

FBD Holdings plc

2009 Results

March 2010

Forward Looking Statements

This presentation contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements. Such forward-looking information involves risks and uncertainties that could affect expected results.

2009 Highlights

Financial

- Solid operational performance
- Operating profit of €28.9m
- Operating profit from all divisions
- Unprecedented level of weather related claims mitigated by prudent reinsurance policy
- Loss net of valuation adjustments
- Strong balance sheet
- Solvency up from 50% to 52% of NEP
- Final dividend of 20 cent

Operational

- 2nd largest P&C insurer in Ireland despite reduced exposure
- Premium contraction slowed in H2
- Industry premium rates continuing to harden
- Further Dublin penetration
- Cost improvements
- Underlying loss ratio improving
- Successful claims initiatives

Rate actions and claims initiatives leading to improved underlying loss ratio

Performance in a market context

Economy

- 2009 was a challenging year

	<u>2007</u>	<u>2008</u>	<u>2009</u>
GNP	4.4%	(2.8%)	(10.5%)
Domestic demand	5.0%	(4.6%)	(12.3%)
Investment	2.3%	(15.5%)	(32.4%)

- 2009 new car sales down 66%
- Investment down 32%
- Insurable volumes and values reduce in line with economic activity

Insurance Industry

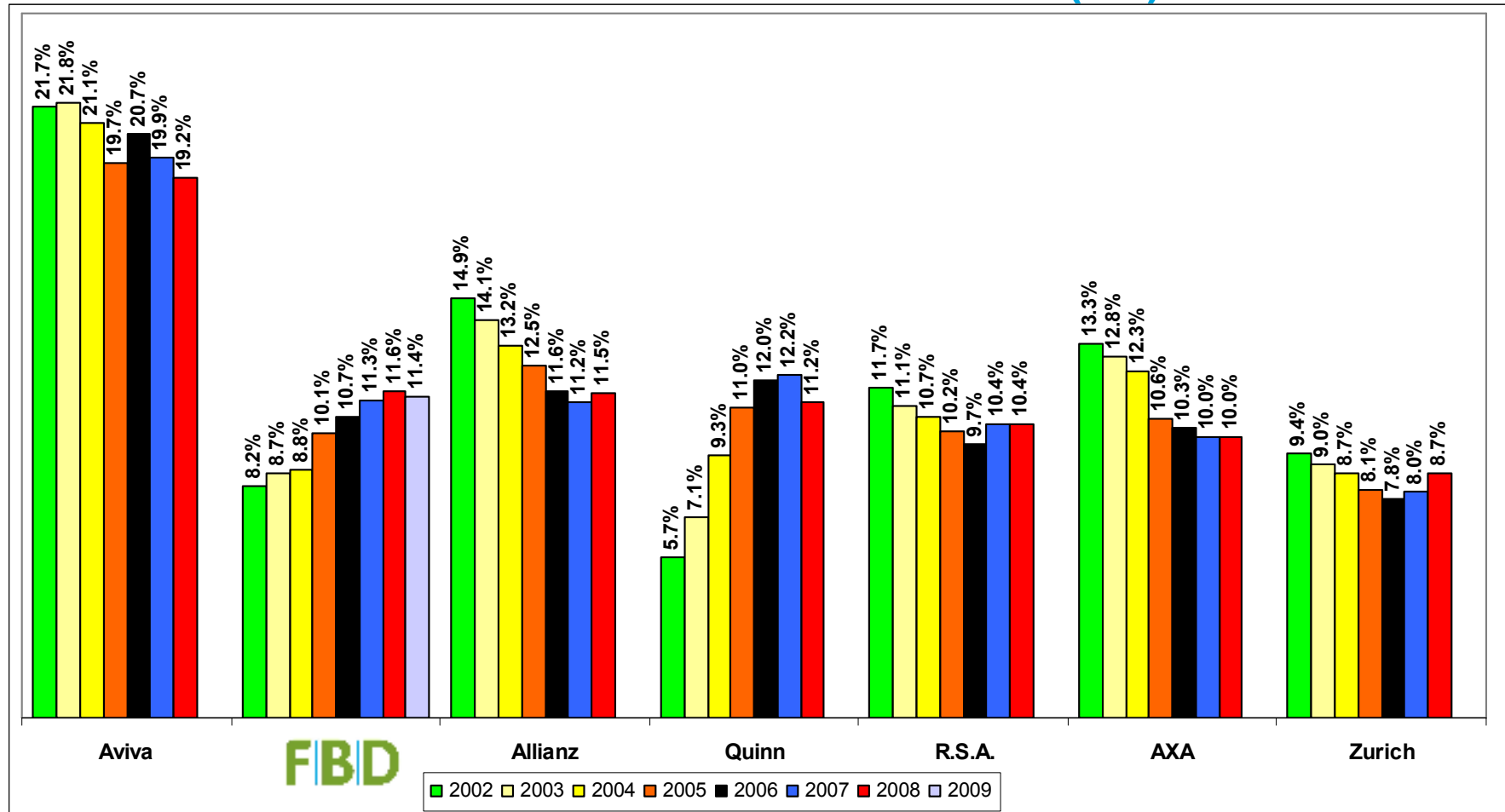
- 6% premium decline and COR for the industry likely to be over 100% in 2009
- Industry COR in 2008 of:
 - 137% for home
 - 105% for cars
- Recessionary claims
- Severe weather in November, December 2009 and January 2010 will cost the industry in the region of €550m
- Fall in long-term investment returns “new norm” for premium pricing is required
- Hardening of rates continues

A solid operating performance in a challenging year

2009 Results - Underwriting



Market Share – Gross Written Premium (IIF)



Total Market 2009-€3,133m: 2008-€3,333m: 2007-€3,604m: 2006-€3,822m: 2005-€3,841m: 2004-€3,933m: 2003-€4,239m: 2002-€3,955m
 FBD Prem 2009-€357m: 2008-€386m: 2007-€408m: 2006-€407m: 2005-€389m: 2004-€351m: 2003-€369m: 2002-€326m

Market position maintained - exposure reduced

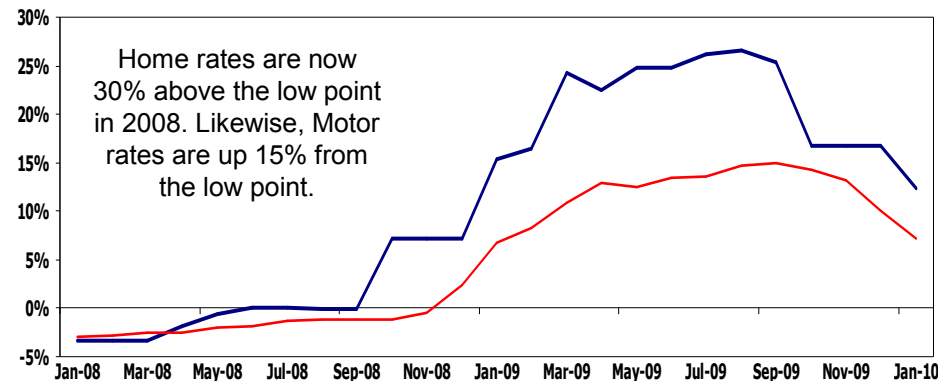
2009 Results – Underwriting



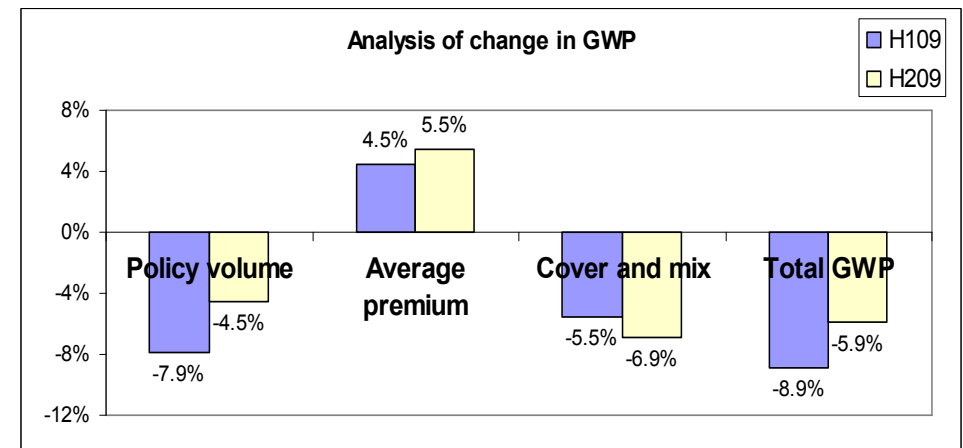
Premium

- Rate of decline in GWP is slowing
- Insurable risk declined in line with economic activity
- FBD rate actions started in 2008 and continued in 2009
- Industry rates continue to harden
- Not prepared to grow volumes in less profitable segments

CPI Change - year on year



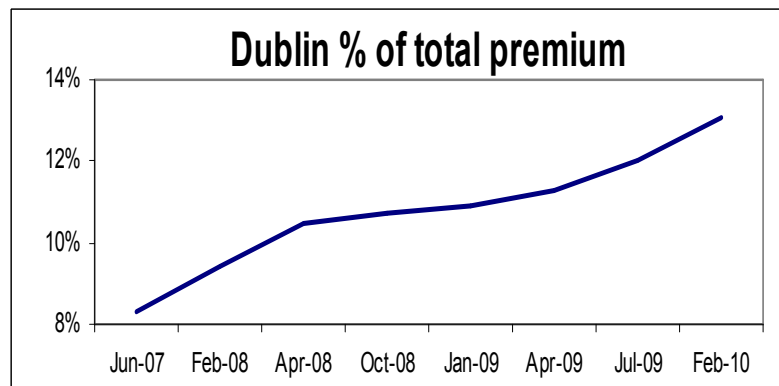
CPI data does not take account of lower levels of risk or point of sale discounts.



Rate of decline in GWP diminished as the year progressed

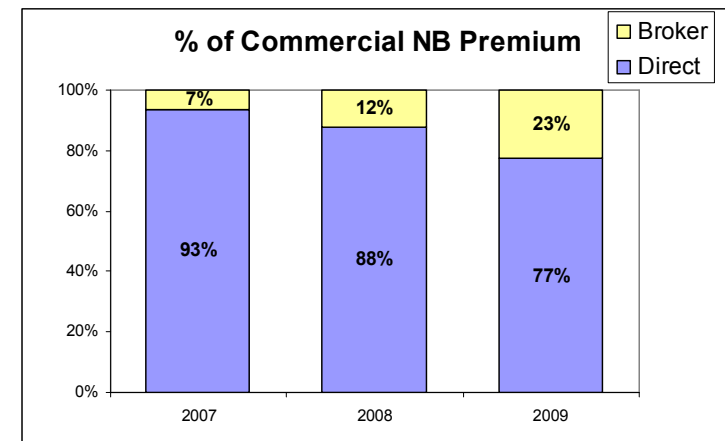
1. Dublin market penetration

- Progress in Dublin and other urban areas
- 13% of GWP now coming from Dublin
- Dublin market share approaches 5%, well up on previous periods



2. Commercial and broker initiatives

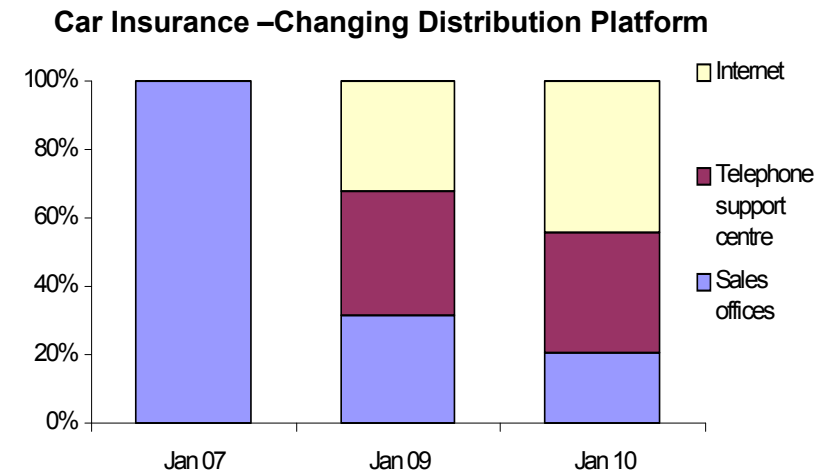
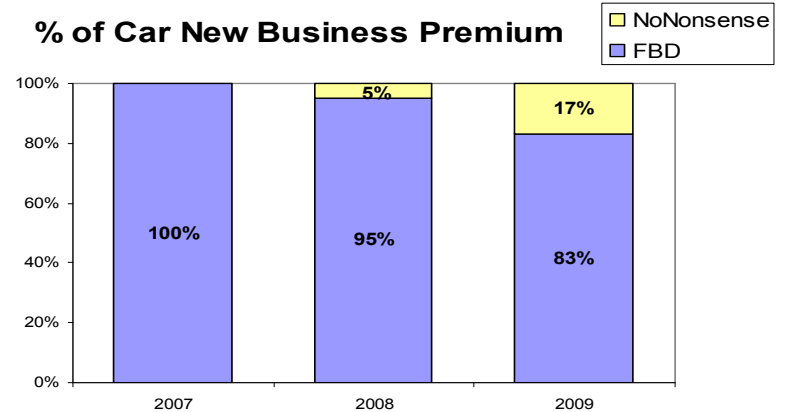
- Successful broker initiatives
- Growing penetration of brokers, particularly in urban centres
- Local office network focused on farming and commercial



Further progress – significant opportunities

3. Personal lines development

- FBD.ie
- NoNonsense.ie
- Customer oriented front-end system in telephone centre
- Dublin represents 45% of all web based car insurance business
- Renewal facility online

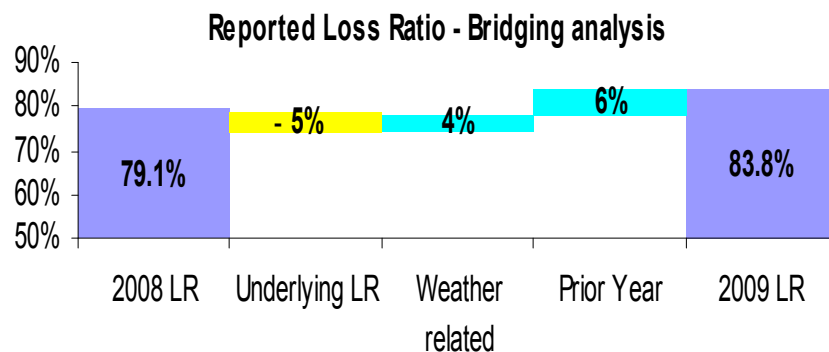


Adapting platform to meet changing customer needs

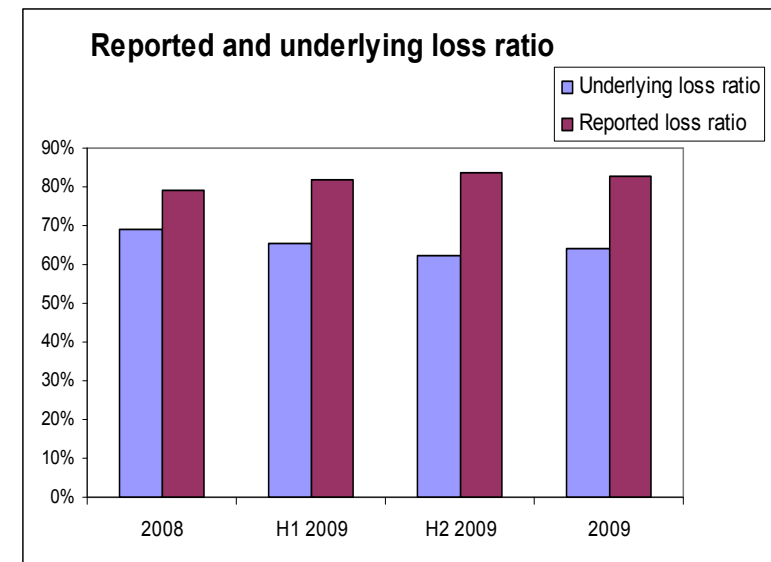
Claims Trends

- Reported loss ratio up from 79.1% to 83.8%
- Severe weather in November and December
- Reinsurance policy limits the cost to €13.5m
- Large claims – deterioration in small number of prior year claims
- Reduction in motor claims frequency

- Improvement in underlying loss ratio as the year progressed
- Strong reserving – consistent level of prudence maintained



Underlying loss ratio



Improving underlying loss ratio

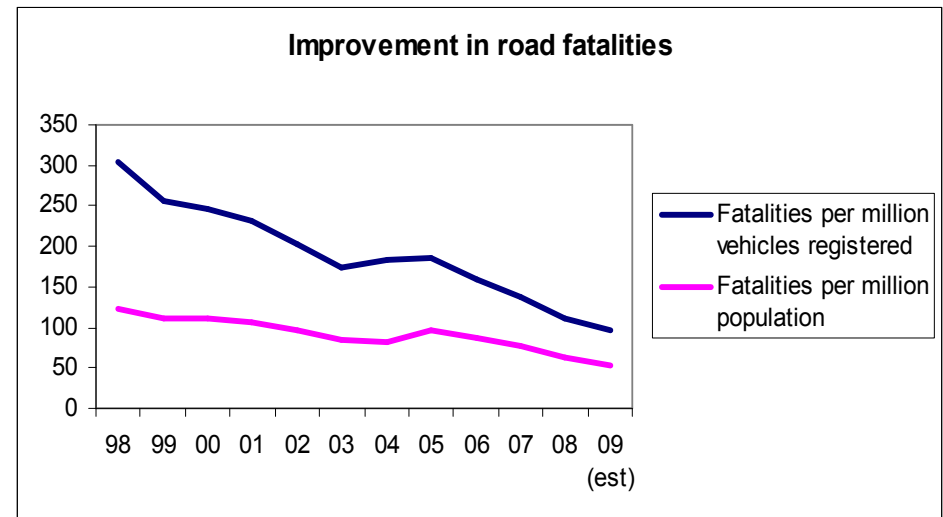
Claims Trends

The improvement in the underlying loss ratio arises because:

- Impact of rate increases
- Decrease in frequency due to claims initiatives, road safety and economic factors
- Lower average cost due to claims initiatives and deflation

Continued initiatives to improve claims costs:

- Increased resources and training to counter fraud
- Focus on direct settlement initiative
- Continued innovation in technology, organisation and process to improve settlement costs

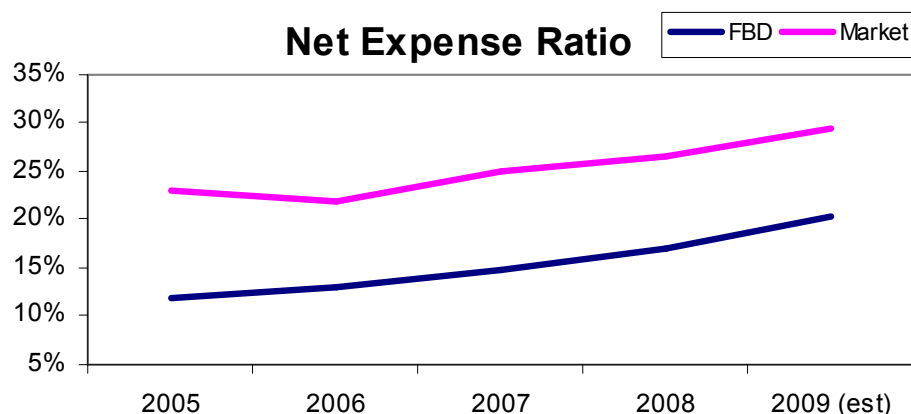


Continued success in reducing claims costs – “Fair to FBD, fair to the customer”

2009 Results – Underwriting



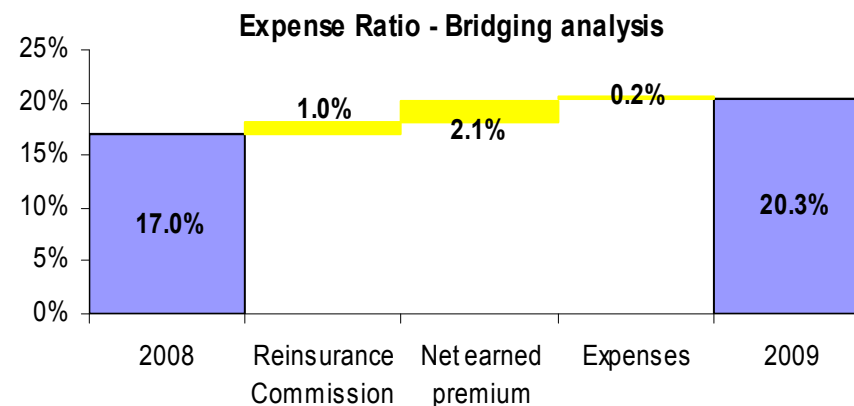
Cost structure



Underwriting expenses	2009	2008
	€m	€m
Management expenses	75.6	75.5
Reinsurance commissions receivable	-13.9	-18.7
Broker commissions payable	2.1	1.7
	63.8	58.5

Initiatives completed

- Local office network realignment
- Personal lines by phone and internet
- Local offices focus on farming and commercial
- Non-wage related costs reduced by €2m
- Back office activity centralised
- Negotiating with staff on pay and pensions



Adjusting expense base to meet customer needs and ensure competitive advantage is maintained

■ **La Cala**

- Improvement in property sales in H2 despite challenging environment
- Focus on costs
- Golf and hotel in line with 2008 due to proactive marketing

■ **Sunset**

- Excellent performance
- Well ahead of the competition

■ **FBD Hotels**

- Oversupply in certain market segments – focus on costs
- Re-branded Tower as FBD Hotels

■ **Financial Services / Other**

- Solid contribution from FBD Brokers in challenging environment
- FBD Financial Solutions – weak market for investment products
- Focus on costs
- Holdings company costs

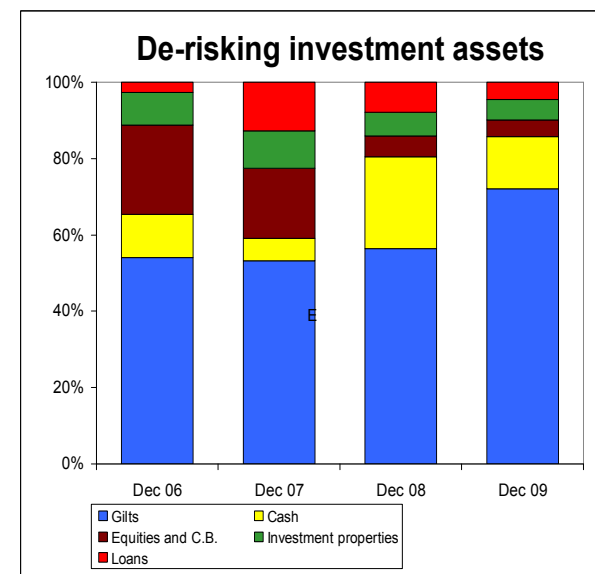
Non-underwriting expenses	
	€m
2009	62.4
2008	71.8
2007	84.4

2009 Results – Underwriting



Underwriting Assets Allocation

	31 Dec 2009		31 Dec 2008	
	€m	%	€m	%
Government gilts	581	56%	466	45%
Deposits and cash	110	11%	206	20%
Trade, other debtors and DAC	101	10%	102	10%
Reinsurers' share of technical provisions	93	9%	59	6%
Investment properties	43	4%	53	5%
Secured loans and accrued interest	37	4%	58	6%
Equities and corporate bonds	36	4%	45	4%
Own land & buildings	22	2%	24	2%
Fixtures and fittings	17	2%	16	2%
	1,040	100%	1,028	100%



Secured Loans

	A	B	Total
Location	Manchester, IOM	London	
Origination	'01 – '04	'07	
Recourse	No	No	
Roll-up	Yes	Yes	
	€m	€m	€m
Original	29	33	62
Repayment	-	(4)	(4)
Interest	14	5	20
Balance – 30 June	43	34	77
Less Provision			(40)
Net Balance			37

Underwriting asset allocation remains prudent

2009 Results – Group



Group Assets

	31 Dec 2009	31 Dec 2008	Valuation Adjust
	€m	€m	€m
Government gilts	581	466	-
Hotel & golf resort assets	136	167	(31.9)
Deposits and cash	120	219	-
Trade, other debtors and DAC	107	104	-
Reinsurers' share of technical provisions	93	59	-
Inventory	59	63	-
Investment properties	43	53	(8.5)
Equities and corporate bonds	40	49	4.4
Secured loans and accrued interest	37	58	(24.5)
Own land & buildings	22	24	(2.5)
Fixtures and fittings	18	17	-
	<u>1,256</u>	<u>1,278</u>	<u>(63.1)</u>

Cumulative write offs as a
% of Dec 2007 values:

Inv. properties	47%
Secured loans	47%
Hotel and golf	29%

Prudent valuations
taking into
consideration the
performance,
quality and
locations of the
underlying assets

Secured loans
written down to the
approximate value
of the underlying
security

Property valued at external professional valuations or a lower amount if deemed prudent

2009 Results – Net claims run-off



	Prior Years €m	2001 €m	2002 €m	2003 €m	2004 €m	2005 €m	2006 €m	2007 €m	2008 €m	2009 €m	Total €m
Estimate of cumulative claims:											
At end of underwriting year		188	212	221	265	290	298	307	338	308	
One year later		185	196	203	228	287	257	281	319	-	
Two years later		186	187	183	214	221	254	277	-	-	
Three years later		174	171	167	184	210	251	-	-	-	
Four years later		158	148	148	176	205	-	-	-	-	
Five years later		151	142	141	171	-	-	-	-	-	
Six Years Later		146	138	137	-	-	-	-	-	-	
Seven Years Later		144	136	-	-	-	-	-	-	-	
Eight Years Later		142	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		142	136	137	171	205	251	277	319	308	
Cumulative payments		- 132	- 128	- 125	- 142	- 162	- 185	- 180	- 189	- 114	
Claims outstanding		13	10	8	12	29	43	66	97	130	194
Savings		4	2	2	5	5	5	3	4	19	0

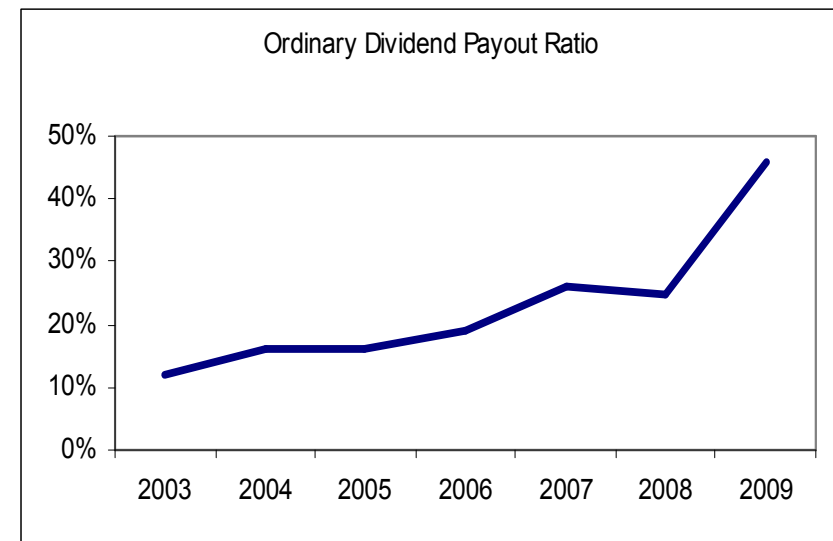
Strong reserving – consistent level of prudence maintained

- **Solvency**
 - Insurance solvency up from 50% to 52%
- **Reserving ratio**
 - Reserving ratio up from 220% to 240%
- **Net claims run-off**
 - Positive run-off of claims reserves again in 2009
- **Government gilts**
 - Gilts are held to maturity and accounted for on an amortised cost basis.
 - Excess of €30.7m not recognised
- **Development land in inventory**
 - Development land at La Cala included in inventory at cost.
 - External professional valuations report an excess of €30.8m
- **Net asset value**
 - Net asset value per share of 576 cent

Strong balance sheet, robust solvency, prudent reserving

Dividend policy

- 20 cent final dividend
- Total 2009 dividend of 30 cent
- Payment ratio* increased to 46% reflecting Directors' expectation of reduced volatility
- Remain committed to maintaining a robust capital position and a strong balance sheet

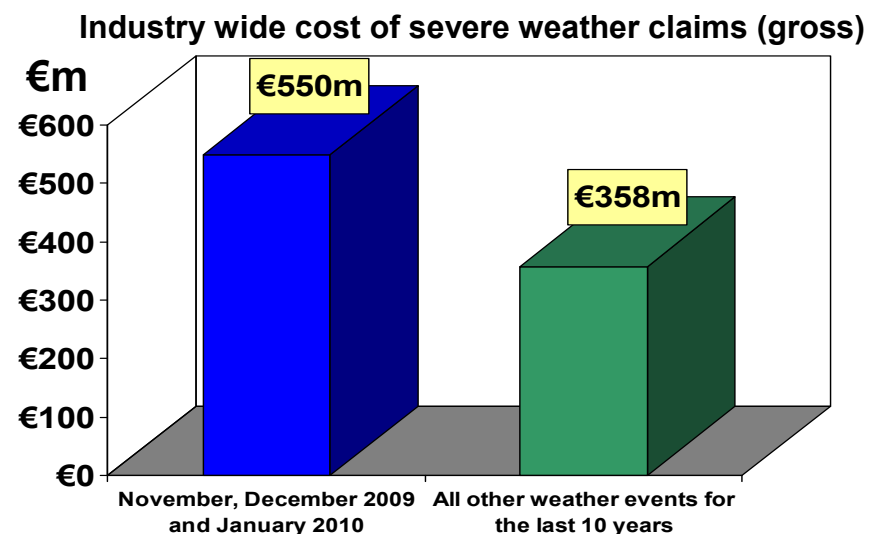
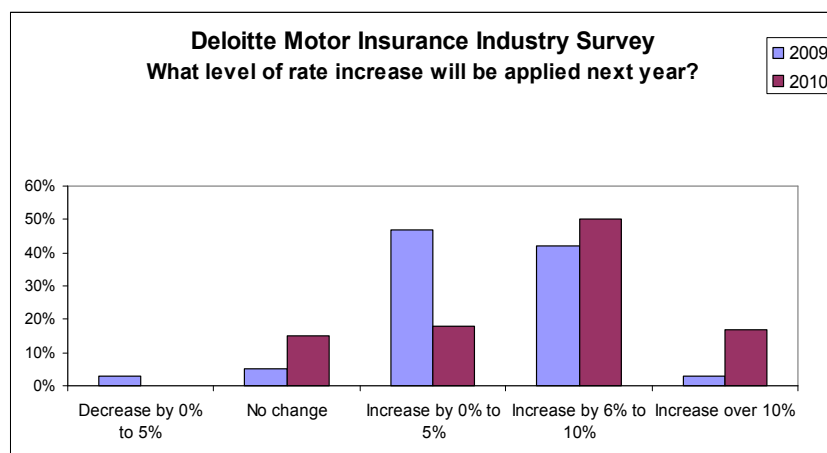


*Payout ratio is dividend as a percentage of operating profit after tax and finance costs

Committed to a progressive dividend policy

Outlook - Underwriting

- While uncertainty remains, the rate of Irish economic contraction has slowed considerably
- Further hardening of market rates is still necessary to provide an adequate return on capital
- FBD's volume decline, which has slowed since early 2009, will continue to slow, if not reverse
- Recent weather events will provide a further impetus to rate hardening
- Weather related claims in January 2010 cost €12m, net of reinsurance
- In the absence of further severe weather or large claims incidence, the Group expects the 2010 combined ratio will improve



FBD well positioned to benefit from a hardening market

Outlook – Non Underwriting

Property and leisure

- Markets will remain difficult
- Recovery, particularly in Ireland, is dependent on a reduction in market capacity
- Continue to focus on the development of new market initiatives and segments to maintain profitability and cash generation
- Continue to focus on costs

Financial Services / Other

- FBD Brokers will continue to consolidate its position
- FBD Financial Solutions will focus on pension and protection products as market for retail investment products will remain weak
- Continue to focus on costs
- Consolidate customer relationships

Operating profit and cash generation anticipated

Proposition

FBD has:

- **Robust underwriting business**
- **Appropriate plans, people and infrastructure**
- **A track record of profitable growth**
- **A quality portfolio of property and leisure businesses**
- **Strong capital base and balance sheet**
- **Prudent reserving policy**
- **A de-risked balance sheet**
- **A track record of distributing excess capital**

FBD is well positioned to:

- **Benefit from hardening market**
- **Capitalise on growth opportunities using existing capacity**
- **Enjoy positive operating leverage as prices rise**
- **Deliver long-term profitable growth**
- **Produce superior returns for shareholders**

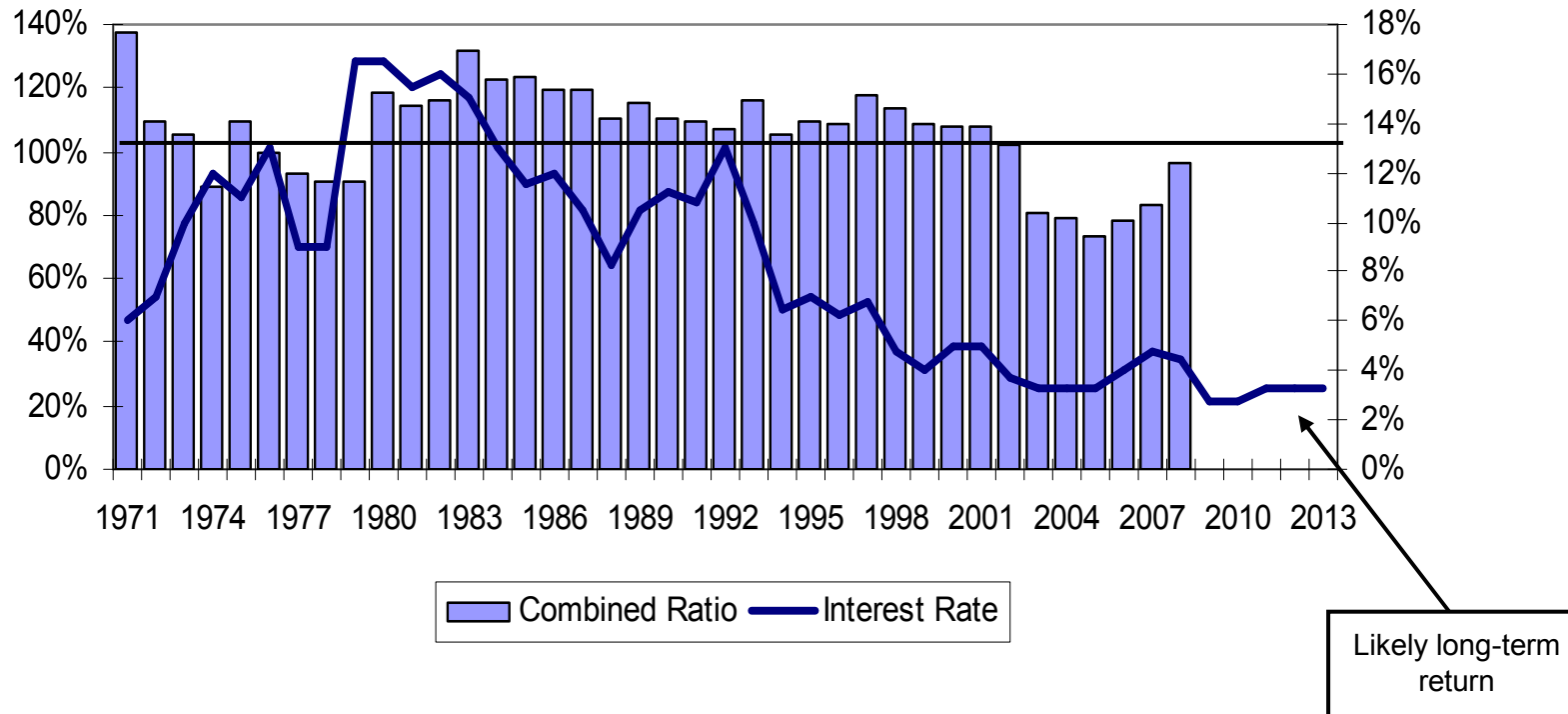
Singular focus – superior results



Appendices

Premium Pricing – the new norm

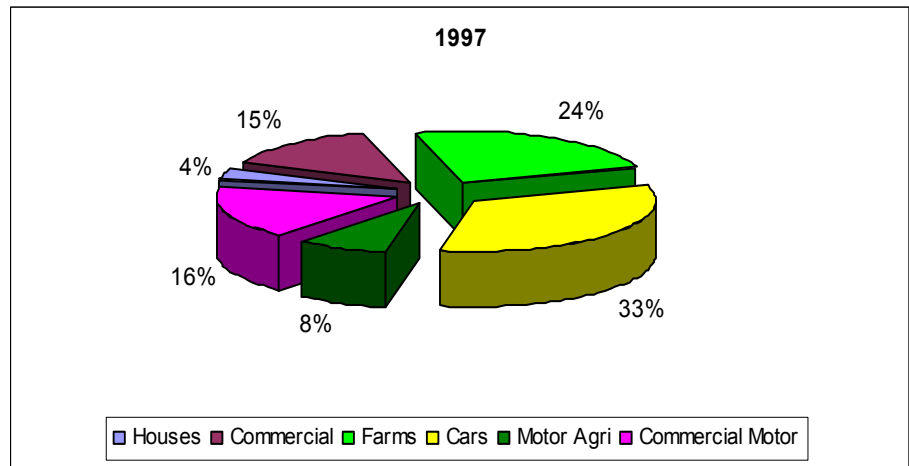
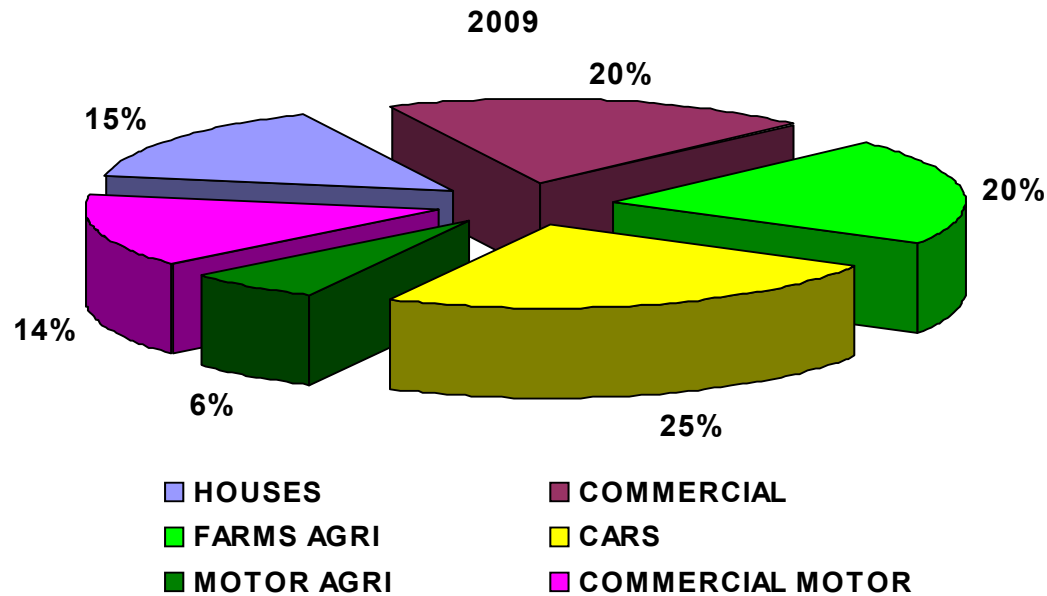
FBD COR% and Interest Rates - 1971 to 2013



Lower investment returns leading to new norm in combined ratio

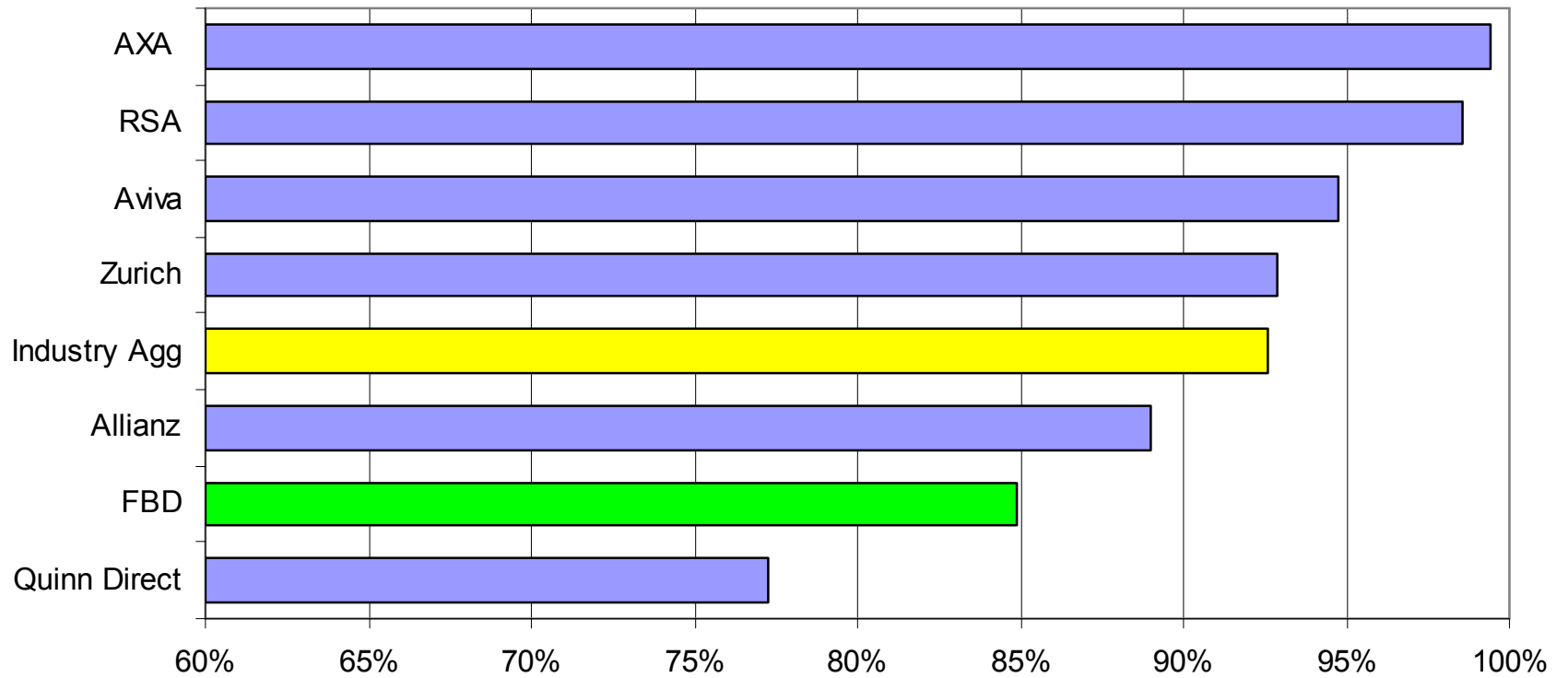
2009 Results – Underwriting

Premium by category



10 year average combined ratio

10 Year COR %



2009 Results



Income Statement

	2009	2008
Underwriting	€000s	€000s
Gross written premiums	<u>357,244</u>	<u>385,638</u>
Net earned premiums	314,604	343,075
Net claims incurred	(263,670)	(271,205)
Net operating expenses	<u>(63,842)</u>	<u>(58,470)</u>
Underwriting Result	<u>(12,908)</u>	<u>13,400</u>
Loss Ratio	83.8%	79.1%
Net Expense Ratio	20.3%	17.0%
Combined Ratio	104.1%	96.1%

Income Statement (cont'd)

	2009	2008
	€000s	€000s
Underwriting Result	(12,908)	13,400
Longer term investment return	35,299	43,930
Non underwriting operating income	6,489	8,453
Operating profit	<u>28,880</u>	<u>65,783</u>
 Operating profit by activity:		
Insurance underwriting	22,391	57,330
Non-underwriting		
- Property/leisure	2,786	5,124
- Financial services/other	3,703	3,329
	<u>28,880</u>	<u>65,783</u>

Income Statement (cont'd)

	2009	2008
	€000s	€000s
Operating profit	28,880	65,783
Short term fluctuation in investment return	(28,784)	(92,307)
Finance costs	(3,377)	(4,474)
Revaluation of land and buildings	(29,048)	-
Restructuring costs	(2,315)	(7,609)
Loss before tax	(34,644)	(38,607)
Income tax credit	3,714	5,607
Loss for the period	<u>(30,930)</u>	<u>(33,000)</u>

2009 Results



Balance Sheet - Assets

		<u>31/12/09</u>		<u>31/12/08</u>
		<u>€000s</u>		<u>€000s</u>
Property & Equipment				
Hotels/golf	136,347		167,088	
Property – own use	21,840		24,335	
Fixtures & Fittings	18,292	176,479	17,236	208,659
Investments				
Property		43,267		52,538
Financial		732,897		768,420
Reinsurers' share of technical provisions		93,189		58,994
Other receivables/DAC's		99,644		86,273
Current and deferred tax		7,082		4,820
Other Assets				
Development land	30,470		30,806	
Work-in-Progress	28,756		31,577	
Cash	44,036	102,830	35,713	98,096
Total Assets		<u>1,255,820</u>		<u>1,277,800</u>

2009 Results



Balance Sheet - Liabilities

		<u>31/12/09</u>		<u>31/12/08</u>
		<u>€000s</u>		<u>€000s</u>
Equity				
Share Capital		21,409		21,409
Reserves		170,099		214,001
		<hr/>		<hr/>
Shareholders' funds – equity interests		191,508		235,410
Preference Shareholders		2,923		2,923
Minority Interests		3,030		4,151
		<hr/>		<hr/>
Total equity		197,461		242,484
Liabilities				
Technical provisions				
- Unearned premiums	176,603		188,017	
- Claims	671,429	848,032	626,188	814,205
	<hr/>		<hr/>	
Deferred tax				15,062
Creditors				
- Loans	120,051		110,968	
- Other	90,276	210,327	95,081	206,049
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Total Liabilities		1,255,820		1,277,800

Cash Flow Statement

	2009 €000s	2008 €000s
Net Cash from operating activities	2,633	25,589
From investing activities	2,796	2,675
Released/(Used) in financing activities	2,147	(27,099)
Net increase in cash and cash equivalents	<u>7,576</u>	<u>1,165</u>
Cash and cash equivalents at the beginning of the period	35,713	35,618
Effect of foreign exchange rate changes	747	(1,070)
Cash and cash equivalents at the end of the period	<u>44,036</u>	<u>35,713</u>



FBD Holdings plc

2009 Results
QUESTIONS?