



## **AIB Lending Rate Reductions**

**8th December 2011**

A renewed commitment to customers is at the heart of our business agenda. As part of that commitment, a review of lending rates has been conducted across our suite of loan products in AIB, including EBS. The key considerations that informed the decisions we have reached on lending rates were:

1. We are very conscious of the pressures which confront customers in the current economic environment and we are committed to take all economically feasible steps to help our customers. For example, we have a range of solutions to offer homeowners in difficulty with their mortgages and will provide more of those solutions to customers, on agreement of our Mortgage Arrears Resolution Strategy with the Central Bank of Ireland.
2. ECB base rates increased on two occasions in April and July this year by 0.5% in total. AIB did not pass on any increase to its variable rate mortgage customers. In November, AIB and EBS both passed on the cut of 0.25% in the ECB base rate to variable mortgage rate customers. AIB mortgage portfolios are currently loss making, undermining future delivery of a return to Irish taxpayers on their significant investment in the bank.
3. Our funding cost is no longer primarily determined by the ECB base rate; that cost is more influenced by higher priced customer deposits and the continuing absence of a functioning wholesale market. Therefore, pricing decisions need to be decoupled from ECB rate movements.

Based on these considerations, the following interest rate reductions will be applied to customers' accounts.

- Reduction of 0.35% on all EBS variable rate mortgages. The rate on AIB variable rate mortgages is unchanged and expected to remain the lowest in the Irish market.
- Reduction of 0.25% to be applied to AIB and EBS tracker mortgages.
- Reduction of 0.6% in standard SME overdrafts, which will lower the cost of working capital for close to 52,000 SME customer accounts.
- Reduction of 0.6% in AIB Personal Overdraft rate which will lower borrowing costs for c. 275,000 personal customer accounts.

***Commenting on today's announcement, David Hodgkinson, AIB Executive Chairman, said:***

"The capital provided by the state to AIB means we must do all that we can to help our customers and support economic revival, while protecting the taxpayers' investment. Today's announcement is in line with those aims."

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**For further information, please contact:**

Alan Kelly  
Director of Corporate Affairs & Marketing  
AIB Group  
Bankcentre  
Ballsbridge  
Dublin 4  
Tel: +353-1-641 2162

or

Helen Leonard  
Press Officer  
AIB  
Bankcentre  
Ballsbridge  
Dublin 4  
Tel: +353-1-641 4141