

**FBD HOLDINGS PLC**  
**Interim Management Statement**  
**18 November 2011**

FBD Holdings plc ('FBD' or the 'Group') issues the following Interim Management Statement covering the period from 1 July 2011 to date, in accordance with the reporting requirements of the EU Transparency Directive.

**Business Overview**

FBD has continued to deliver an excellent performance despite the continuing challenges faced by both the Irish economy and the insurance industry. The Group has built on its robust first half performance to deliver strong operating earnings\* and profit after taxation to date in the second half of 2011. It has traded ahead of market guidance, primarily due to an improved loss ratio in the underwriting business.

**Underwriting**

The trend in gross premiums written has improved in the second half of 2011 to date and, based on this, FBD expects to deliver second half premium income levels in line with the corresponding period of 2010. In the same period, FBD has increased policy volume, the first such increase since the second half of 2008. The average rate is ahead of the same period of 2010. However, in line with economic activity in Ireland, insurable risk and values have continued to reduce, offsetting the benefit of both the rate and the volume increases.

Multi-channel distribution, which is a critical element of FBD's development strategy, continues to develop – in particular the success of the local office network in developing farming business and the growth of No Nonsense through web and phone. FBD has achieved greater penetration of key urban areas, particularly through NoNonsense.ie and FBD.ie, which have continued to attract a growing number of customers from their respective target markets. The initiative to develop broker business is progressing well despite increased competition in the business insurance sector, particularly for larger risks. FBD remains committed to sustainable growth and has foregone targeted policy growth in business insurance rather than compromise underwriting discipline.

The claims environment in the second half of 2011 to date has been comparatively benign. There has been a continuing improvement in the frequency of both property and motor claims and FBD's large claims experience, net of reinsurance, has been better than expected. Successful underwriting and claims management initiatives, the benefit of rate increases, reduced road usage and improved safety and enforcement have combined to deliver an improved loss ratio.

The October flooding, primarily in Dublin, has been estimated to cost the Irish insurance industry in the region of €125m to €150m. The cost to FBD is not expected to exceed €6m, net of reinsurance, well below its market share. Industry property insurance rates are likely to increase as a result of the flood event.

The Group continues to focus on efficiency and productivity improvements to maintain FBD's competitive cost structure.

As a result of the volatility of global investment markets, the Board anticipates that market investment returns are unlikely to revert to historic norms for the next two or three years. Insurers will require sustainable profits from core underwriting activities to generate adequate returns for shareholders.

## **Non-Underwriting**

Following the approval of shareholders, the Group has completed the establishment of a joint venture with Farmer Business Developments plc to share management and ownership of the Group's Irish and Spanish hotel, golf and property development businesses. This will enable the Group to focus resources on its core underwriting business, while reducing the Group's exposure to fluctuations in property valuations and reducing both the Group's debt and loan guarantees. At the same time, the Group's property and leisure businesses have been provided with a robust financial structure and solid foundations to realise value over the medium term.

In very challenging market conditions, the property and leisure businesses in Ireland and Spain delivered an improved performance up to the point at which the joint venture was established. In part this was due to the Irish hotel operation, where an increase in foreign visitor numbers generated improved yield and occupancy. Following the establishment of the joint venture, the Property & Leisure business will no longer be included in Group operating results. Instead, FBD's share of the result will be included on a single line within profit before taxation.

FBD's financial services businesses delivered further solid performances in difficult market conditions and have proactively managed their cost structures to reflect the economic environment.

## **Financial Position**

The Group continues to have a strong capital base and balance sheet and a prudent reserving strategy. The robust reserving position has been maintained and the solvency ratio has further strengthened. Given the volatility of global investment markets, FBD Insurance continues to maintain a low-risk investment allocation, prioritising capital preservation over rate of return. Only 11% of investment assets are in real assets at the date of this report, down from 12% at 30 June 2011. The Board is committed to maintaining strong solvency and liquidity margins.

## **Guidance**

FBD Insurance will focus on profitable and sustainable growth, maintaining underwriting discipline and constantly evolving its business to reflect customers' needs. The programme to increase penetration of key urban markets, in particular Dublin will continue. Further opportunities to maintain FBD's cost advantage will be identified and implemented. The Group is well positioned to deliver profitable growth and superior returns to shareholders in the future.

Unless exceptional claims events arise during the remainder of the year, the Board is confident that, as a result of the excellent performance of the core underwriting business, the Group will deliver full year 2011 operating earnings per share of 155 to 165 cent, an increase of 10 cent on previous guidance.

\*Operating earnings per share is based on longer term rates of return.

## **For Reference**

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**About FBD Holdings plc (“FBD”)**

FBD is one of Ireland’s largest property and casualty insurers looking after the insurance needs of farmers, private individuals and business owners.

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

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

**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.

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