



24<sup>th</sup> April 2013

## **AIB and EBS mortgage statement**

AIB has today (Wednesday, April 24th) announced an increase in its variable mortgage rates by up to 0.40%, effective from June 5th, 2013 while EBS and Haven variable mortgage rates will increase by up to 0.25%, effective from June 1st, 2013.

While AIB and EBS keep their lending rates under constant review, based on current funding costs the Bank does not anticipate any further variable mortgage price increases in 2013.

The decision to raise variable rates is driven by the need to ensure the Bank is lending at long term sustainable pricing levels. AIB's variable rates have been at unsustainable levels relative to the cost of funding for several years, while EBS has not announced an increase in almost two years. The Group's cost of funding is driven by a number of factors including wholesale funding costs and deposit pricing. In the current Irish market environment, deposit pricing is largely decoupled from the ECB base rate. AIB has been working to address the issue of mortgage pricing over a period of time and today's announcement delivers a more sustainable platform for operating performance.

Following this increase, AIB, EBS and Haven rates will be in line with pricing in the Irish market and will continue to offer customers competitive rates for new mortgage business.

The average variable rate mortgage for AIB is c. €130,000 and, following this increase, the average monthly payment will rise by c. €24. EBS's average variable rate mortgage stands at c. €100,000 and this increase represents on average a c. €17 increase in monthly repayments. This increase does not apply to tracker and fixed rate mortgages, which form the majority of the Bank's Irish mortgage loan book.

AIB's Director of Products, Fergus Murphy, said: "AIB is making significant progress in returning to a stable banking model and must apply competitive pricing policies in order to make a return to profitability. Prior to this increase, AIB had the lowest standard variable rate in the market, but now regrettably must move more in line with market competitors. While AIB and EBS recognise that any increases are unwelcome for customers, we must ensure that mortgages are provided at a sustainable pricing level."

For further information, please contact:

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Notes to editor:

Based on current available market data the average SVR in the Irish market, excluding AIB, is c.4.4%.

## Summary of variable interest rate changes announced today

### AIB changes effective June 5th 2013:

- Owner occupier standard variable rate will increase by 0.40% from 4.00% to 4.40%
- Loan to value variable rates for owner occupiers will increase by 0.25%
- Buy-to-let standard variable rate will increase by 0.40% from 4.95% to 5.35%

### EBS changes effective June 1st 2013:

- Owner occupier standard variable rate will increase by 0.25% from 4.33% to 4.58%
- Buy-to-let standard variable rate will increase by 0.25% from 4.83% to 5.08%

### Haven changes effective June 1st 2013:

- Owner occupier standard variable rate will increase by 0.25% from 4.35% to 4.60%
- Loan to value variable rates for new owner occupier mortgages will increase by 0.20%
- Buy-to-let standard variable rate will increase by 0.25% from 4.84% to 5.09%

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