

FBD Holdings plc
24 August 2011

Agreement to Establish a Property & Leisure Joint Venture constituting a Related Party Transaction

FBD to focus on core insurance business

The Board of FBD Holdings plc (“FBD” or the “Group”) announces that it has reached agreement with Farmer Business Developments plc (“Developments”), a related party owning 29.7% of the voting rights in FBD, to establish a joint venture to own and manage the Group’s Irish and Spanish property and leisure operations (the “Proposed Transaction”). These operations are currently held through a wholly owned subsidiary of the Group, FBD Property & Leisure Limited (“Property & Leisure”). The Proposed Transaction is subject to shareholder approval.

The Proposed Transaction follows a review of strategic options for the Group’s property and leisure interests undertaken by the Board of FBD. This review resulted in a decision by the Board to focus on the Group’s core insurance underwriting business. The Board believes that the Proposed Transaction has a clear strategic and financial rationale and believes that the key benefits to the Group are as follows:

- The Group will be able to focus on its core insurance underwriting business;
- The Group will have a reduced exposure to property valuation fluctuations;
- The operating profit of the Group will reflect the contribution from its core business and will no longer include the operating results of the Property & Leisure portfolio;
- Both the Group’s debt and loan guarantees will be reduced; and
- The ability of Property & Leisure to realise value over time for both the Group and Developments will be enhanced due to a substantially strengthened funding structure.

The Proposed Transaction is expected to be marginally earnings enhancing for the Group on both a basic and diluted basis and to lead to a small increase in net asset value per share.

Together with existing banking facilities of €57.4 million, Property & Leisure is today funded through a €60 million loan from Developments, which is guaranteed by FBD and repayable in July 2012, and through a €62.6 million inter-company loan from the Group repayable on demand. The Proposed Transaction envisages that the existing loans from Developments and the Group will be replaced with €115.1 million of loan notes which are convertible into the equity of Property & Leisure and with €7.5 million of long-term debt provided by Developments.

The principal terms of the Proposed Transaction are as follows:

- The Group and Developments will subscribe for 9,995 and 10,000 new shares in Property & Leisure respectively, at €1 per share, so as each to take a 50 per cent shareholding in Property & Leisure.
- The existing €60 million loan from Developments to Property & Leisure will be replaced with a €52.5 million A-Irredeemable Convertible Unsecured Loan Notes (“A-ICULN”) in Property & Leisure and a loan of €7.5 million to Property & Leisure for five years. The Group will enter into a guarantee in respect of the €7.5 million loan but this guarantee will not extend to the A-ICULN. Both the A-ICULN and the loan bear interest at standard commercial rates.
- The Group will replace its current inter company loan of €62.6 million to Property & Leisure with a €62.6 million B-Irredeemable Convertible Unsecured Loan Notes (“B-



ICULN”) in Property & Leisure, which bears interest (payment of which is contingent on interest on the A-ICULN being paid). The B-ICULN will be subordinated to the A-ICULN.

The Proposed Transaction will replace €122.6 million of short-term debt facilities in Property & Leisure with longer term financing, thereby providing Property & Leisure with a robust funding structure. Moreover, the guarantee provided by the Group to Developments will reduce from €60 million to €7.5 million.

The A-ICULN held by Developments and the B-ICULN held by the Group shall not normally be capable of conversion into Property & Leisure equity until between the fifth and tenth anniversaries of completion unless otherwise agreed between Property & Leisure and the holders of the ICULN.

The conversion ratios and, consequently, the ownership of Property & Leisure, will be determined according to a pre-agreed formula depending on the valuation of Property & Leisure at that time. Developments stands to benefit from any potential rise in the value of Property & Leisure’s assets and could own between 50 per cent and 75 per cent of Property & Leisure with the Group owning between 50 per cent and 25 per cent. In certain circumstances, the Group may agree to increase the 75 per cent limit to give Developments additional equity entitlements in respect of any outstanding interest.

Completion of the proposed transaction is subject to the approval of the shareholders both of the Group and of Developments. FBD intends to convene an Extraordinary General Meeting of shareholders as soon as possible and will shortly issue a Circular and Form of Proxy to shareholders. Developments, a related party, will not vote on the Proposed Transaction at this meeting and has undertaken to take all reasonable steps to ensure that its associates will not vote on the resolution approving the Proposed Transaction.

Based on an extraction without material adjustment from the Group’s audited accounts, as at 31 December 2010, Property & Leisure had gross assets of €180.9 million, an operating profit of €1.0 million and, after financing costs and revaluation of property, plant and equipment, a loss before tax of €19.1 million.

After completion, the Group will account for Property & Leisure as a joint venture under the equity method of accounting. The Group will include its share of the net assets of Property & Leisure in the consolidated statement of financial position and its share of the future profits or losses of Property & Leisure in the consolidated income statement.

Commenting on the announcement, Andrew Langford, Group Chief Executive of FBD, said:

“Today’s announcement of a proposed joint venture for our property and leisure business is a significant strategic step for the Group which will allow us to focus on the core insurance underwriting business, reduce our exposure to fluctuations in property valuations, reduce the Group’s debt and its loan guarantees and enhance the ability of Property & Leisure to realise value over time”.

ENDS

For Reference

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About FBD Holdings plc

FBD is one of Ireland's largest property and casualty insurers looking after the insurance needs of farmers, private individuals and business owners. The Group has developed complementary financial services businesses and also has hotel and leisure property interests which include four hotels in Ireland and two resorts in southern Spain. The Group was established in the 1960s.

The following details relate to FBD's ordinary shares of €0.60 each which are publicly traded:

Listing	Irish Stock Exchange	UK Listing Authority
Listing Category	Dual	Premium (Equity)
Trading Venue	Irish Stock Exchange	London Stock Exchange
Market	Main Securities Market	Main Market
ISIN	IE0003290289	IE0003290289
Ticker	EG7.IR	FBH.L

About Farmer Business Developments plc

Farmer Business Developments plc is an investment holding company. Its principal investment is in 29.7% of the voting share capital of FBD Holdings plc, in addition to which the company holds a diversified portfolio of smaller investments and cash deposits.

About FBD Property & Leisure Limited

FBD Property & Leisure Limited owns a portfolio of four Irish hotels and two Spanish resorts. The Irish Hotels are Castleknock Hotel, Dublin; Temple Bar Hotel, Dublin; Faithlegg House Hotel and Golf Course, Waterford and the Tower Hotel, Waterford.

In Spain FBD Property & Leisure Limited owns the La Cala Resort, Costa del Sol. This is an integrated development with a 107 room five star hotel with spa, golf club with three championship golf courses, golf academy and 177,000m² of land for residential development. The site includes 44 high specification residential units that are available for sale. It also owns the Sunset Beach Resort, Costa del Sol. This is a four star beachfront timeshare/aparthotel resort on the Costa Del Sol, 15 minutes from Malaga airport with 597 hotel apartments, 6 bars and restaurants, a supermarket and related facilities.

Forward Looking Statements

Some statements in this announcement are forward-looking. They represent expectations for the Group's business, and involve risks and uncertainties. These forward-looking statements are based on current expectations and projections about future events. The Group believes that current expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the Group's control, actual results or performance, may differ materially from those expressed or implied by such forward-looking statements.