

FBD Holdings plc
Interim Management Statement
11 November 2014

FBD Holdings plc ("FBD" or the "Group") is issuing the following Interim Management Statement covering the third quarter of 2014 and the period up to the date of this statement. Although the frequency of attritional bodily injury claims relating to car insurance was in line with expectation, in other respects the claims environment in recent months has been far more challenging than expected. As a result, the Group is guiding a full year 2014 operating loss per share of zero to ten cent, excluding any exceptional events that may arise.

Underwriting

In the first nine months of the year, the Irish insurance market grew for the first time since 2003 as the industry began to benefit from recent growth in economic activity and hardening car insurance rates. FBD's gross premium written to the date of this statement was ahead of the previous year by approximately 4%, marginally increasing the Group's share of the insurance market.

In the second half of 2014 to date, FBD's premium growth was entirely rate led. This reflects FBD's prudent approach to volume growth in a recovering economy that has seen an increase in the frequency of motor claims. In this context, FBD has prioritised underwriting discipline and profitability over market share growth. In the first half of 2014 gross premium written increased 5.1% comprising volume growth of 2.0% and an increase of 3.1% in average premium. The emphasis was moved to rate led growth so that in the year to October gross premium written was up 4.1% with volume 0.6% lower and average premium 4.7% higher.

In the second half to date, the frequency of attritional bodily injury claims relating to car insurance was in line with expectation. FBD has taken the rating and underwriting actions necessary to compensate for the increased frequency of claims associated with economic recovery.

However, in the second half to date, the development pattern on a small number of prior year medium-sized injury claims (cost between €0.2m and €1m net of reinsurance) has been significantly higher than normally expected. This adverse development related to accidents that occurred in 2011 and 2012 and was due to factors such as the deterioration in claimants' medical conditions or an increase in the probability of liability. Following a detailed review, there is no reason to believe that this development is systemic or that the experience will recur in future periods. To reflect this exceptional development pattern, FBD has updated its reserving and rating models and taken a charge to current year earnings to ensure that a consistent level of prudence is maintained in claims reserves. The combined cost of the adverse development and maintenance of the reserve level results in a charge of €13m. The Group has enjoyed a positive run-off for the last ten years and continues to anticipate a positive claims run off in 2014, albeit at a lower level than previous years. This reflects FBD's prudent approach in providing for claims. While some rating action remains to be implemented in the short term, it will not be significant.

In addition, the Group has experienced an increase in large claims costs due to a very small number of very large accident and liability claims (cost greater than €1m net of reinsurance). Such large claims, which can be very volatile especially over a short period and were in line with expectation in the first half, cost €7m more than expected in the four months to October. By their nature, these large claims can be expected to revert to norm over a period.

In 2014, FBD's customers and the Group's profitability have been impacted by severe weather, an increase in frequency associated with economic growth, poor large claims experience and adverse development of prior year injury claims. However, the growth in economic activity will have a very positive effect on FBD in the medium term, particularly given the Group's track record of outperforming the market. While the adverse events have had a short term impact on profitability in 2014 and part of 2015, FBD has taken appropriate rating and underwriting actions to date, and continues to monitor trends to ensure that risks are adequately priced.

Expenses and longer-term investment return were both in line with expectations. Actual investment return was better than expected, with an annualised return of 2.7% year to date.

FBD Insurance continues to maintain a strong capital base of 69% of net premium earned (or 348% of minimum solvency margin) and the reserving ratio has increased from 241% at 30 June 2014 to 248% at 30 September 2014. FBD's priority is to ensure that its claims reserves are more than adequate to meet customers' claims at all times.

Non-Underwriting

While the operating environment for the Group's pensions and investment consulting business remains challenging, FBD's financial services businesses are broadly in line with expectation. The trading performance of the property and leisure joint venture is ahead of 2013, with strong operating results, particularly in Ireland.

Balance Sheet

The Group's financial position remains robust. Term deposits and fixed interest securities represent 90% of insurance company investment assets, higher than the 86% at year-end as the Group has reduced its equity position. The average term of investment assets remains shorter than that of the technical reserves, with more term deposits and less fixed interest securities than the Group's strategic investment allocation. The Group is satisfied that this short term tactical asset allocation continues to be appropriate as it minimises volatility and positions the Group well for the anticipated medium term rise in market interest rates.

Outlook

The Group continues to invest in people and technology to develop platforms for future growth and intends to continue delivering products and services that matter to its farming and direct business customers and to expand at opportune times in the market's cycle. FBD is committed to achieving profitable growth by taking appropriate action to deliver the required return.

FBD has a track record of delivering superior returns to shareholders. The nature of the insurance business is that earnings will be influenced from time to time by volatility in claims costs and the fact that the industry is inherently cyclical. The Board is confident that FBD is well positioned to outperform the market and deliver strong returns for shareholders. As a result, the Board's progressive dividend policy remains unchanged.

Given the unprecedented volatility in claims costs in recent months, the Group is reducing the forecast result for the final quarter of the year by €10m. As a result, the Group is guiding full-year 2014 operating loss per share of zero to ten cent, excluding any exceptional events that may arise.

About FBD Holdings plc

The Group was established in the 1960s and is one of Ireland's largest property and casualty insurers looking after the insurance needs of farmers, private individuals and business owners.

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.

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	Premium	Premium (Equity)
Trading Venue	Irish Stock Exchange	London Stock Exchange
Market	Main Securities Market	Main Market
ISIN	IE0003290289	IE0003290289
Ticker	FBD.I or EG7.IR	FBH.L

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