



## **FBD Holdings PLC Interim Management Statement**

FBD Holdings plc ('FBD' or the 'Group') issues the following Interim Management Statement covering the period from 1 July 2010 to date, in accordance with the reporting requirements of the EU Transparency Directive.

### **Business Overview**

In a difficult market environment, FBD has maintained its solid trading performance and delivered strong operating profits to date in the second half of 2010. It is encouraging that the Group has traded ahead of the prior year and modestly ahead of market expectations, primarily as a result of improved underwriting performance in recent months.

### **Underwriting**

Premium rates have continued to harden in the Irish insurance market, particularly for home and business insurance. Policy volumes in the second half of 2010 to date are level with the previous year, reversing the trend of contraction in previous periods. In line with economic activity in Ireland, insurable risk and values have continued to reduce. Year to date, FBD's gross written premium is marginally up on last year, while sectoral indicators suggest a further minor reduction in industry premium income.

Despite understandable consumer sensitivity to higher premiums, rate increases have been necessary to provide the industry with an adequate return on capital, particularly in light of the unprecedented severe weather claims as a result of the flooding and freezes last winter.

In response to changing consumer behaviour, FBD's multi-channel distribution strategy has continued to develop – in particular the success of the local office network in developing farming business and the growth of No Nonsense. Greater penetration of key urban areas, in particular Dublin, has also been achieved.

The Group is encouraged by the introduction of a nationwide network of speed cameras this week. Successful underwriting and claims management initiatives have resulted in improved non weather-related property claims frequency and contributed to an improvement in the motor vehicle claims ratio. As a result, and combined with the benefit of rate increases, the Group's loss ratio in the second half of 2010 to date is modestly ahead of previous guidance.

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



## **Non-Underwriting**

In very challenging market conditions, FBD's property and leisure businesses in Ireland and Spain have delivered operating profits and cash flows in the second half of 2010 to date. Over-supply in the marketplace is the key challenge facing the property and leisure businesses in Ireland and market capacity needs to reduce to match falling customer demand. Sunset Beach resort performed particularly strongly and sales of units in La Cala continue to be ahead of expectations. New marketing and sales initiatives and operational cost efficiencies continue to be identified and implemented.

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. Both the solvency ratio and the reserving position have further strengthened year to date. The Board is committed to maintaining strong solvency and liquidity margins.

The Group's property assets were independently valued by professional external valuers at 30 June 2010 and the results incorporated into the 2010 Half Yearly Report. A similar valuation process will be undertaken at 31 December 2010. The Board believes that as a result of the impairment charges recognised to date and the de-risking of the investment book, the potential for further downside has been greatly reduced and relates predominantly to Irish property and secured loans.

## **Outlook**

Unless exceptional claims events arise during the remainder of the year, the Board is confident that, as a result of the improvement in underwriting performance, the Group will deliver full year 2010 operating earnings per share of 105 to 110 cent per ordinary share.

FBD Insurance will focus on profitable growth, maintaining underwriting discipline and constantly evolving its business to reflect customers' needs. In our insurance business we will continue to implement our programme to increase penetration of key urban markets, in particular Dublin. Further opportunities to maintain cost advantage will be identified and implemented.

The Group expects to deliver operating profits in both its underwriting and non-underwriting businesses in 2010 and is confident that it is well positioned to deliver profitable growth and superior returns to shareholders in the future.



## **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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