



FBD Holdings plc

2011 Interim Results & Proposed Joint Venture

August 2011

Our Policy is You

Forward Looking Statements

This presentation contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements. Such forward-looking information involves risks and uncertainties that could affect expected results.

Financial/Operational

- Operating profit rise 154% to €28.7m
- COR 92.8% - from 105.2%
- Improvement in loss ratio to 68.9%
- Operating EPS of 75.7c
- PBT turnaround of €28.4m
- Strong balance sheet
- Solvency at 60.4% of NEP
- Interim dividend increased to 11.25c
- NAV increased to 582c per share
- Guidance increased 10% to 145c -155c

Property & Leisure JV

- Conditional agreement reached
- Related party transaction
- Strategic rationale:
 - Focus on core underwriting
 - Reduced exposure to property valuation fluctuations
 - Operating profit will only reflect core business
 - Reduction in debt and guarantees
 - Enhance the ability of PLL to realise value over time
- EPS enhancing and small NAV increase

Excellent results and significant strategic step forward

Introduction: The transaction

Subject to the approval of shareholders, FBD and Farmer Business Developments ('Developments') will enter a JV to share management and ownership of the Group's property and leisure assets ('PLL').

Transaction summary

- FBD and Developments will enter a JV to share management and ownership of PLL, initially on a 50/50 basis
- Existing €60m loan from Developments to PLL will be replaced with irredeemable loan notes, convertible into €52.5m of equity in PLL and €7.5m of long-term debt.
- FBD loans to PLL of €62.6m replaced by similar convertible loan notes
- The loan notes will not convert into equity in PLL until between the fifth and tenth anniversaries
- On conversion, FBD will own between 25% - 50% of PLL, depending on property values at that time

2011

2016

2021

Post Transaction

Between 2016-2021: Conversion event

Marginally EPS enhancing (both basic and diluted) and small increase in NAV per share

Strategic review of FBD's property and leisure interests resulted in a decision to focus on core insurance underwriting business and separate assets of PLL into 50/50 JV with Developments.

Strategic rationale for transaction

- Group will be able to focus on core insurance underwriting business
 - Reduced exposure to property valuation fluctuations
 - Group operating profit will only reflect the core insurance underwriting business
 - Group debt and guarantee of PLL debt will be reduced.
 - Enhance the ability of PLL to realise value over time
- FBD reduces downside risk if property values significantly weaker and foregoes some upside if values significantly higher
 - Ultimate disposal of these assets will not be influenced by short term factors, allowing time for property and banking markets to recover.

2011



2016



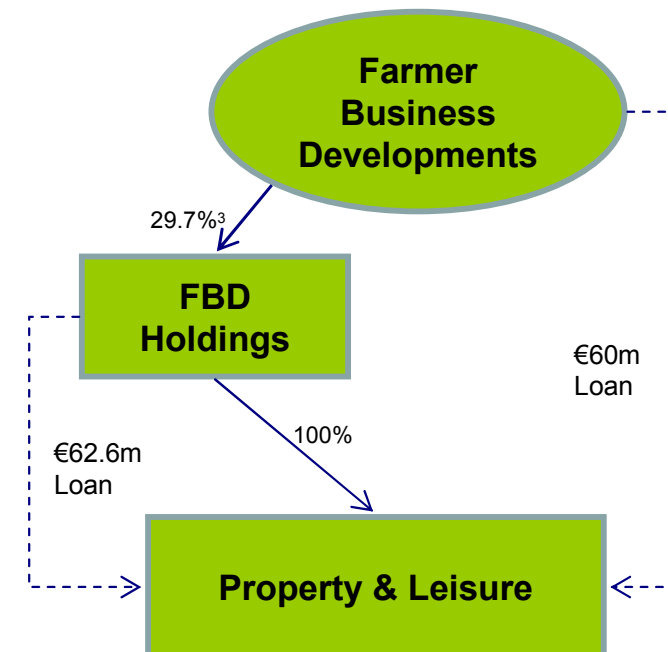
2021

FBD Post Transaction

Between 2016-2021: Conversion Event

PLL Balance Sheet at 30 June 2011			
Assets	€m	Liabilities	€m
Hotels & golf resorts	120	Bank debt	57 ²
Inventory ¹	41	Developments' loan	60 ²
Cash	11	FBD intercompany loan	63
Other	8	Shareholders' funds	-
	180		180

Current position



1 Excludes €22m uplift on La Cala development land

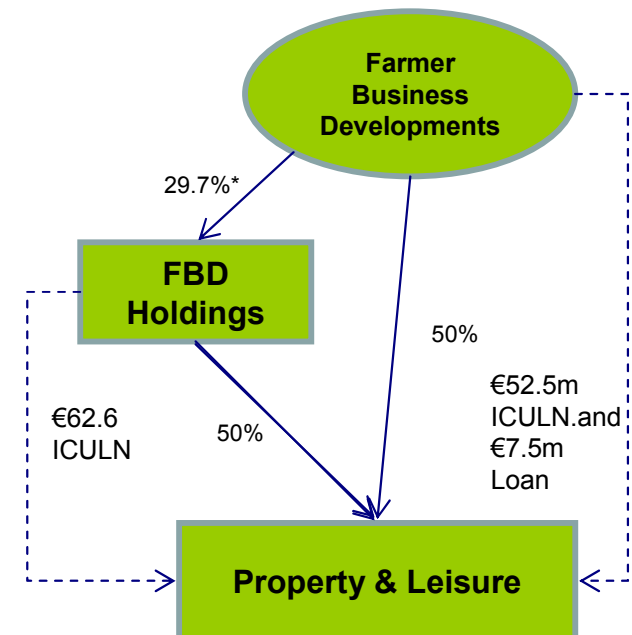
2 FBD guarantees €32m of bank debt and the €60m loan from Developments

3 29.7% of voting rights

Proposed transaction – creating a solid funding structure

Property & Leisure Funding	Current	Pro-forma
	€m	€m
Debt		
Bank debt	57	57
Developments' loan	60	7
FBD – Intercompany loan	63	-
	<hr/>	<hr/>
	180	64
Equity		
ICULN	-	116
	<hr/>	<hr/>
	180	180

Post transaction



- The existing €60m loan from Farmer Business Developments will be replaced with €52.5m of Irredeemable Convertible Unsecured Loan Notes (“A-ICULN”) and €7.5m of long term debt. FBD’s inter-company loan will be converted into similar but subordinated ICULN (“B-ICULN”).
- In total, €123m of short-term debt facilities will be replaced with longer-term financing
- FBD’s guarantees will reduce from €93m to €40m

Proposed transaction – strengthening FBD’s balance sheet



Below is the 30 June 2011 FBD consolidated balance sheet and a pro-forma estimated balance sheet assuming the transaction took place on that date

Assets	Actual €m	Pro-Forma €m	Change €m
Underwriting investment assets	791	791	-
Other assets	214	214	-
Property & Leisure assets			
Hotel and golf resorts	120	-	(120)
Inventory	41	-	(41)
Deposits and cash	11	-	(11)
Other assets	7	-	(7)
Share of net assets in JV	-	46	46
	<u>1,184</u>	<u>1,051</u>	<u>(133)</u>

Liabilities	Actual €m	Pro-Forma €m	Change €m
Technical provisions	798	798	-
Deferred tax	12	12	-
Creditors	60	43	(17)
Bank debt	117	-	(117)
Minority and preference	5	3	(2)
Equity			
Shareholders’ funds	192	195	3
	<u>1,184</u>	<u>1,051</u>	<u>(133)</u>

- Property and Leisure included in current balance sheet at €43m
- FBD’s share of the net assets of PLL will be included in a single line on the balance sheet (€46m above)
- FBD’s investment in the joint venture will represent 4% of its assets.
- The impact on Net Asset Value per share is 9 cent positive
- FBD’s share of the future results of PLL will be included in a single line of the income statement
- Marginally EPS enhancing (both basic and diluted)

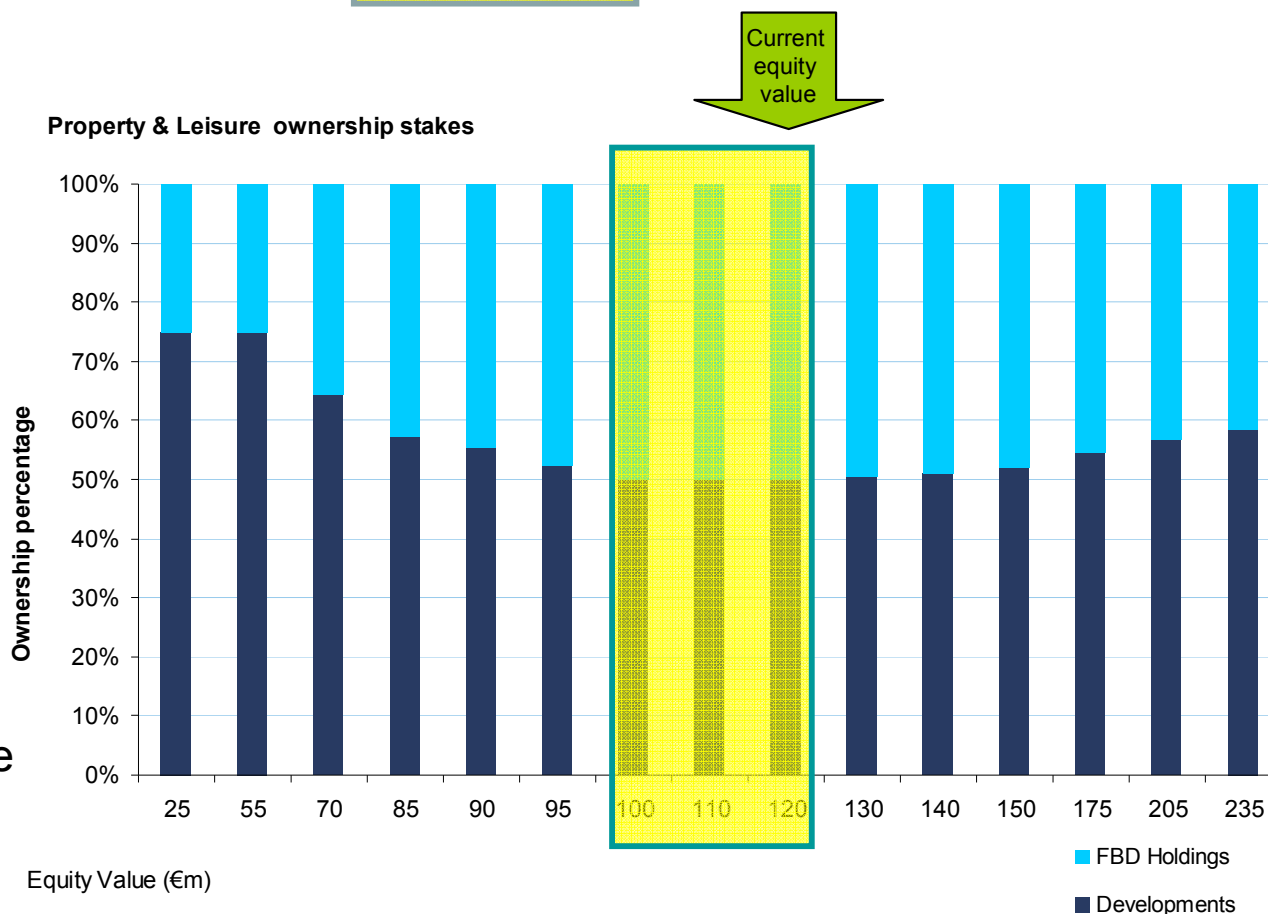
Proposed transaction – at conversion



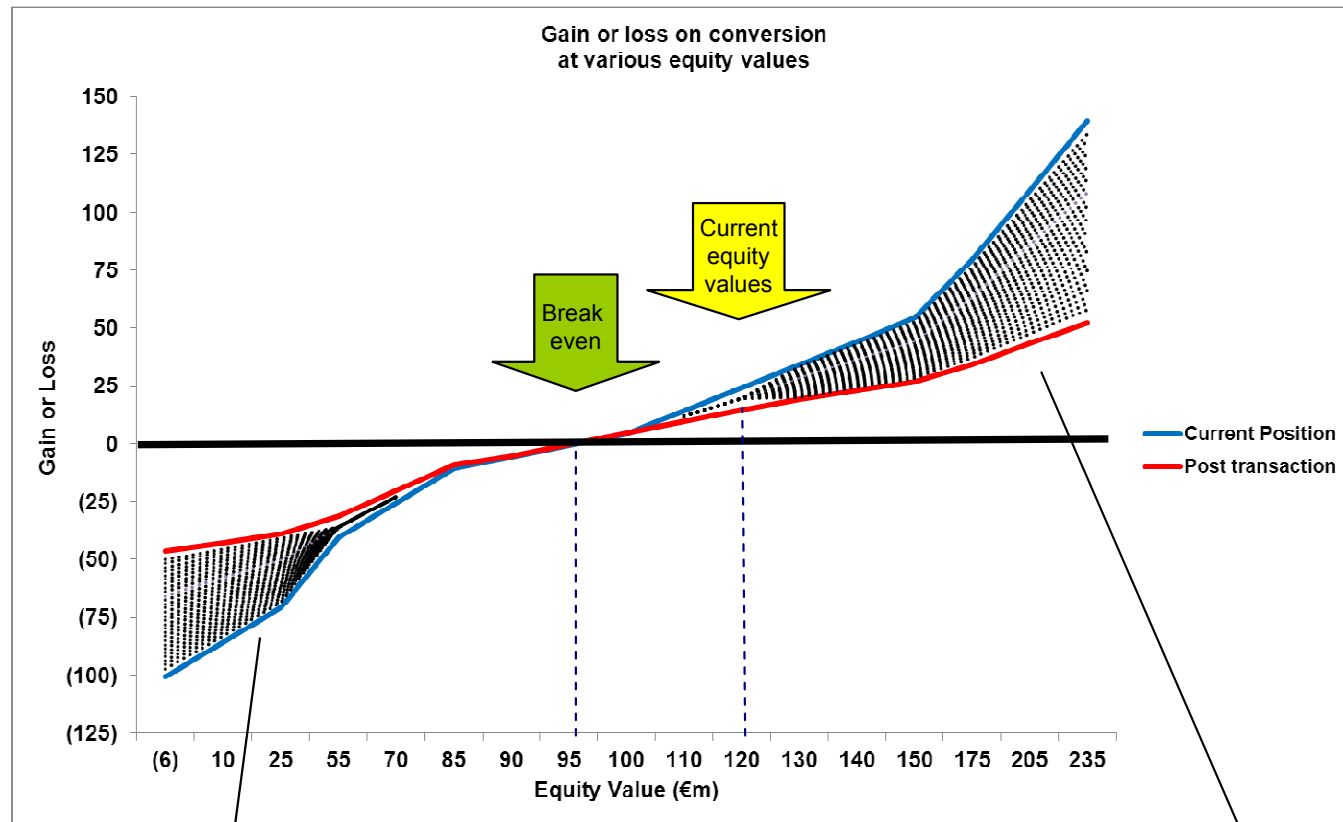
Conversion of the ICULN into equity will not take place until between the fifth and tenth anniversaries of completion on agreement of both parties.

Equity Value (€m)	Central band														
	25	55	70	85	90	95	100	110	120	130	140	150	175	205	235
Developments' stake	75%	75%	64%	57%	56%	53%	50%	50%	50%	50%	51%	52%	55%	57%	59%
Holdings' stake	25%	25%	36%	43%	44%	47%	50%	50%	50%	50%	49%	48%	45%	43%	41%

- Developments' stake increases as valuation moves above or below central band **at conversion**
- Downside protection for Developments
- Developments' stake capped at 75%
- For valuations above €120m, a ratchet increases Developments' stake
- Equity value will be market value of PLL assets including the uplift on the La Cala development land less external net debt at conversion



Impact of changes in valuation at conversion



Downside reduced for FBD if property values significantly weaker at conversion

Some upside foregone if values significantly higher at conversion

Does transaction achieve objectives?

Achieved ?

Group will be able to focus on core insurance underwriting business



Shareholder exposure to property valuation fluctuations will be significantly reduced



Group operating profit will only reflect the core insurance underwriting business



Group debt and guarantee of PLL debt will be reduced.



Enhance the ability of PLL to realise value over time



- **Proposed transaction is subject to approval by FBD Shareholders because Developments is a related party**
- **The Board considers the transaction to be fair and reasonable, delivers value and is the best interest of all FBD's shareholders**
- **The board unanimously recommends that shareholders vote in favour of the resolution**

Financial/Operational

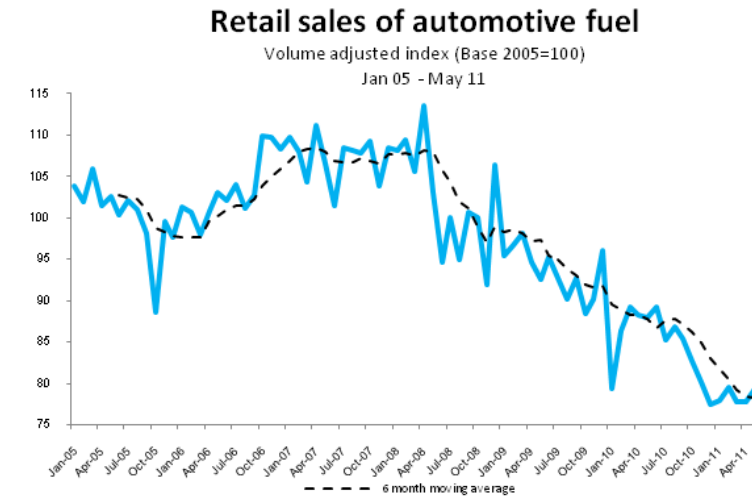
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Excellent results and significant strategic step forward

Performance in a market context

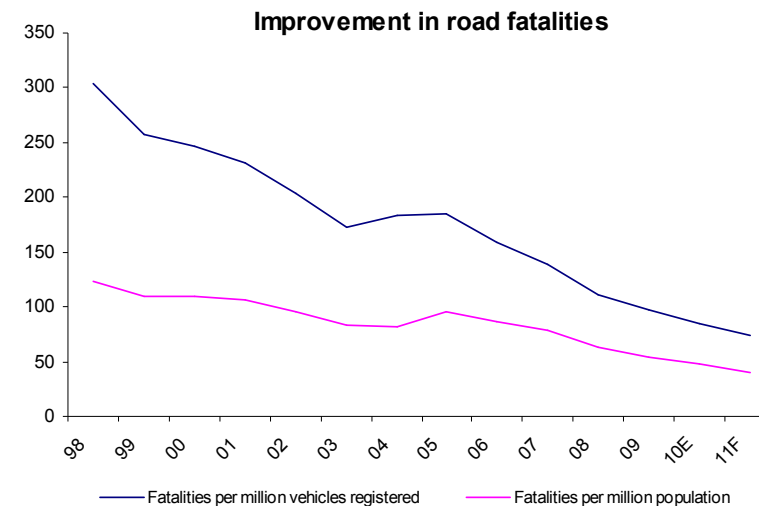
Economy

- | | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011f</u> |
|-----------------|-------------|-------------|-------------|--------------|
| GNP | (2.8%) | (9.8%) | 0.3% | (1.0%) |
| Domestic demand | (4.6%) | (11.4%) | (5.8%) | (3.6%) |
- Unemployment 14.3% in July
- Economic contraction continues, but potential for positive GNP/GDP in 2012



Insurance Industry

- Premium rates continue to harden
- Volumes and values continue to decline in line with economic activity
- Pace of decline reducing, particularly in motor
- Claims frequency improving
- Differences between insurance and economic cycle
- Fall in long-term investment returns - a “new norm” for premium pricing is required

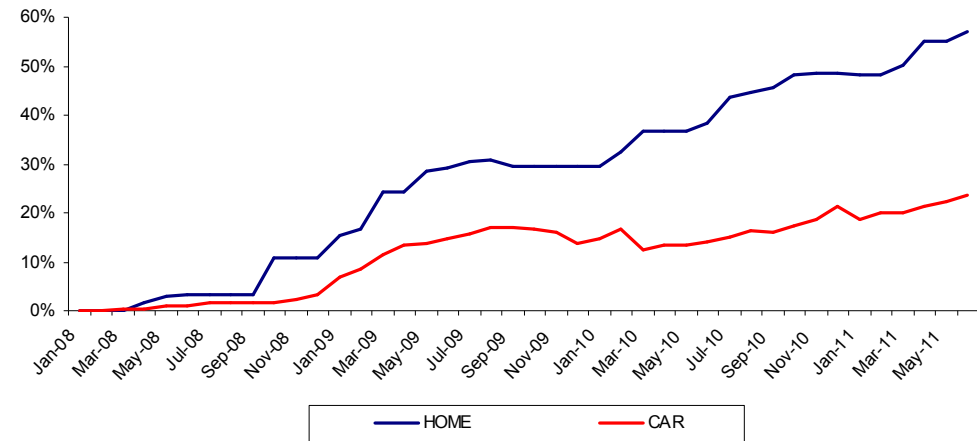


Insurance market contraction continues but at a slower pace

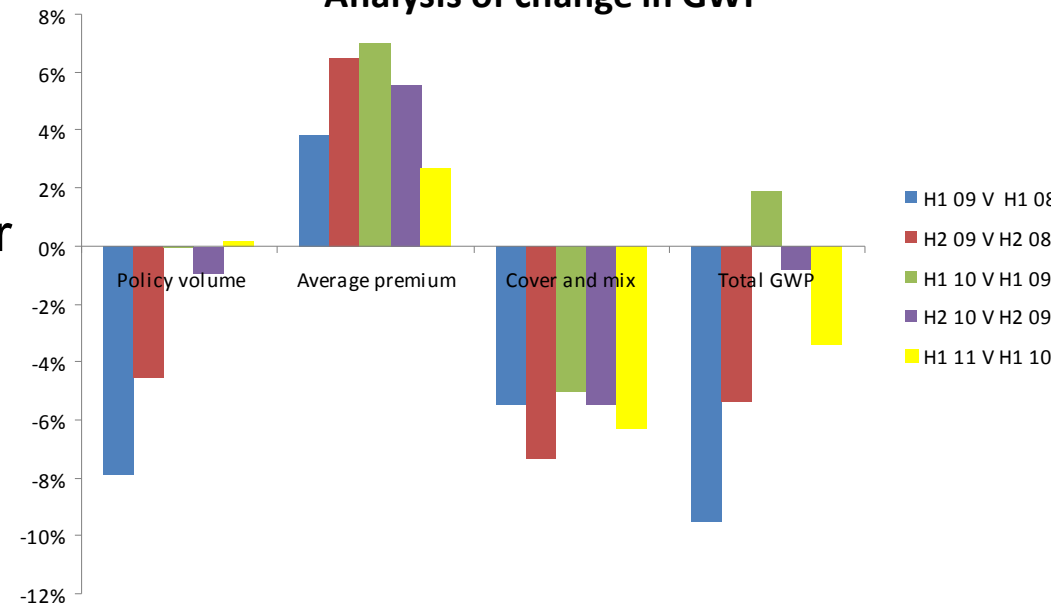
2011 Interim Results – Underwriting

- Gross written premium down 3.1%
- Net earned premium flat
- FBD in line with, or slightly ahead of, market
- Policy volume maintained
- Benefitted from relative strength of agri-sector
- Reductions in cover and mix offset rate increases
- Values decline continues but trend improving
- Competition for business and motor insurance intense
- Improved retention and conversion rates
- Change in FBD mix – more motor and less property

CPI Cumulative % Change
Jan 08 to Jun 11



Analysis of change in GWP



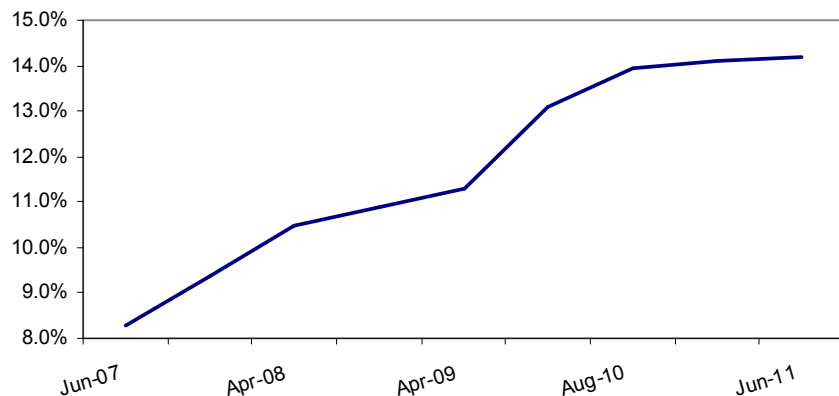
1. Protect & Grow Farm

- Growth in farms insured
- Sales office network focused on win back of key accounts

2. Dublin market penetration

- Progress in Dublin and other urban areas
- 14.2% of GWP now coming from Dublin
- Dublin market share 5%

Dublin % of Total Premium



3. Business insurance and broker initiatives

- Competition in larger business risks intense
- Reduction in values most prevalent
- FBD foregoing policy growth when appropriate

4. Car & Home growth opportunities

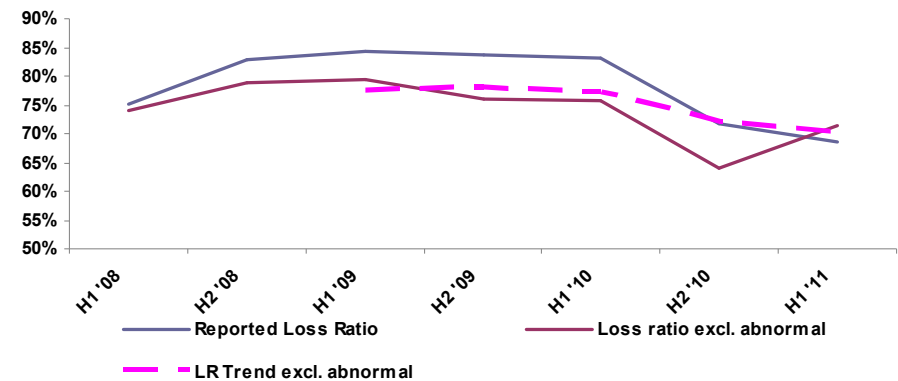
- No Nonsense policy count +75% on 1H 2010
- 30% of FBD customers from all channels choose to renew online

Claims Trends

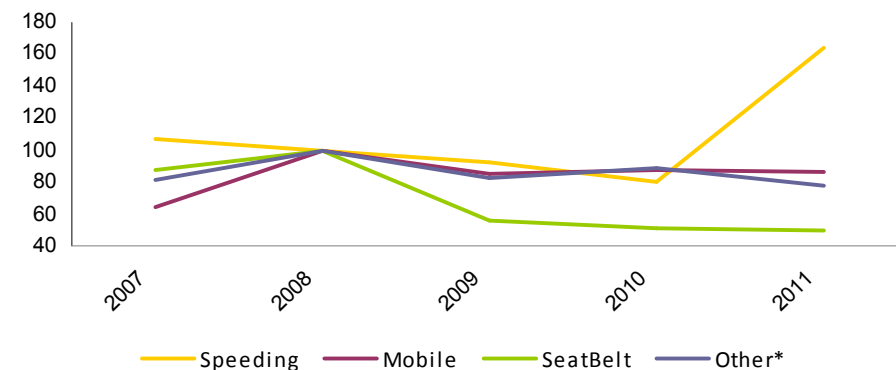
- Reported loss ratio reduced from 83.2% to 68.9%
- Freezing conditions in January 11 cost €2.5m, net of reinsurance compared to €12m in 2010
- Reduction in property and motor claims frequency and severity – improved risk selection and road safety, and reduced economic activity
- Trend in loss ratio excluding abnormal events* remains positive
- Continued innovation in technology, organisation and process to improve settlement costs

* Abnormal events refer to deviations from average large and average weather claims experience

Loss Ratio Trend
– reported and excluding abnormal events



Driving offences - Base of 100 in 2008
YOY Comparison Jan - Apr)

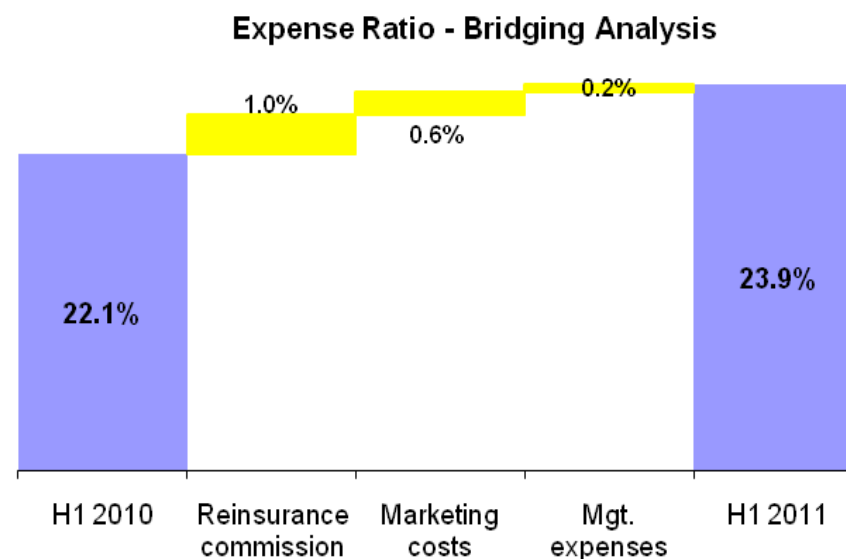


Loss ratio trend remains positive

Cost structure

- Fall in re-insurance commissions due to increase in risk retention
- Investment in marketing increased reflecting the competitive market
- Finalised agreement with employees
 - Changes in terms and conditions and work practices
 - To secure and enhance cost competitiveness
 - To enable profitable growth

Underwriting expenses	H1 11	H1 10
	€m	€m
Management expenses	39.7	38.6
Reinsurance commissions receivable	(5.4)	(7.0)
Broker commissions payable	1.5	1.4
	35.8	33.0

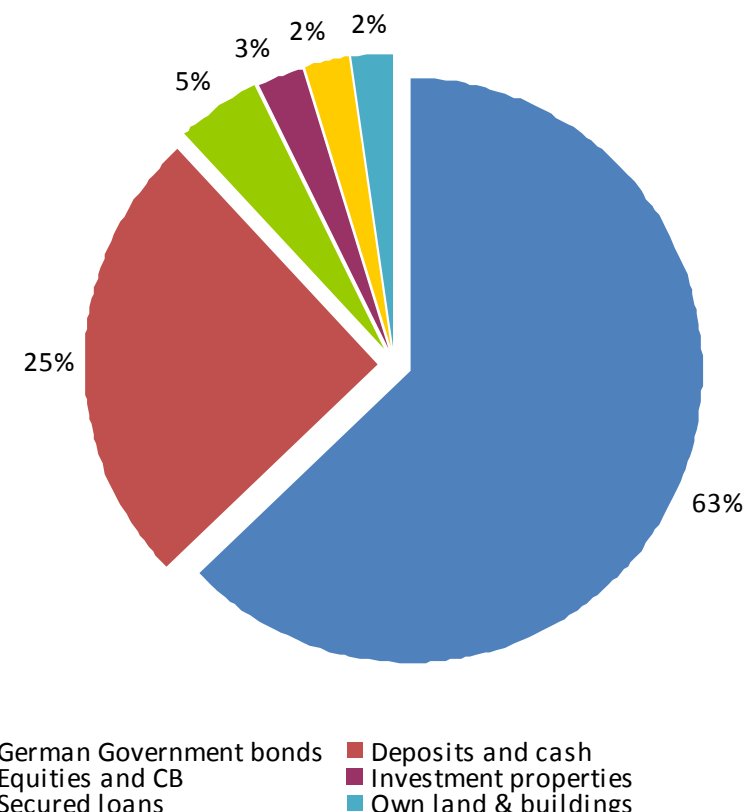


Non-underwriting

- Improved operating profit to €2.2m (2010: €1.9m)
- Improved result and positive cash flow from Property and Leisure operations
- Encouraging trends in Irish hotel market
 - Hotel occupancy in the Dublin market up 9.9% in H1
 - Average rate in Dublin hotel market up by 5.4% in H1
- Robust performance at Sunset Beach
- 17 units sold at La Cala
- Financial services/other continue to perform well, maintaining their contribution at the 2010 level - €2.7m

Underwriting Asset Allocation

	30 June 2011		31 Dec 2010	
	€m	%	€m	%
German government bonds	496	63%	497	61%
Deposits and cash	200	25%	217	27%
Equities & corporate bonds	38	4%	22	3%
Investment properties	20	3%	42	5%
Secured loans	20	3%	21	2%
Own land & buildings	17	2%	18	2%
Total investment assets	791	100%	817	100%
Trade & other receivables and DAC	103		91	
Reinsurers' share	74		96	
Fixtures and fittings	17		17	
Total assets	985		1,021	



3 UK investment properties sold
Funds raised invested in more liquid assets

Group Assets

	30 June 2011	31 Dec 2010
	€m	€m
German government bonds	496	497
Deposits and cash	219	231
Hotel and golf resort assets	120	120
Trade and other receivables and DAC	119	112
Reinsurers' share of technical provisions	74	96
Inventories	41	46
Equities and corporate bonds	41	25
Investment property	20	42
Secured loans	20	21
Plant and equipment	18	18
Own land & buildings	17	18
	1,185	1,226

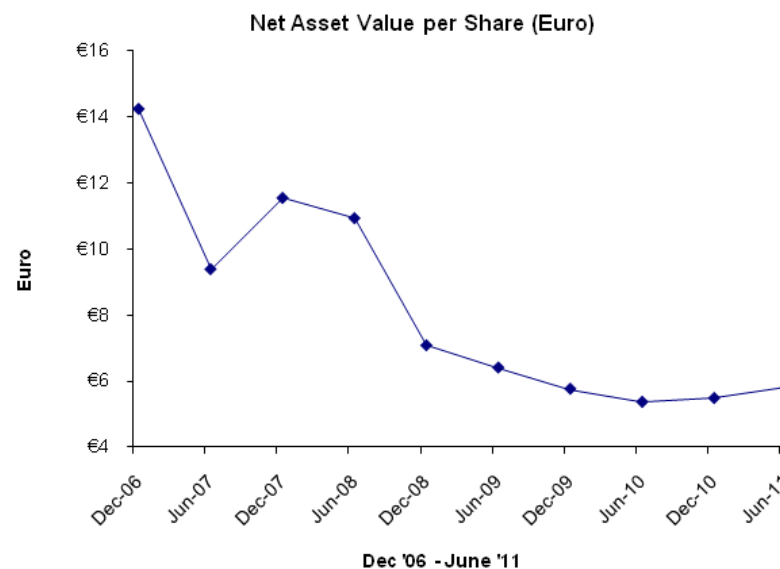
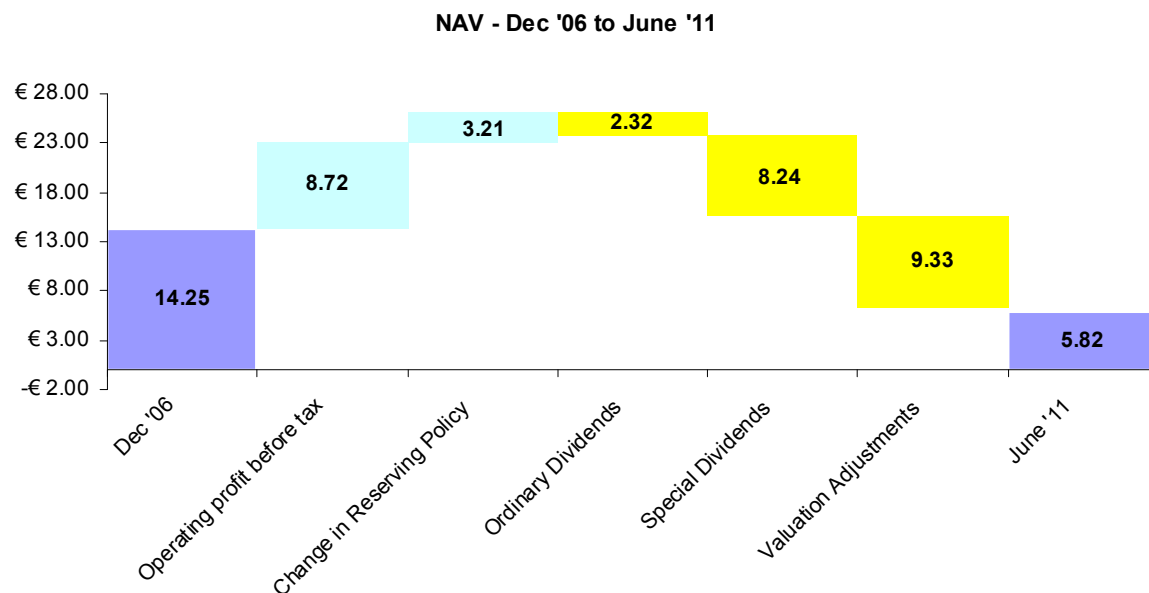
Cumulative impairment as a % of Dec 2007 values:	
Sunset Beach Resort	0%
La Cala Hotel & Golf Resort	43%
Own land and buildings	48%
Investment properties	47%
FBD Hotels	45%
Secured loans	79%

All property related
assets valued by
independent
valuers

The potential for further downside greatly reduced

Balance Sheet

- Capital base further strengthened with solvency level of 60.4% up from 54.9% in June 2010
- Prudent reserving – consistent level of prudence maintained
- Reserving ratio of 238% (2010: 243%)
- Net asset value per share of €5.82 (Dec 2010 €5.47)



Dividend policy

- 11.25c interim dividend declared
- Up 7.1% on 2010 interim dividend
- It is in long term interest of all shareholders to maintain strong solvency and liquidity margins
- Remain committed to progressive and sustainable dividend policy
- Considers the future operating and macro environments

Outlook

- Irish domestic demand expected to decline further, albeit at a slower rate
- Reduction in insurable risk will offset impact of rate increases
- Industry revenues are likely to reduce in 2011
- The opportunity for FBD premium growth is limited
- FBD will continue to focus on underwriting discipline, key growth segments, management of claims costs and containment of expenses
- The Board expect improved profitability from underwriting in the full year
- Non-underwriting business also expected to deliver increased contribution
- Upgrade operating EPS guidance to 145c – 155c

Well positioned to deliver long-term profitable growth

Proposition

FBD has

- Robust underwriting business
- Appropriate plans, people and infrastructure
- A track record of profitable growth
- Strong capital base
- Prudent reserving policy
- A balance sheet appropriate to current market conditions

Property & Leisure JV

- Conditional agreement reached
- Related party transaction
- Strategic rationale:
 - Focus on core underwriting
 - Reduced exposure to property valuation fluctuations
 - Operating profit will only reflect core business
 - Reduction in debt and guarantees
 - Enhance the ability of PLL to realise value over time
- EPS enhancing and small NAV increase

Board recommends shareholders vote in favour of the resolution

Appendices

1. At completion

- Subject to the approval of shareholders, FBD and Developments will enter a JV to share management and ownership of PLL
- The existing €60m loan from Developments will be replaced with €52.5m of irredeemable convertible unsecured loan notes (ICULN) and €7.5m of long term debt.
- Likewise, FBD's inter-company loans will be converted into similar but subordinated ICULN.
- In total, €123m of short term debt facilities will be replaced with longer term financing, providing PLL with a robust funding structure.
- FBD currently guarantees the €60m loan from Developments and will guarantee the €7.5m loan, reducing its guarantees by €52.5m.
- FBD will provide limited warranties relating to the business and assets and indemnities relating to taxation and capital commitments.

2. Between completion and conversion

- The ICULN will not convert into equity in PLL until between the fifth and tenth anniversaries of completion.
- During this period, FBD and Developments will operate the business to maximise shareholders' value and to ensure that the interests of both parties are aligned at all times
- Each partner will have three directors and one of the Developments' directors will be chairman of the board
- A list of key decisions will require approval by both JV partners
- The existing PLL management team will continue to operate the business
- The payment of interest on the Developments' ICULN and €7.5m loan will be prioritised over the interest on the FBD's ICULN

FBD will account for PLL as a 50/50 JV under the equity method of accounting:

FBD's share of the net assets of PLL will be included on the balance sheet

FBD's share of the future profits or losses of PLL will be included in the income statement

3. At conversion

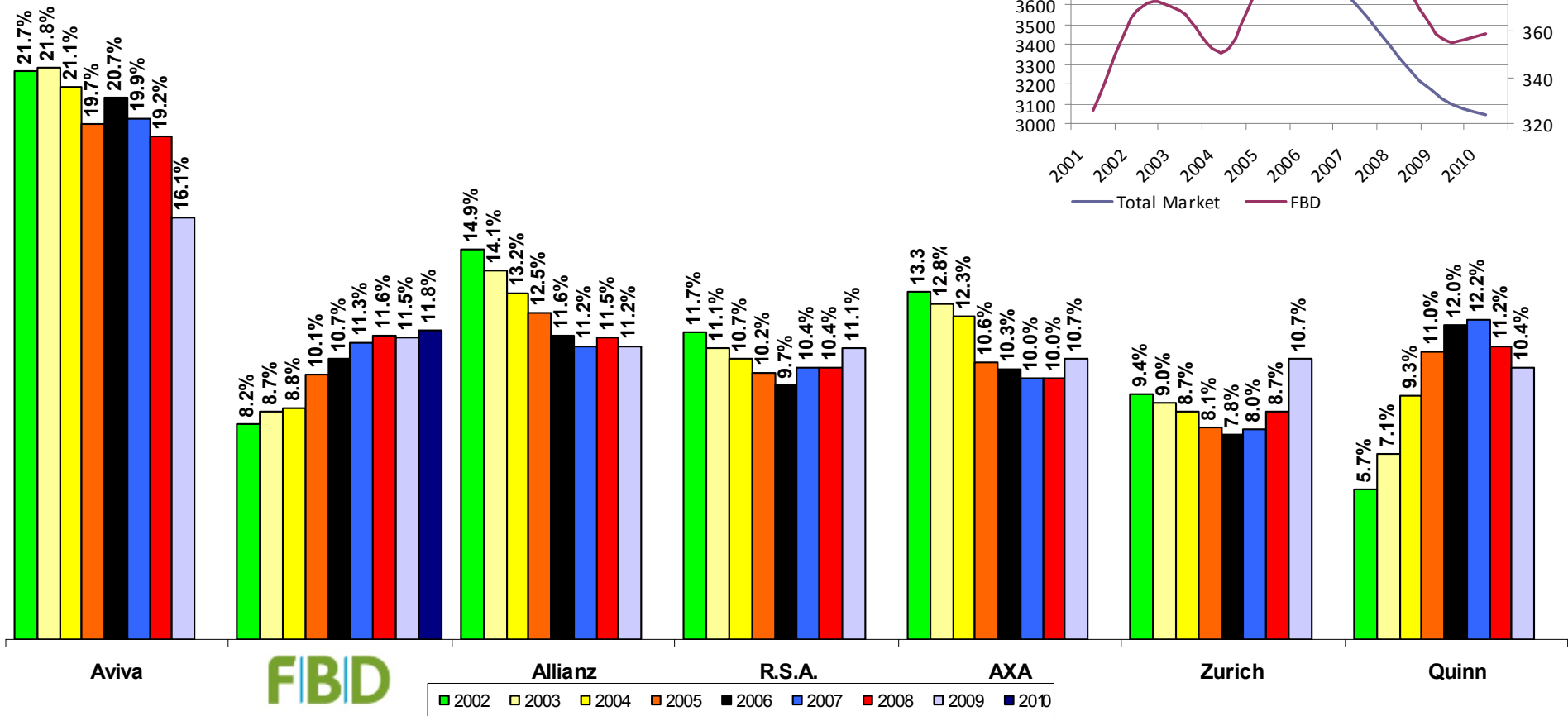
- Conversion of the ICULN into equity will not take place until between the fifth and tenth anniversaries of completion.
- The equity split between FBD and Developments will be determined based on the valuation of the business at conversion rather than in the current market
- FBD's stake post conversion will be 50% if the value of PLL at that time is at current values or within €20m below current values. If the value of Property & Leisure falls outside that central range, FBD stake could drop to a minimum 25%
- If part or all of the interest on Developments' ICULN remains unpaid at conversion, FBD has the option to reduce its holding below 25%
- The pre-determined scale that determines the split of equity between the parties is non-linear. The outcome is set out in the following chart. The chart shows the 50/50 holding in the central band and how FBD's holding varies outside this band

	A-ICULS	B-ICULS	Loan
Holder	Developments	FBD	Developments
Amount	€52.5m	€62.6m	€7.5m
Coupon	EURIBOR + 2.5%	50% of A-ICULS interest, capped at 3%	EURIBOR + 2.5%
Period	Conversion not earlier than 5 years, not later than 10 years	Conversion not earlier than 5 years, not later than 10 years	5 years
Rank	Subordinated to bank debt	Subordinated to A-ICULS	Guaranteed by Holdings

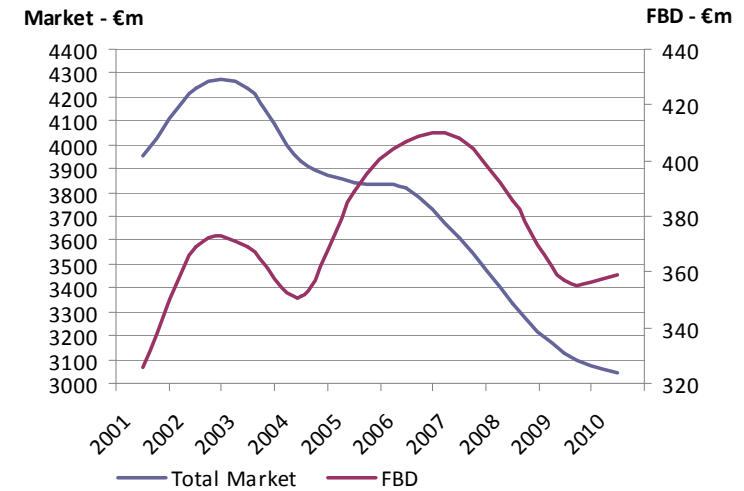
Joint Venture Agreement

- Developments and FBD to appoint 3 directors to board of PLL
- On conversion, Developments entitled to additional director if their stake is greater than 50%
- Material decisions (including conversion) require agreement of both shareholders
- Existing PLL management to be maintained – experienced and focussed management.

Market Share – Gross Written Premium (IIF estimate)

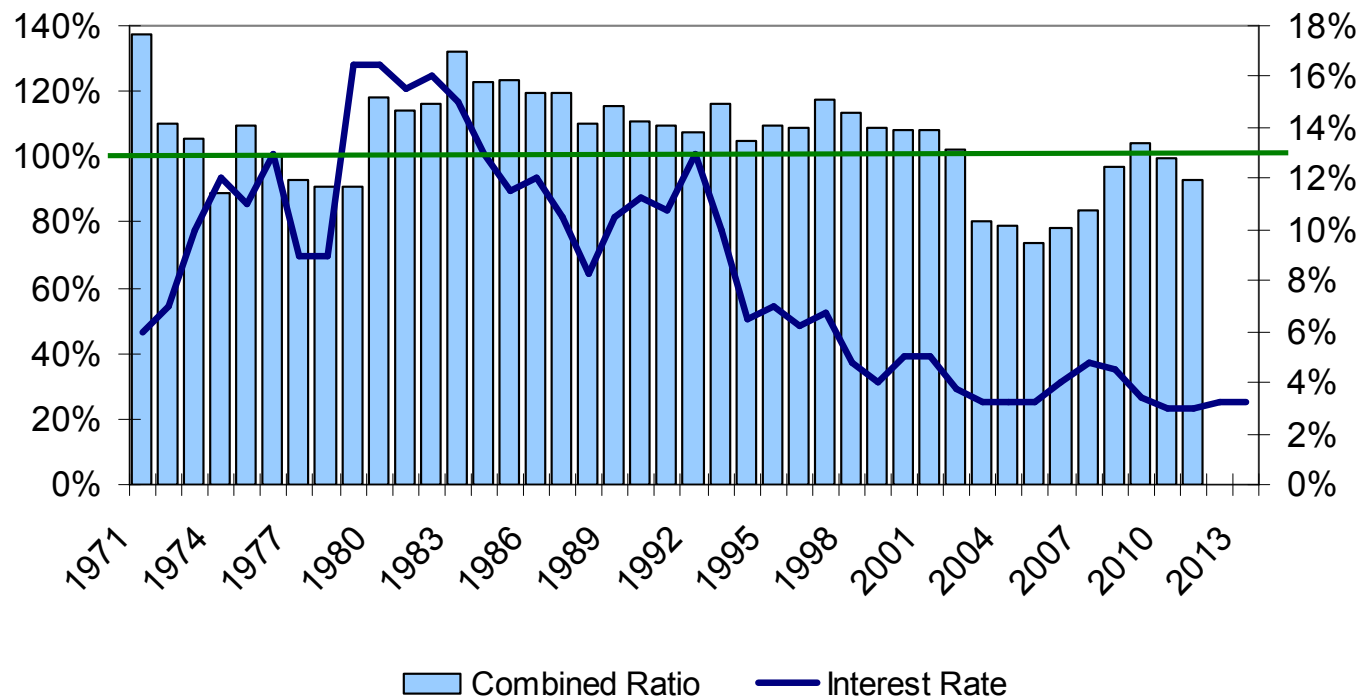


Premium Income - FBD and the Market



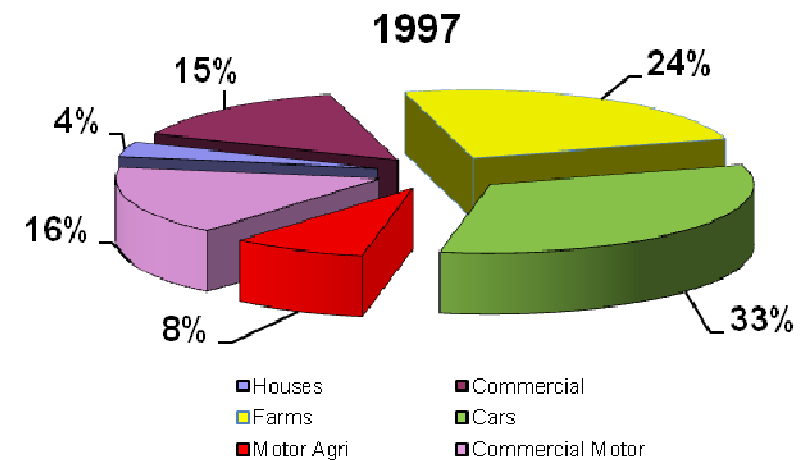
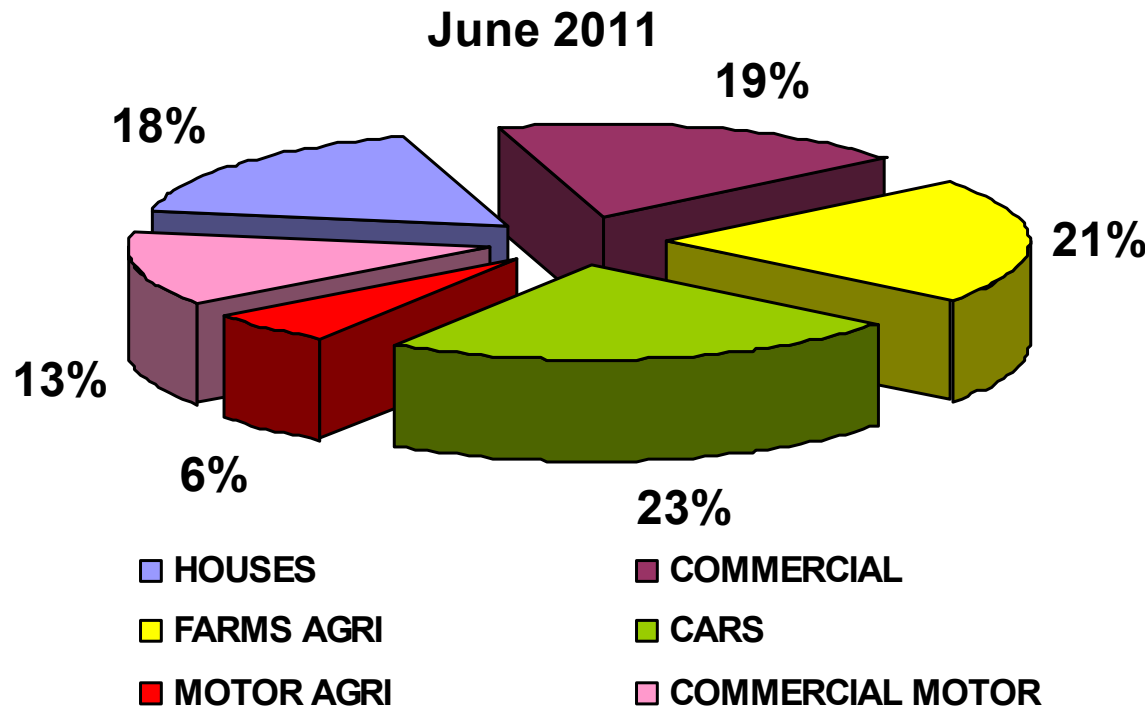
Premium Pricing – the new norm

FBD COR% and Interest Rates - 1971 to 2013



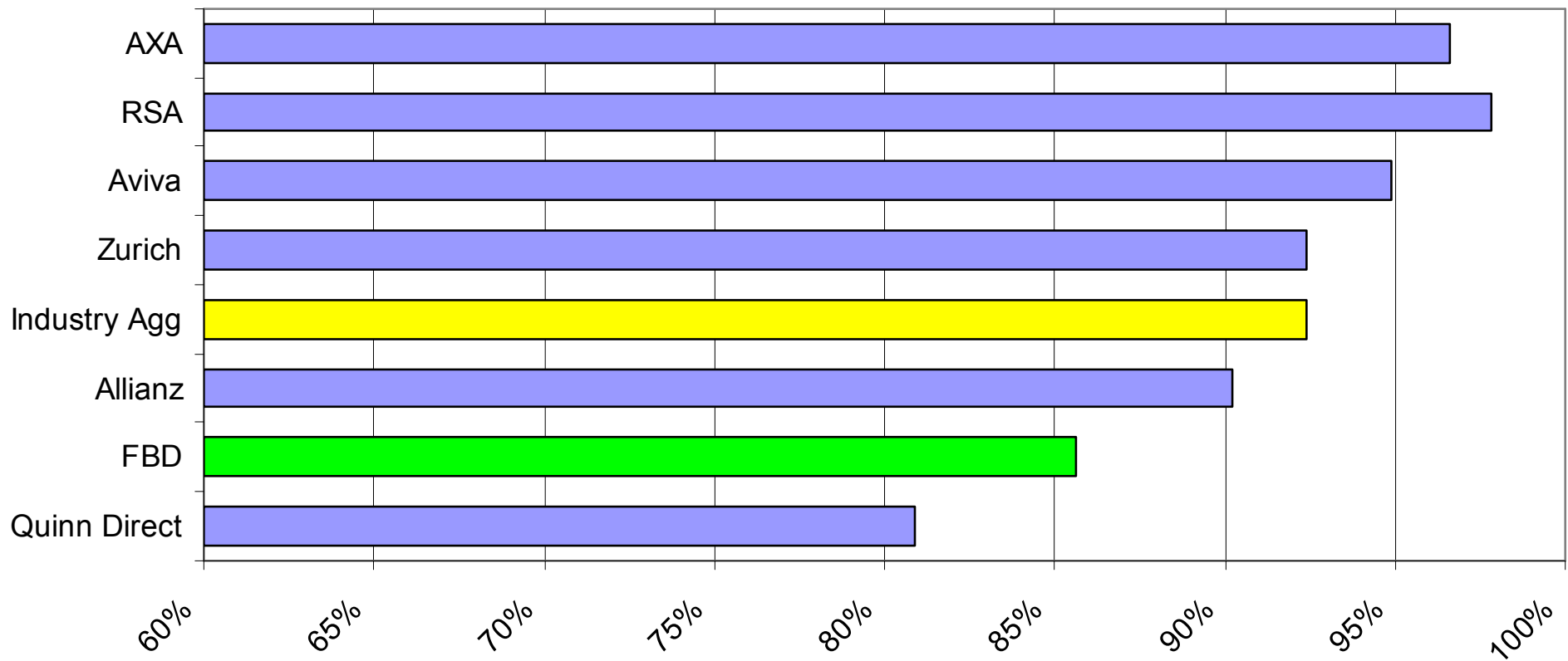
Lower investment returns leading to new norm in combined ratio

Premium by category



10 year average combined ratio

10 Year COR %



Income Statement

	H1 2011	H1 2010
Underwriting	€000s	€000s
Gross written premiums	<u>177,486</u>	<u>183,191</u>
Net earned premiums	149,780	149,568
Net claims incurred	(103,207)	(124,399)
Net operating expenses	<u>(35,825)</u>	<u>(32,987)</u>
Underwriting Result	<u>10,748</u>	<u>(7,818)</u>
Loss Ratio	68.9%	83.2%
Net Expense Ratio	23.9%	22.1%
Combined Ratio	92.8%	105.2%

Income Statement (cont'd)

	H1 2011	H1 2010
	€000s	€000s
Underwriting Result	10,748	(7,818)
Longer term investment return	15,737	17,193
Non underwriting operating income	2,213	1,915
Operating profit	28,698	11,290
Operating profit by activity:		
Insurance underwriting	26,485	9,375
Non-underwriting		
- Property/leisure	(457)	(820)
- Financial services/other	2,670	2,735
	28,698	11,290

Income Statement (cont'd)

	H1 2011	H1 2010
	€000s	€000s
Operating profit	28,698	11,290
Investment return fluctuations	(5,566)	243
Finance costs	(1,948)	(1,474)
Impairment of property, plant and equipment	(635)	(17,919)
Profit/(loss) before tax	20,549	(7,860)
Income tax	(2,772)	510
Profit/(loss) for the period	17,777	(7,350)

2011 Interim Results



Balance Sheet - Assets

		<u>30/06/11</u>		<u>31/12/10</u>
		<u>€000s</u>		<u>€000s</u>
Property & Equipment				
Hotels/golf	119,874		120,004	
Property – own use	17,480		18,115	
Fixtures & Fittings	17,906	155,260	17,840	155,959
Investments				
Property		20,360		42,368
Financial		737,816		741,783
Reinsurers' share of technical provisions		74,429		95,622
Other receivables/DAC's		100,312		91,810
Current and deferred tax		13,612		15,250
Other Assets				
Development land	28,037		28,037	
Work-in-Progress	12,874		18,008	
Cash	41,912	82,823	36,714	82,759
Total Assets		1,184,612		1,225,551

2011 Interim Results



Balance Sheet - Liabilities

		<u>30/06/11</u>		<u>31/12/10</u>
		<u>€000s</u>		<u>€000s</u>
Equity				
Share Capital		21,409		21,409
Reserves		172,145		160,714
Shareholders' funds – equity interests		193,554		182,123
Preference Shareholders		2,923		2,923
Minority Interests		2,003		2,053
Total equity		198,480		187,099
Liabilities				
Technical provisions				
- Unearned premiums	179,045		176,479	
- Claims	619,128	798,173	657,656	834,135
Deferred tax		11,751		11,751
Creditors				
- Loans	117,068		117,766	
- Other	59,140	176,208	74,800	192,566
Total Liabilities		1,184,612		1,225,551

Cash Flow Statement

	H1 2011 €000s	H1 2010 €000s
Net Cash from operating activities – pre tax	(4,682)	576
Income tax paid	(1,134)	(1,049)
From investing activities	18,739	13,764
Used by financing activities	(7,685)	(7,430)
Net increase in cash and cash equivalents	5,238	5,861
Cash and cash equivalents at the beginning of the period	36,714	44,036
Effect of foreign exchange rate changes	(40)	(298)
Cash and cash equivalents at the end of the period	41,912	49,599



FBD Holdings plc

2011 Interim Results
QUESTIONS?

Our Policy is You