



FBD Holdings plc
Interim Report

for the half year ended 30th June 2007



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Financial Highlights

For half year ended 30th June 2007

	2007	2006
	€000's	€000's
• Gross written premiums	205,445	203,996
• Net earned premiums	175,596	173,166
• Operating profit *	65,118	75,721
	Cent	Cent
• Operating earnings per share *	158.45	173.11
• Interim dividend proposed per share	27.50	24.00
• Distribution of financial reserves per share (paid)	500.00	-

* Based on a longer term rate of investment return

Interim Statement

FBD Holdings plc (“FBD” or “the Group”) reports continued solid trading in the half year ended 30th June 2007.

Results

Operating profit in the period amounted to €65.1m. (HI 2006: €75.7m.). The Group's trading businesses delivered profitable performances that were in line with overall targets. The decline in profit from HI 2006 was due to anticipated lower underwriting margins and to the small loss that arose in the non-allocated capital (i.e. equity) fund, a major portion of which had been realised early in the second quarter to part fund the distribution of €176m. of reserves to shareholders which occurred during the period (see below).

As detailed below, underwriting contributed €53.7m. to operating profit (HI 2006: €65.4m.), with the remaining €11.4m. arising from non-underwriting activities (HI 2006: €10.3m.).

Profit before tax was impacted adversely by the short-term fluctuations in investment returns, which amounted to a negative €12.5m. (HI 2006: positive €0.3m.). These fluctuations reflected the weakness in government bond markets during the period and the downturn in equity markets at 30th June 2007. After charging finance costs of €2.9m. (HI 2006: €2.2m.), profit before taxation amounted to €49.7m. (HI 2006: €157.4m. which included the profit of €83.6m. on the La Cala Tranche I land sale).

Operating earnings per share, based on longer term investment returns, amounted to 158.45 cent (HI 2006: 173.11 cent).

Insurance Underwriting

Insurance underwriting is the Group's primary business activity.

Gross written premiums (i.e. before reinsurance) amounted to €205.4m., up marginally on last year's corresponding figure of €204.0m. This outcome was achieved through volume growth which offset the effect of premium reductions. The market remained soft during the period.

Net earned premiums amounted to €175.6m. (HI 2006: €173.2m.), an increase of 1.4%.

The net claims incurred charge amounted to €122.7m. (HI 2006: €108.6m.), comprising the movement in net provisions for outstanding claims of €8.8m. (HI 2006: €13.8m.) and net claims paid of €113.9m. (HI 2006: €94.8m.). The increased claims charge, compared to HI 2006, is due to a number of factors; increased exposure resulting from the growth in policy count, weather related claim occurrences and a higher than normal incidence of severe personal injury claims in the period. Savings on provisions have continued to emerge on claim settlements, benefiting the overall claims charge. These are in line with levels experienced in recent accounting periods.

Net operating expenses amounted to €26.7m. (HI 2006: €23.0m.). The increased expenditure is attributable in large measure to the ambitious development plans we are pursuing – i.e. investment in staff, training, technology, facilities and marketing generally, and particularly in relation to our new Support Centre which commenced operations in Mullingar in February of this year.

The foregoing premium/claims/expenses figures resulted in an underwriting profit of €26.2m. (HI 2006: €41.6m.).

The net operating ratios for the period were: an underwriting loss ratio of 69.9% (FY 2006: 65%), a net expense ratio of 15.2% (FY 2006: 12.9%) and a combined ratio of 85.1% (FY 2006: 77.9%).

After crediting investment income of €27.5m. (HI 2006: €23.8m.), the operating profit from the Group's underwriting business amounted to €53.7m. (HI 2006: €65.4m.).

Non-Underwriting

Non-underwriting activities include leisure/leisure property development, financial services and the investment of non-allocated capital (i.e. capital fund). They contributed €11.4m. (HI 2006: €10.3m.) to operating profit.

Leisure and leisure property development interests, which embrace La Cala and Sunset Beach resorts in Spain and the Tower Hotel Group in Ireland, delivered operating profits of €7.4m. (HI 2006: €3.7m.). Each of these units performed ahead of budget and contributed to the increased profits compared to HI 2006.

Insurance broking (FBD Brokers), life assurance/pension broking/investment advice (FBD Life) and insurance premium instalment finance are the Group's principal non-underwriting financial services businesses. The contribution from financial services at €4.3m. (HI 2006: €2.8m.) was ahead of the corresponding period last year and in line with budget.

The capital fund incurred a loss of €0.2m. (HI 2006: profit of €3.8m.), as stated earlier. As previously mentioned, a major portion of the fund was realised for distribution as part of the €176m. payout to shareholders in HI 2007. The loss reflects the downturn in the market value of the remaining equities in the fund at 30th June 2007.

Distribution of €176m.

On 17th April 2007, the Board of FBD advised the market of its decision to distribute to shareholders financial reserves not required to pursue our ambitious growth plans. Payment, which equated to €5 per share, and totalled €176m., was made on 27th June 2007.

Balance Sheet

At 30th June 2007, total assets amounted to €1,531.6m. and equity shareholders' funds amounted to €320.7m. This compares with €1,686.6m. and €497.5m. respectively at 31st December 2006, reflecting the special distribution referred to above and the buyback of 956,923 shares at a cost of €31.1m. during the period. The adverse gilt markets in the period and the downturn in equity markets that obtained at 30th June 2007, referred to earlier, also impacted the net worth of the Group.

Interim Dividend

In light of the Group's favourable results and in keeping with the Board's stated intention of increasing the proportion of earnings distributed to shareholders, an interim dividend of 27.50 cent (HI 2006: 24.00 cent) per share has been decided on by the Directors. This equates to a 14.6% increase on the 2006 interim dividend.

The interim dividend will be paid on 28th September 2007 to shareholders on the Company's Register at the close of business on 7th September 2007. The interim dividend is subject to withholding tax (DWT) except for shareholders who are exempt from DWT and who have furnished a properly completed Exemption Claim Form to the Company's Registrar.

Interim Statement *continued*

Outlook

In the year to date, the Group has continued to achieve strong and profitable growth in its target markets and has enhanced further the development potential of its businesses. The Group expects to achieve the market's expectation** for full year operating earnings.

Underwriting

The factors that have been a feature of the Irish insurance market in recent years continue to exist. Intense price competition persists, reducing margins. The claims environment has scope for further improvement; sustained government action is vital, however, if the opportunity for accident reductions is to be realised and if lower claims delivery costs are to be achieved. Policyholders have benefited from substantial premium reductions in recent years. We agree with other insurers that further reductions can only be justified if progress on the accident/claims cost fronts is maintained.

Against this industry backdrop, we have maintained our focus on extending our customer reach based on the premise of business efficiency, sustainability, profitability and brand reputation. We have continued to succeed in this objective in the year to date, building on market share gains we have achieved in recent years. This success is made possible and underpinned by ongoing investment in our operational platform – people, technology, facilities, marketing – and by optimum cost management. These are the business pillars we continue to strengthen and recent developments, such as the establishment of the Business Support Centre in Mullingar, our technology enhancements programme, the formation of a dedicated strategic developments unit and key additions to our management team are evidence of this.

Non-Underwriting

Our non-underwriting businesses are focused on and succeeding in pursuing plans to optimise returns to shareholders. Whether it be financial services or leisure/property, profitable opportunities exist and management and staff in these units are committed to maximising them.

In relation to La Cala, and specifically the Tranche II land sale agreement entered into last year, as previously advised, receipt of payment is not expected in the current year. Following the municipal elections in Andalucia in May of this year, the indications are that matters are being advanced with greater intent by all of the parties involved in the planning process. We now look forward to the regional planning approval necessary to trigger payment of the €80m. in respect of Tranche II coming through in H1 2008.

Capital

We reiterate the Group's ongoing commitment to capital efficiency as a fundamental principle to be applied in all our businesses. Our development plans and consequent capital needs, and regulatory requirements, are primary considerations as regards capital generated by the Group. The utilisation of capital surplus to these business requirements in ways that benefit shareholders to the maximum remains a key objective. Repatriations to shareholders since March 2005 amounting to €472m. in total, in the form of distributions and share buybacks (excluding ordinary dividends), are evidence of the ongoing attention the Board gives to efficient capital management.

** An FBD survey of the forecasts of the analysts who cover the Group indicates a mean market expectation for 2007 operating earnings per share to be 321 cents per share.

Group Income Statement

For half year ended 30th June 2007

	Half Year Ended 30/06/07 (Unaudited) €000's	Half Year Ended 30/06/06 (Unaudited) €000's	Year Ended 31/12/06 (Audited) €000's
Turnover	287,982	403,286	693,926
Income			
Net premiums earned	175,596	173,166	345,959
Non underwriting operating income	11,437	10,299	33,919
Investment income – longer term rate of return	Note 2 27,523	23,773	48,054
	214,556	207,238	427,932
Expenses			
Changes in insurance liabilities net of reinsurance	(8,846)	(13,816)	(31,064)
Claims paid, net of recoveries from reinsurers	(113,931)	(94,742)	(193,648)
Other operating expenses	(26,661)	(22,959)	(44,705)
Operating profit	Note 3 65,118	75,721	158,515
Profit on sale of land at La Cala	Note 5 -	83,626	81,774
Investment income – short term fluctuation	(12,458)	318	61,350
Finance costs	(2,912)	(2,220)	(4,859)
Profit before taxation	49,748	157,445	296,780
Income tax expense	(5,048)	(34,845)	(49,948)
Profit for the period	44,700	122,600	246,832
Attributable to:			
Equity holders of the parent	44,540	122,599	246,641
Minority interest	160	1	191
	44,700	122,600	246,832
Earnings per 60c ordinary share	127.34	321.99	678.82
Diluted earnings per 60c ordinary share	126.27	318.92	671.30

Group Balance Sheet - Assets

At 30th June 2007

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FBD Holdings plc

	As at 30/06/07 (Unaudited) €000's	As at 30/06/06 (Unaudited) €000's	As at 31/12/06 (Audited) €000's
Property and equipment			
Land and buildings	214,396	199,599	213,564
Fixtures and fittings	17,307	13,759	16,815
	<u>231,703</u>	<u>213,358</u>	<u>230,379</u>
Intangible assets			
Deferred acquisition costs	15,342	13,043	13,517
Investments			
Investment property	81,291	59,916	81,181
Investments held to maturity	275,730	13,768	171,799
Investments held for trading	525,661	503,113	558,850
Deposits with banks	93,441	485,184	327,973
Available for sale investments	3,466	47,071	3,727
	<u>979,589</u>	<u>1,109,052</u>	<u>1,143,530</u>
Inventories	69,553	59,484	66,433
Loans and receivables	119,252	158,073	122,762
Reinsurers' share of technical provisions			
Provision for unearned premiums	22,988	20,347	21,953
Claims outstanding	58,156	59,147	50,600
	<u>81,144</u>	<u>79,494</u>	<u>72,553</u>
Cash and cash equivalents	35,022	37,747	37,423
Total assets	<u>1,531,605</u>	<u>1,670,251</u>	<u>1,686,597</u>

Group Balance Sheet - Liabilities

At 30th June 2007

		As at 30/06/07 (Unaudited) €000's	As at 30/06/06 (Unaudited) €000's	As at 31/12/06 (Audited) €000's
Equity				
Share capital	Note 7	21,277	21,277	21,277
Capital reserves		12,956	12,434	12,605
Revaluation reserves		27,104	41,381	27,540
Translation reserves		41	101	162
Retained earnings		259,277	375,401	435,935
Shareholders' funds – equity interests		320,655	450,594	497,519
Preference share capital		2,923	2,923	2,923
Total shareholders' funds		323,578	453,517	500,442
Minority interests		6,636	6,424	6,476
Total equity		330,214	459,941	506,918
Liabilities				
Technical provisions				
Provision for unearned premiums		200,698	196,150	197,507
Claims outstanding		751,500	725,738	734,439
		952,198	921,888	931,946
Bank and other loans		103,492	100,803	112,350
Creditors		95,512	118,570	90,841
Current tax		15,082	34,916	7,728
Deferred tax		31,520	32,077	33,227
Retirement benefit obligation		3,587	2,056	3,587
Total liabilities		1,531,605	1,670,251	1,686,597

Group Cash Flow Statement

For half year ended 30th June 2007

	Half Year Ended 30/06/07 (Unaudited) €000's	Half Year Ended 30/06/06 (Unaudited) €000's	Year Ended 31/12/06 (Audited) €000's
Operating activities			
Profit before taxation for the period	49,748	157,445	296,780
<i>Adjustments for:</i>			
Losses (gains) on investments held for trading and held to maturity	20,107	3,186	(30,128)
Depreciation of property, plant and equipment	2,608	1,978	3,525
Share-based payment expense	-	341	512
Increase in technical provisions	11,660	21,029	37,077
Increase in fair value of investment property	-	-	(4,200)
Profit on sale of land at La Cala	-	(83,626)	(81,774)
Operating cash flows before movement in working capital	<u>84,123</u>	<u>100,353</u>	<u>221,792</u>
Decrease (increase) in receivables	6,294	(31,350)	(26,261)
Increase in payables	10,954	64,418	29,326
Cash generated from operations	<u>101,371</u>	<u>133,421</u>	<u>224,857</u>
Income taxes paid	(100)	(3,458)	(44,348)
Net cash from operating activities	<u>101,271</u>	<u>129,963</u>	<u>180,509</u>
Investing activities			
Investments held for trading	12,850	(29,578)	(51,495)
Investments available for sale	261	751	13,456
Investments held to maturity	(103,699)	-	(157,976)
(Purchase) sale of lands, buildings & inventory	(10,172)	83,960	69,469
Purchase of fixtures & fittings	(3,100)	(5,248)	(7,038)
Purchase of investment property	(113)	(11,060)	(28,125)
Loans and advances	(4,610)	13,755	43,504
Deposits invested with financial institutions	234,247	(42,142)	115,069
Net cash from (used in) investing activities	<u>125,664</u>	<u>10,438</u>	<u>(3,136)</u>
Financing activities			
Dividends paid	(15,967)	(14,446)	(77,672)
Repurchase of shares	(31,134)	(129,212)	(129,213)
Proceeds of re-issue of ordinary shares	1,730	414	5,432
Return of capital	(175,996)	-	-
(Decrease) increase in bank loans	(7,848)	(973)	19,879
Net cash used in financing activities	<u>(229,215)</u>	<u>(144,217)</u>	<u>(181,574)</u>
Net decrease in cash and cash equivalents	(2,280)	(3,816)	(4,201)
Cash and cash equivalents at the beginning of the period	37,423	41,897	41,897
Effect of foreign exchange rate changes	(121)	(334)	(273)
Cash and cash equivalents at the end of the period	<u>35,022</u>	<u>37,747</u>	<u>37,423</u>

Group Statement of Recognised Income and Expense

For half year ended 30th June 2007

	Half Year Ended 30/06/07 (Unaudited) €000's	Half Year Ended 30/06/06 (Unaudited) €000's	Year Ended 31/12/06 (Audited) €000's
Income recognised directly in equity			
Gain on available for sale investments	-	531	806
Deferred tax on insurance contracts	-	1,261	-
Revaluation of owner occupied property	-	-	8,476
Actuarial loss	-	-	(3,869)
Taxation on income/expense recognised directly in equity	-	(66)	(2,400)
Net income recognised directly in equity	-	1,726	3,013
Transfers			
Transfers to income statement on sale of available for sale investments	-	(6,856)	(30,913)
Transfer to income statement on sale of land and buildings	(434)	-	-
Taxation on transfers to income statement	87	857	3,865
	(347)	(5,999)	(27,048)
Profit after taxation	44,700	122,600	246,832
Total recognised income and expense	44,353	118,327	222,797
Attributable to:			
Equity holders of the parent	44,353	118,327	222,744
Minority interest	-	-	53
	44,353	118,327	222,797

Supplementary Information

For half year ended 30th June 2007

Note 1 Accounting policies

The accounting policies used by the Group to prepare the interim financial statements for the six month period ended 30th June 2007 are the same as those used to prepare the annual financial statements for the year ended 31st December 2006.

Note 2 Investment income – Longer term rate of return

The rates of investment return underlying the calculation of the longer term investment return are set out below. These rates are reviewed annually and reflect both historical experience and the directors' current expectations for investment returns.

	Half Year Ended 30/06/07 (Unaudited) %	Half Year Ended 30/06/06 (Unaudited) %	Year Ended 31/12/06 (Audited) %
Government gilts - held for trading	4.00	3.50	3.50
- held to maturity	Actual Rates	Actual Rates	Actual Rates
Quoted shares	7.50	7.00	7.00
Deposits with banks	3.63	2.75	2.75
Investment properties held for rental	6.00	6.00	6.00

Note 3 Operating profit by activity

	Half Year Ended 30/06/07 (Unaudited) €000's	Half Year Ended 30/06/06 (Unaudited) €000's	Year Ended 31/12/06 (Audited) €000's
Underwriting	53,681	65,422	124,596
Non-Underwriting	11,437	10,299	33,919
	<u>65,118</u>	<u>75,721</u>	<u>158,515</u>

Supplementary Information

For half year ended 30th June 2007 (continued)

Note 3 Operating profit by activity (continued)

	Half Year Ended 30/06/07 (Unaudited) €000's	Half Year Ended 30/06/06 (Unaudited) €000's	Year Ended 31/12/06 (Audited) €000's
Non-Underwriting profit is analysed as follows:			
Leisure and leisure property development	7,397	3,728	9,673
Financial Services/Other	4,267	2,740	4,628
Capital fund	(227)	3,831	19,618
	11,437	10,299	33,919

Note 4 Underwriting result

	Half Year Ended 30/06/07 (Unaudited) €000's	Half Year Ended 30/06/06 (Unaudited) €000's	Year Ended 31/12/06 (Audited) €000's
Gross written premiums	205,455	203,996	407,256
Net earned premiums	175,596	173,166	345,959
Net claims incurred	(122,777)	(108,558)	(224,712)
Net operating expenses	(26,661)	(22,959)	(44,705)
Underwriting result	26,158	41,649	76,542

Note 5 Profit on sale of land at La Cala

On 23rd February 2006, Ranchos Reunidos S.A., a 100% subsidiary of the Group, entered into a conditional agreement to sell a major portion of the building development land which it owned at La Cala Resort, Mijas, Costa del Sol, Spain, for a total consideration of €201,000,000. The consideration was constituted in two parts, apportioned between two tranches of land.

On 22nd June 2006, the initial consideration payment of €100,000,000 arising on the Tranche I land was received. The remainder of the Tranche I consideration, amounting to €21,000,000 was received on 30th June 2007. The Group recognised a profit of €81,774,000 on the sale of the Tranche I development land in the year to 31st December 2006.

The consideration, amounting to €80,000,000, for the Tranche II land, becomes payable at a later date, contingent on receipt of final planning approval from the Spanish Regional Planning Authority.

Note 6 Dividends

	Half Year Ended 30/06/07 (Unaudited) €000's	Half Year Ended 30/06/06 (Unaudited) €000's	Year Ended 31/12/06 (Audited) €000's
Paid in Period:			
2006 Interim dividend of 24.00c per share on ordinary shares of 60c each	-	-	8,247
2006 Final dividend of 45.00c (2005: 37.50c) per share on ordinary shares of 60c each	15,798	14,277	14,277
Dividend of 8.4c per share on 14% non-cumulative preference shares of 60c each	-	-	-
2006 Dividend of 4.8c (2005: 4.8c) per share on 8% non-cumulative preference shares of 60c each	169	169	169
Special dividend of nil (2006: 160c) per share on ordinary shares of 60c each	-	-	54,979
	15,967	14,446	77,672
Proposed:			
2006 dividend of 8.4c per share on 14% non-cumulative preference shares of 60c each	113	-	113
2006 Dividend of 4.8c per share on 8% non-cumulative preference shares of 60c each	-	-	169
2006 Final dividend of 45.00c per share on ordinary shares of 60c each	-	-	15,714
2007 Interim dividend of 27.5c (2006: 24.00c) per share on ordinary shares of 60c each	9,394	8,247	-
Special dividend of nil (2006: 160c) per share on ordinary shares of 60c each	-	54,979	-
	9,507	63,226	15,996

Supplementary Information

For half year ended 30th June 2007 (continued)

Note 7 Ordinary share capital

	Half Year Ended 30/06/07 (Unaudited) Number	Half Year Ended 30/06/06 (Unaudited) €000's	Year Ended 31/12/06 (Audited) €000's
Authorised:			
At beginning and end of period/year:			
Ordinary shares of 60c each	51,326,000	30,796	30,796
Issued and fully paid:			
At beginning of period/year	35,461,206	21,277	23,557
Cancellation of shares	-	-	(2,280)
At end of period/year	35,461,206	21,277	21,277

The total number of shares held as treasury shares at 30th June 2007 was 1,296,730.

Notes

Notes



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