m of net new retail savings, representing c.20% market share.
- Over 55,000 savings accounts opened.
- Loan to deposit ratio of 174.9% (excluding held for sale assets), 175.3% (including held for sale assets).
- Core tier 1 ratio of 8.4%, tier 1 capital ratio of 9.2% and total capital ratio of 12.4%.
- Home loan arrears greater than 3 months at 8.4% at the end of December 2010, however, the increase in early arrears has remained relatively flat.

Commenting on the results EBS Chief Executive Fergus Murphy said "Despite the difficult environment in 2010, we demonstrated the strength of the EBS commitment to customers by continuing to deliver a range of compelling and competitive mortgage and savings products to families around Ireland."