

EBS reports operating profit of €25.6m for H1 2010

NAMA losses and related Impairments of €156.8m and impairment charge of €118.7m for remainder of loan book results in post tax loss of €218.5m

- **Strategic direction of EBS being progressed**
- **NAMA transfers and discounts expected to be finalised by December 2010**
- **Continued realistic approach to impairments helping return to viability**
- **Operating profit delivered and provisions taken to protect against future losses**
- **Total income of €70.8m down 14.3% mainly due to increased funding costs**
- **Strong EBS brand with 24.9% of new mortgages and 20% of net savings inflows**
- **Overall costs down 4.8% with staff costs down 10%**

Tuesday 21 September 2010: EBS today reported that it was making strong progress in stabilising the business and delivered an operating profit before impairments of €25.6m. NAMA losses and related impairments (€156.8m) together with a realistic approach to impairments (€118.7m) for the remainder of the loan book, has resulted in EBS incurring a pre tax loss of €249.9m and a post tax loss of €218.5m for the half year. Excluding NAMA the pre tax loss for the Society for the half year was €93.1m. EBS continued its focus on cost reduction with overall costs down 4.8% to €45.2m and staff costs down 10% to €21.6m. Since 2008 126 posts in our core business have been eliminated which represents c.19% of our total staff numbers.

The Society's overall liquidity and funding position remains strong despite market conditions. At end June 2010 gross collateral of €7.2bn was available and additional collateral will be created by year end. Earlier in February of this year EBS was successful in raising €1bn in long-term funding in the wholesale markets.

EBS is currently in discussions with a number of parties concerning a possible sale of the business. The Society is working closely with the Department of Finance and the National Treasury Management Agency to achieve the best possible outcome for the State and EBS.

EBS Chief Executive Fergus Murphy said "We continue to make good progress in stabilising the business and we are determined that a viable EBS will continue to play an important role in the Financial Services market in Ireland. The strategic direction of EBS will be determined by the restructuring plan which is currently with the European Commission and the current sale process which is ongoing. The level and quality of interest in EBS reflects the inherent strength of the business and the performance of the brand in the Irish market. The period to the end of this calendar year is crucial for the Society – we expect to have clarity on our future ownership, we expect to complete the transfer of assets to NAMA and we expect a decision on our restructuring plan which is currently with the European Commission. Meanwhile we will continue our focus on our core business of continuing to offer innovative and competitive products and services to consumers in Ireland."

During the first six months of 2010 the Society's total income reduced by 14.3% to €70.8m. This reduction in income was driven in the main by increased funding costs in retail and wholesale markets, offset by increased lending margins.

Assets totalling €157.2m were transferred to NAMA during the period at an average discount of 37.4%. The average discount to-date for all of the Society's transfers to NAMA is 38.8%. EBS has assets of €658.6m awaiting transfer to NAMA and this is expected to be complete by end 2010.

The EBS brand continued to perform well in H1, accounting for 24.9% of new advances in the mortgage market and 20% of net inflows in the savings market. The Society has focused on helping first time buyers in particular and has allocated additional resources to assist customers who are experiencing difficulties with their mortgage repayments. The Society has been highly proactive with both Government and the sector itself in bringing forward proposals to deal with customers who are in arrears. Supporting homeowners continues to be a key focus for the Society.

STRATEGIC, FINANCIAL AND OPERATIONAL HIGHLIGHTS 2010

- EBS sale process ongoing
- 5 year restructuring plan submitted to European Commission on 31 May ahead of schedule
- Assets of €157.2m transferred to NAMA
- Strong funding and liquidity position despite current markets
- €7.2bn (gross) / €3.5bn (net) of available collateral with additional collateral being created
- Operating profit of €25.6m delivered
- Operating loss post impairments and tax of €218.5m
- Total income down €11.8m to €70.8m
- Overall costs down 4.8% to €45.2m and staff costs down 10% to €21.6m
- Net interest margin reduced by 20bps to 50bps but forecast to increase to c.70bps by year end
- Total loan impairment losses of €223.5m including €104.8m for NAMA loans with €118.7m charge against the rest of the loan book.
- Loss on NAMA to date of €52m
- Core tier 1 capital ratio of 6.5%
- Total capital ratio of 10.5%
- 20% of net inflows in the savings market
- 24.9% of new advances in the mortgage market
- Wholesale funding of €1bn raised in February 2010

-Ends-

Media enquiries to:

Gerry O'Sullivan, Q4 Public Relations, 087 2597644

Dave Keenan, Director People, Operations, IT and Communications 087 2521111

EBS Building Society
Condensed consolidated interim income statement
for the six months ended 30 June 2010

		<i>For the six months ended 30 June</i>	
		<i>GROUP</i>	
		<i>2010</i>	<i>2009</i>
		<i>Unaudited</i>	<i>Unaudited</i>
		<i>€m</i>	<i>€m</i>
	<i>Notes</i>	<hr/>	<hr/>
Interest income	4	412.3	459.7
Interest expense	4	(358.1)	(384.3)
Net interest income		<hr/> 54.2	<hr/> 75.4
Fees and commissions receivable	5	7.0	6.9
Fees and commissions payable	5	(6.9)	(5.8)
Non interest income		<hr/> 0.1	<hr/> 1.1
Profit on sale / repurchase of securities	6	8.0	4.7
Other operating income	7	8.5	1.4
Total operating income		<hr/> 70.8	<hr/> 82.6
Administrative expenses	8	(40.2)	(42.2)
Amortisation of intangible assets	8	(2.8)	(2.8)
Depreciation of property, plant and equipment	8	(2.2)	(2.5)
Total operating expenses		<hr/> (45.2)	<hr/> (47.5)
Operating profit before impairment losses and taxation		25.6	35.1
Loss on transfer of loans and advances held-for-sale to NAMA	10	(52.0)	-
Provisions for impairment of loans and advances held-for-sale	13	(104.8)	-
Provisions for impairment of loans and advances to customers	14	(118.7)	(43.9)
Operating loss before taxation		<hr/> (249.9)	<hr/> (8.8)
Taxation	9	31.4	4.0
Loss for the period		<hr/> (218.5) <hr/> <hr/>	<hr/> (4.8) <hr/> <hr/>

EBS Building Society

Condensed consolidated interim statement of financial position at 30 June 2010

		30 June 2010 <i>Unaudited</i> €m	GROUP 31 December 2009 <i>Audited</i> €m
	<i>Notes</i>		
Assets			
Cash and balances with central banks		206.1	196.5
Derivative financial instruments		88.5	50.0
Loans and advances held-for-sale to NAMA	13	409.6	750.6
Available-for-sale financial assets	12	3,453.6	2,924.8
Loans and advances to credit institutions		828.2	957.7
Loans and advances to customers	14	16,656.1	16,473.5
Current taxation asset		4.7	4.7
Deferred taxation asset	15	69.1	28.9
Other assets		86.7	55.2
Intangible assets		23.4	24.8
Property, plant and equipment		37.1	38.9
Total Assets		21,863.1	21,505.6
Liabilities			
Deposits by credit institutions	16	3,731.6	4,433.9
Customer accounts	17	10,398.8	9,830.2
Derivative financial instruments		178.4	163.9
Current taxation liabilities		20.6	11.6
Other liabilities		311.1	293.8
Debt securities in issue	18	6,315.5	5,889.8
Deferred taxation liabilities		9.7	9.7
Retirement benefit liabilities	19	39.2	17.0
Subordinated liabilities		222.1	215.2
Total liabilities		21,227.0	20,865.1
Shareholders' equity			
Special investment share	20	98.8	-
Capital contribution	21	249.1	-
Revaluation reserve		0.3	0.3
Available-for-sale reserve		(49.0)	(3.9)
Cash flow hedge reserve		(61.6)	(64.9)
General reserve		316.2	463.8
Shareholders' equity		553.8	395.3
Non controlling interests	22	82.3	245.2
Total liabilities, shareholders' equity and non-controlling interests		21,863.1	21,505.6