



AIB statement 5 July 2012

5th July 2012

'Following today's announcement by the ECB of a base rate reduction of 0.25%, existing tracker mortgage rates at AIB and EBS will reduce in line. AIB's standard variable mortgage rates will remain unchanged, while rates will remain under review at EBS.

AIB's Standard Variable Rate (SVR) currently stands at 3%, which is the lowest rate in the Irish market. As at the close of business on Wednesday 4th July, AIB's SVR was significantly lower than the nearest competitor's rate.

As a pillar bank, AIB has a fundamental role to play in the Irish mortgage market but must do so at a sustainable economic return. At current pricing levels, AIB's mortgage portfolios, including the SVR portfolio, remain loss making relative to the cost of funding. The ECB Base rate is not the primary determinant of AIB's funding costs which are increasingly driven by higher priced customer deposits. AIB will therefore not be reducing the SVR on its mortgages as this would increase losses on our mortgage portfolio.

AIB CEO, David Duffy said: *"We are working hard to return AIB to a sustainable footing so that we can ensure we deliver a return to Irish taxpayers on their investment in the bank. As part of this, the capital injected by the State should be utilised to support customers in genuine difficulty. Our products need to be priced above our cost of funding to avoid generating further losses for our shareholders. We are fully aware of the difficulties facing some of our mortgage customers and we are committed to taking all economically feasible steps to help them."*

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