



FBD Holdings plc

2013 Results

March 2014

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.

Where applicable and unless otherwise stated, all comparative figures have been restated to reflect changes to IAS19, “Employee Benefits” and are for continuing operations only.

2013 Results - Highlights



Performance

- GWP up 2%, new market initiatives deliver first full year increase in premium since 2010
- Highest ever share of market at 13.4%
- COR of 94.1%, despite large claims experience
- Strong investment return of 3.6%, with low risk allocation
- Operating EPS of 136c, fully diluted EPS of 131c
- Excellent ROE of 17.3%

	2013	2012
GWP	€351.2m	€344.3m
Operating profit	€52.7m	€65.4m
PBT	€51.5m	€52.2m
Operating EPS	136c	170c
Fully Diluted EPS	131c	131c
NAV	823c	721c
FY DPS	49c	42c

Financial strength

- NAV of 823c
- Second successive year of 14% NAV growth
- Solvency strengthened to 78.1% of NEP

Dividend

- Full year dividend of 49c, delivering dividend growth of 16%

Strategic developments

- More farms insured, more policies per farm
- Increased penetration of business insurance market
- Further penetration of consumer insurance market
- Launched Clan Insurance to access car insurance customers who choose to buy through brokers

2013 Results – Performance in market context **FIB|D**

	GNP	Domestic demand
2010	0.5%	-5.0%
2011	-1.6%	-3.0%
2012	1.8%	-1.1%
2013 (e)	3.0%	-0.7%
2014 (f)	2.6%	1.5%
Peak to trough decline	-13.9%	-22.5%

Economy

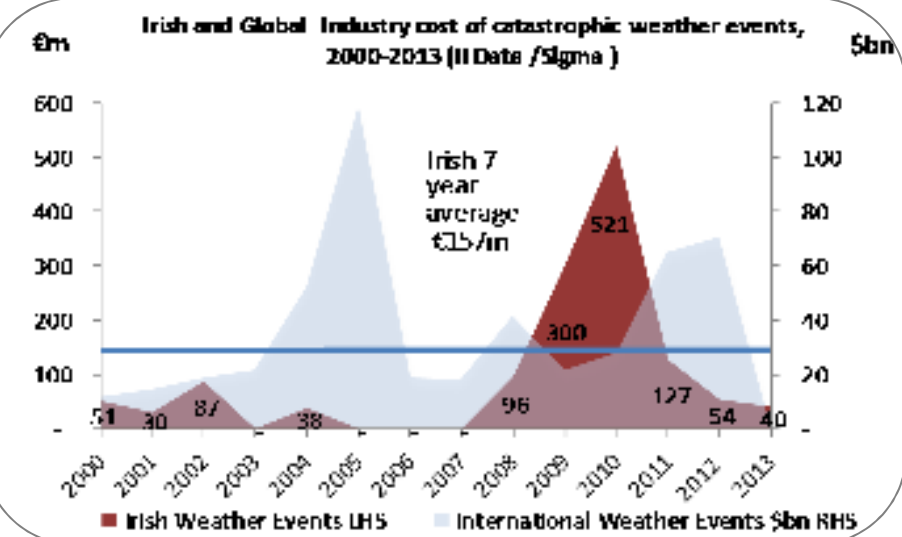
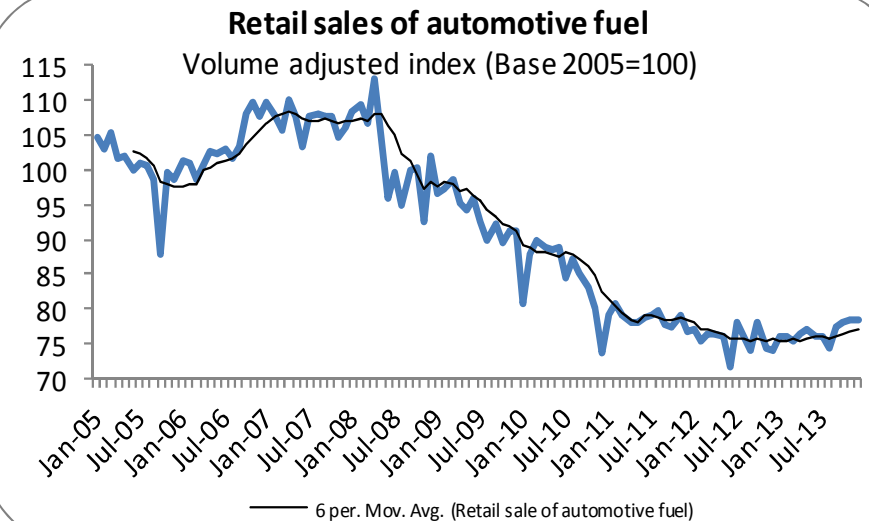
- Economic activity turned around faster than anticipated, welcome development post the peak to trough decline in domestic demand of 22.5%

Insurance industry

- Market COR of 109% in 2012, likely further deterioration in 2013
- Market remains competitive, particularly in home insurance and for higher value business risks
- Early signs of rate hardening before year end

Claims environment

- Road deaths rose by 17% to 190 in 2013, the first increase since 2005
- Increase in economic activity is likely to result in increased claims frequency



2013 Results – Customer segments

Farm and business direct

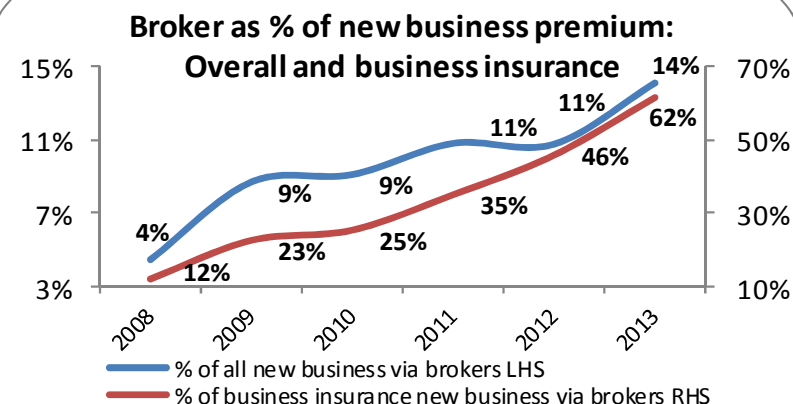
- Strong performance, more customers, more policies per customer
- More farming customers than anytime in history
- Business insurance written directly continued to reduce

Brokers

- Relationships with broker partners are developing well and business written up 30%
- Brokers accounted for 14% of new business
- Growth closely controlled
- In Q4 launched Clan Insurance to access car insurance customers who choose to buy through brokers

Consumer

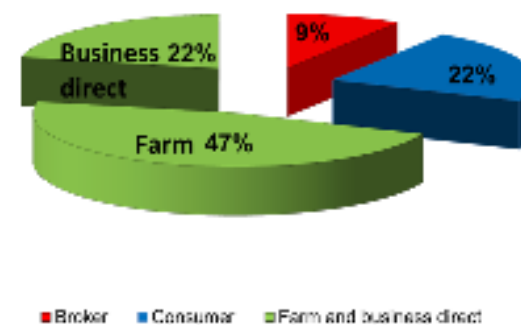
- Online offerings (FBD.ie and No Nonsense.ie) made significant progress with premium income up 36.6% on 2012 levels
- Repositioning of No Nonsense via 'readymade' and telematics product 'SmartDriver', aimed at drivers under the age of 30, also helped deliver growth



At the Irish Brokers Association's Annual Insurance Service Awards, FBD was awarded

- The Most Improved Award
- Top Supporting Management Team

Premium by customer segment 2013



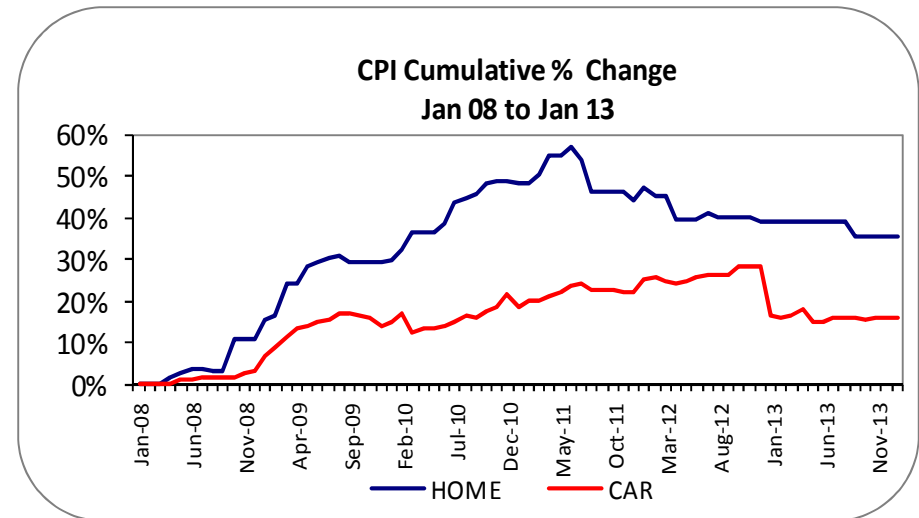
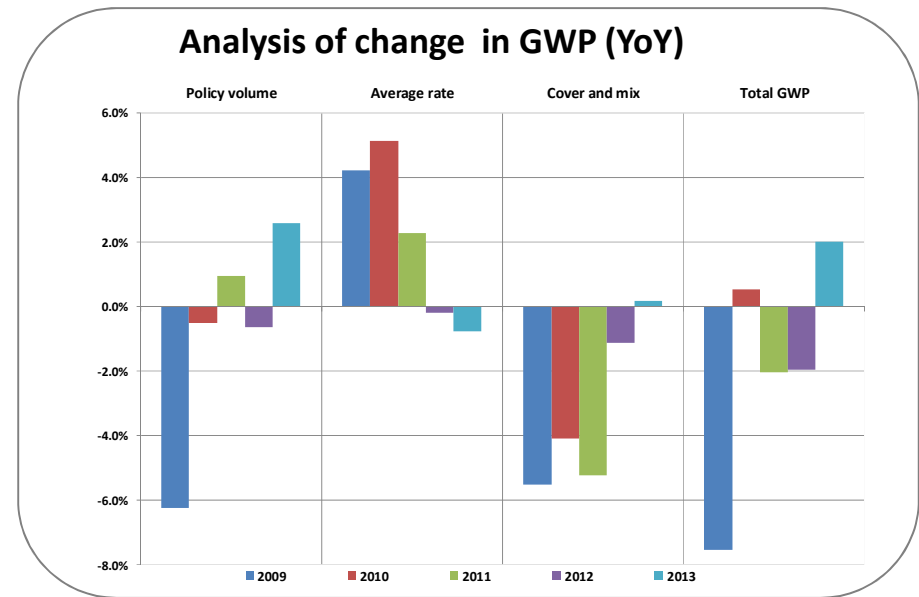
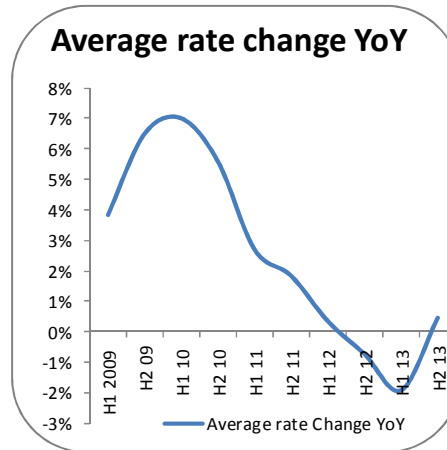
2013 Results – Premium trends



- FBD GWP up 2%
- Irish Insurance market down 4 - 5%
- Increased market share to c. 13.4%, highest ever share
- Market share growth in 12 of the last 13 years

- Policy volume up 2.6%
- Average rate marginally lower, improvement in second half
- Stability in economy contributed to first improvement in cover and mix since 2008, cumulative reduction since 2008 of 15%

- Premium and volume growth stronger in the second half of the year
- Market pricing for home insurance was uneconomic, FBD maintained underwriting discipline to generate an acceptable return

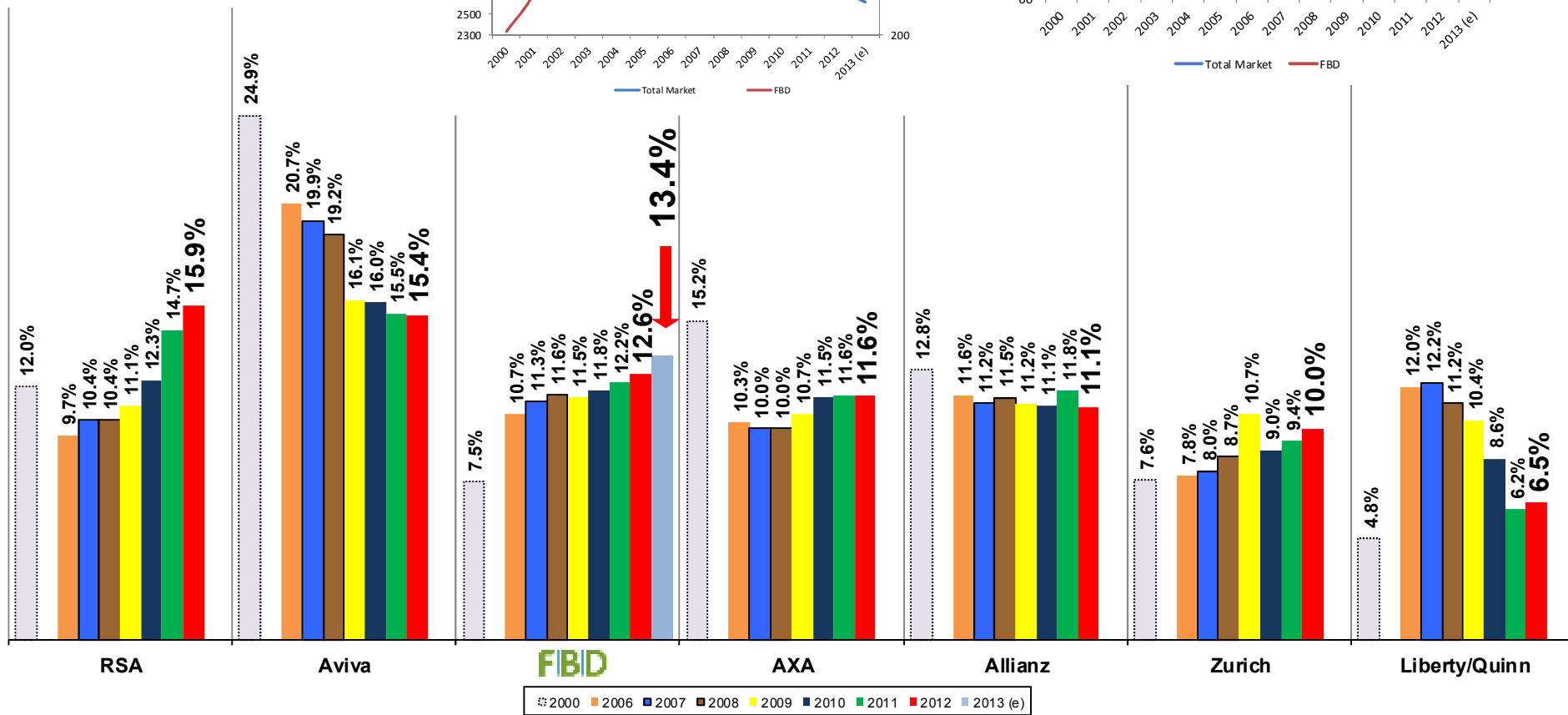
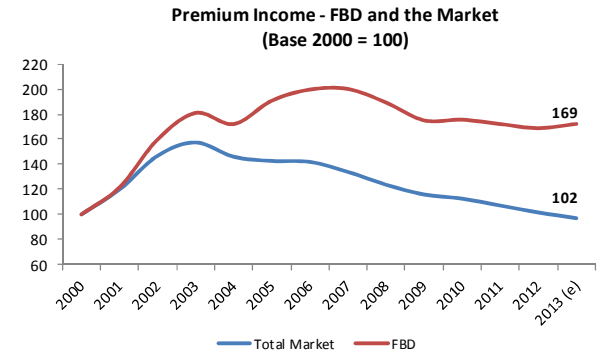
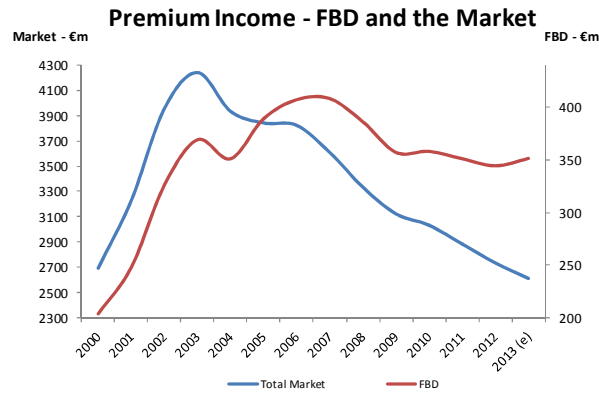


FBD continues to outperform market

2013 Results – Market share (GWP)



Latest available market data (II)

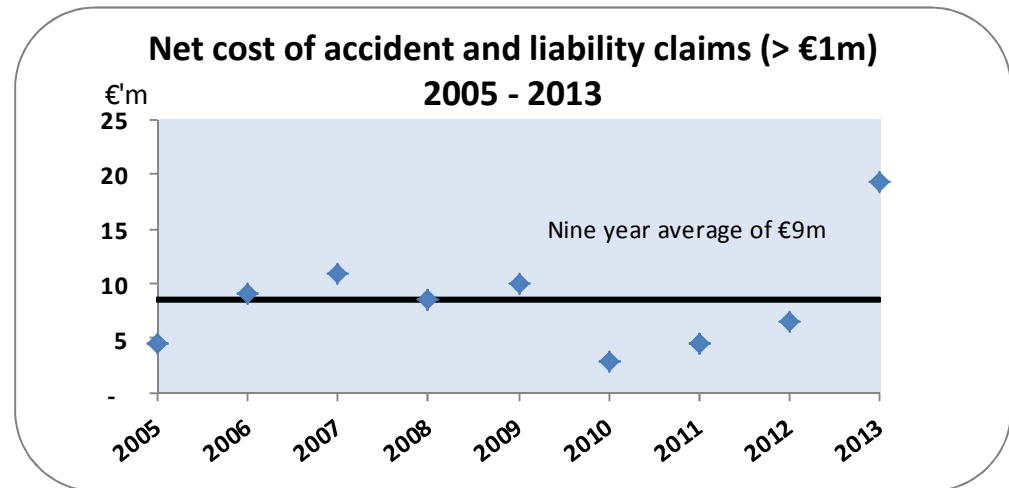
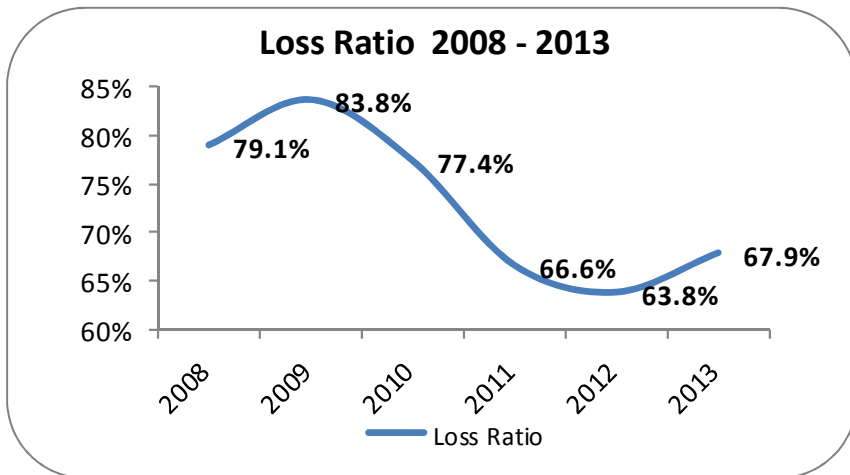
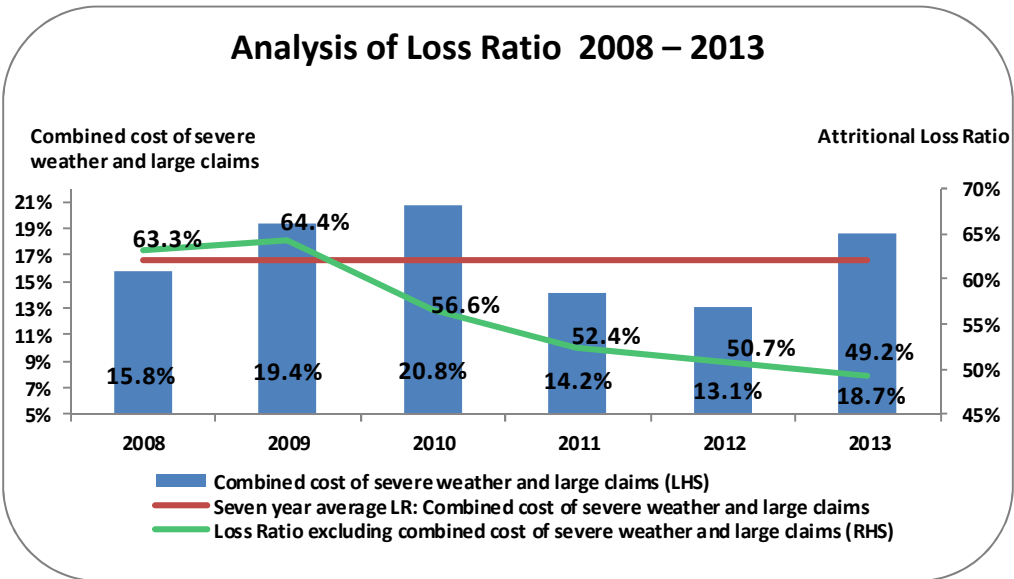


Market share growth in 12 of the last 13 years

2013 Results – Claims

Loss ratio of 67.9%

- Continued improvement in attritional claims
 - risk selection
 - claims management initiatives
 - rating
 - underwriting improvements
- Combined cost of severe weather and large claims ahead of norm, driven by volatile very large accident and liability claims
- Likely to revert to norm over time
- Variability mitigated by reinsurance
- Risk tools curtailed impact of flood damage



Combined cost of severe weather and large claims will revert to norm

Financial services

- Includes:
 - premium instalment services
 - life, pension and investment broking (FBD Financial Solutions)
 - less cost of Holding Company
- Generated an operating profit of €6.4m (2012: €5.6m)
- An increasing proportion of insurance customers continue to avail of premium instalment services
- The market for life, pension and investment broking business continued to be challenging
- FBD Financial Solutions is the largest retail broker in Ireland

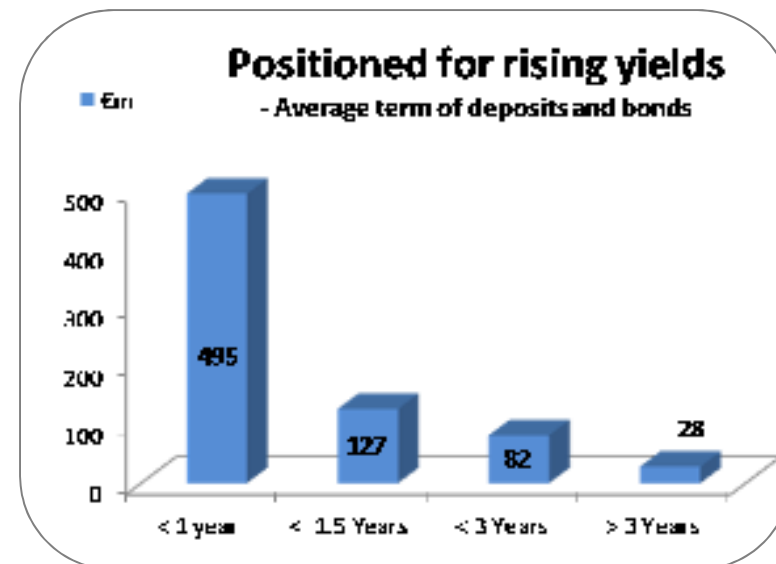
Joint venture (JV)

- 50% share of property and leisure operations in Ireland and Spain
- Trading performance improved compared to 2012
- Growth in occupancy and rates, particularly in the Irish market
- Market for Irish hotel assets has improved significantly during 2013, with improving operational performance and higher multiples increasing property valuations
- JV sold remaining units in La Cala
- The Group's share of JV profits was €1.3m, a significant improvement on the €1.7m loss in 2012

2013 Results – Asset allocation

	31-Dec-13		31-Dec-12	
	€m	%	€m	%
Underwriting investment assets				
Deposits and cash	454	53%	499	59%
Corporate bonds	144	17%	152	18%
Government bonds	134	16%	110	13%
Equities	73	9%	60	7%
Unit trusts	24	3%	0	0%
Own land & buildings	15	2%	16	2%
Investment property	12	1%	11	1%
Underwriting investment assets	856	100%	848	100%
Working capital & other assets	116		100	
Investment in joint venture	45		44	
Reinsurance assets	44		55	
Plant and equipment	31		20	
Total assets	1,092		1,067	

- FBD maintained low allocation of long-dated bonds to protect shareholders and customers from risk of rising bond yields.
- Return on underwriting investments was €29.4m, up 18%
- Strong return of 3.6%, despite low interest rate environment
- Return delivered with a low risk allocation aided by the decision not to invest in long dated bonds and a strong performance on 8.5% (2012: 7.0%) of assets invested in equities
- FBD positioned to benefit from rising yields

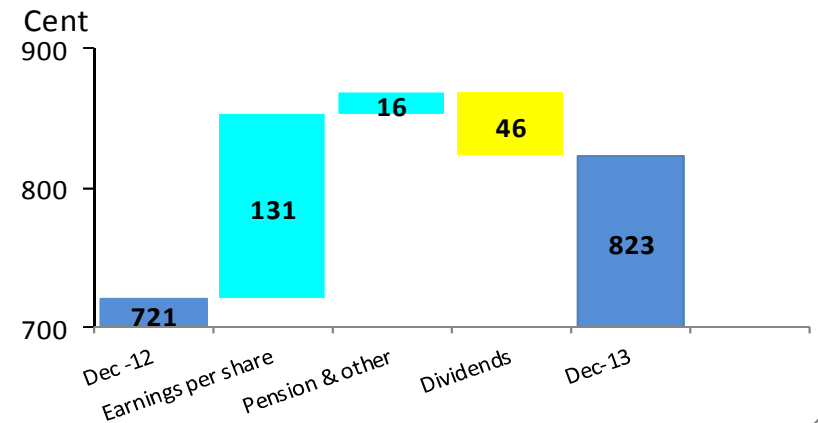


2013 Results – Balance sheet

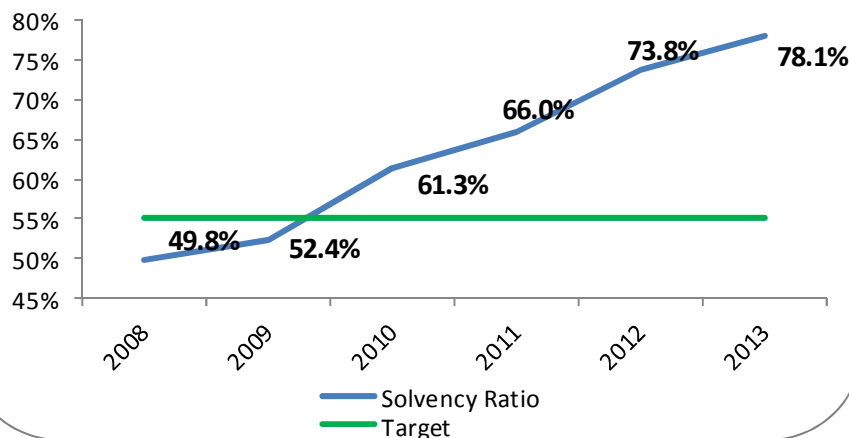
NAV progression & solvency strength

- Strong capital base with solvency level of 78.1% of NEP up from 73.8% (per Solvency I)
- Net asset value per share increased 14% (second year in a row) to 823c
- IAS 19 retirement benefit obligation reduced by €3m
- Excess capital over Solvency II requirement

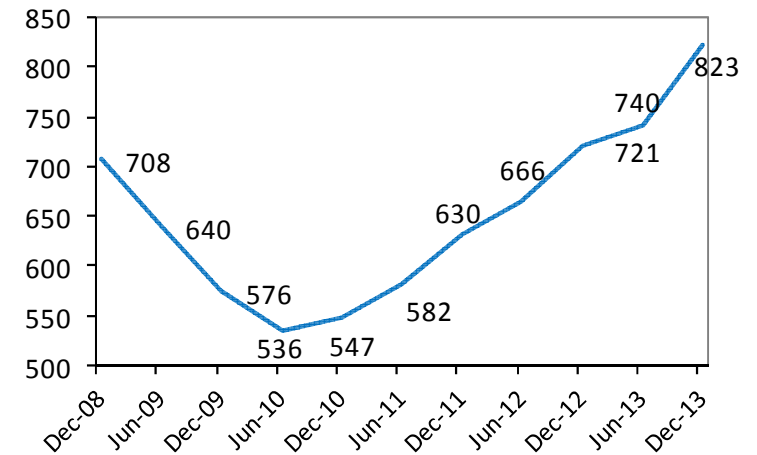
NAV progression – Dec '12 to Dec '13



FBD Insurance Solvency Ratio



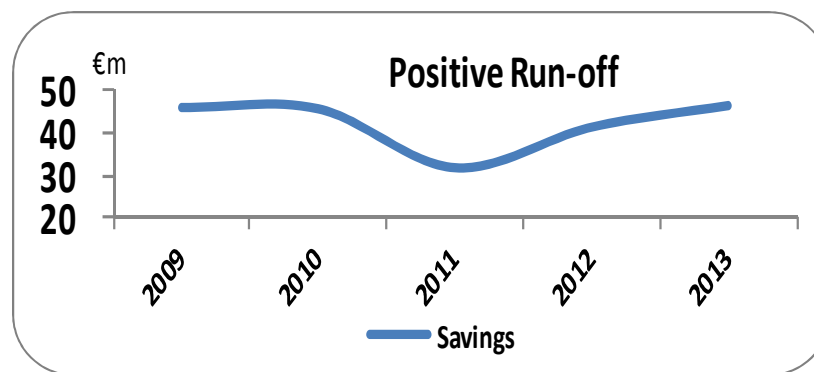
Evolution of NAV 2008 - 2013



2013 Results – Reserving strength

Net reserving and run off

	Prior years €m	2004 €m	2005 €m	2006 €m	2007 €m	2008 €m	2009 €m	2010 €m	2011 €m	2012 €m	2013 €m	Total €m
Estimate of cumulative claims:												
At end of underwriting year		265	290	298	307	338	308	283	233	235	248	
One year later		228	287	257	281	319	286	265	208	219		
Two years later		214	221	254	277	318	286	266	216			
Three years later		184	210	251	273	317	284	260				
Four years later		176	205	247	269	313	274					
Five years later		171	201	243	263	306						
Six years later		168	199	239	259							
Seven years later		167	198	236								
Eight years later		168	196									
Nine years later		166										
Estimate of cumulative claims		166	196	236	259	306	274	260	216	219	248	
Cumulative payments		(163)	(189)	(227)	(243)	(279)	(236)	(190)	(131)	(112)	(73)	
Claims outstanding at 12/13	6	3	7	9	16	27	38	70	85	107	175	541
Saving in 2013	1	2	1	4	5	8	11	6	(7)	16	-	47



Robust reserves

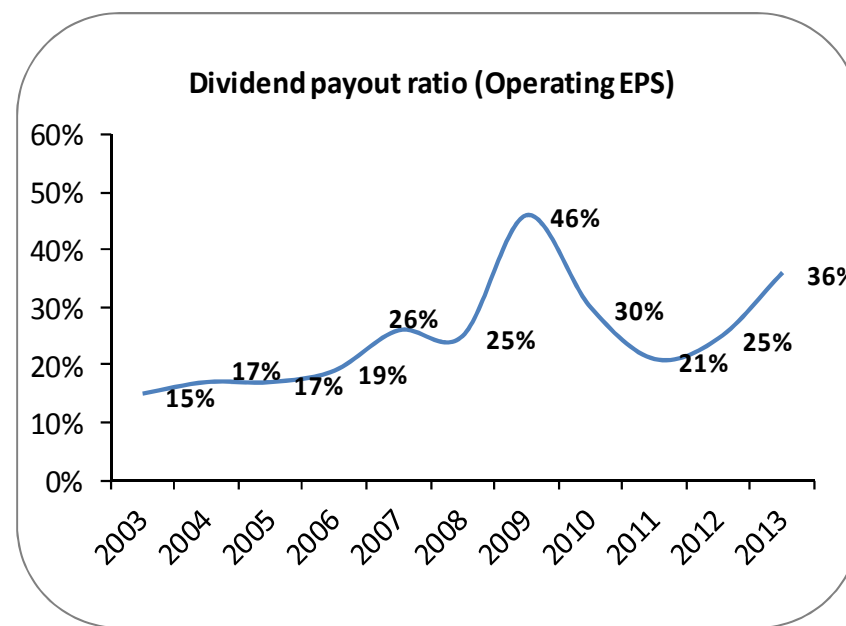
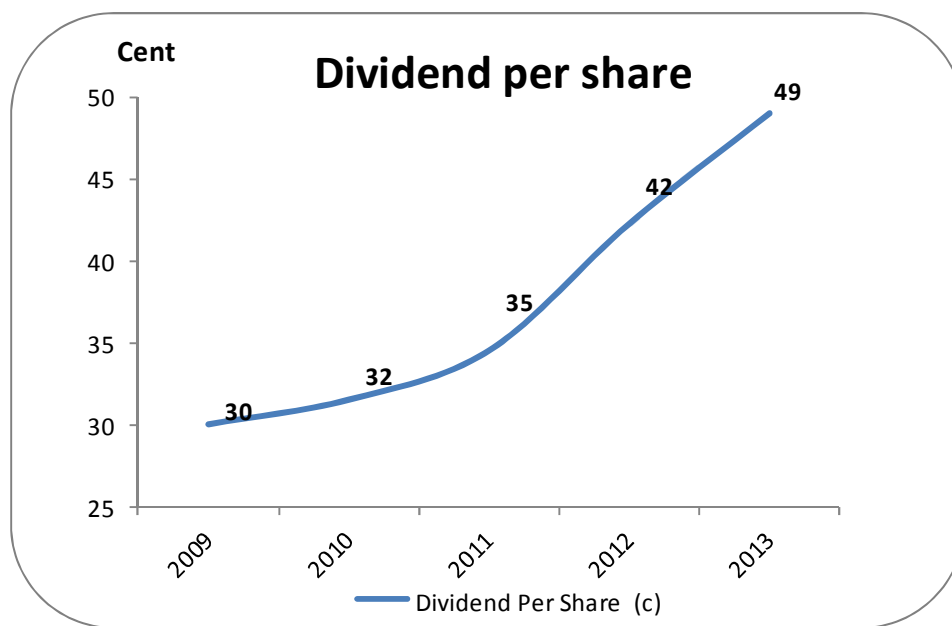
2013 Results – Dividend

Policy

- It is in the long term interest of all stakeholders to maintain strong solvency and liquidity margins
- FBD is committed to a progressive dividend policy and efficient capital management
- Target is a 40% - 50% operating payout ratio

2013 Dividend

- Full year dividend of 49c, an increase of 16%
- Further step towards 40% - 50% operating payout ratio
- Further increase - rationale:
 - Strong profit performance
 - Robust financial position
 - Move towards target payout ratio



Further significant increase with potential for progressive dividend in future years

2013 Results - Investing in the future



Meeting customers needs

Realignment organisation around customer

Farm & Business Direct

Restructure sales office network and establish support centre

Increase policies holdings per customer

Optimise resources to match customer needs

Consumer

Launch No Nonsense and FBD.ie

NN Home, Readymade, Telematics, Top Driver

Brokers

Initiate pilot

Full launch, expand broker panel

Add car insurance via Clan

People

Enhanced managerial expertise

Management development

Enhanced product function

Redefine work practices

Technology and process

Implementation of new back office system

New claims system

Cost management initiatives

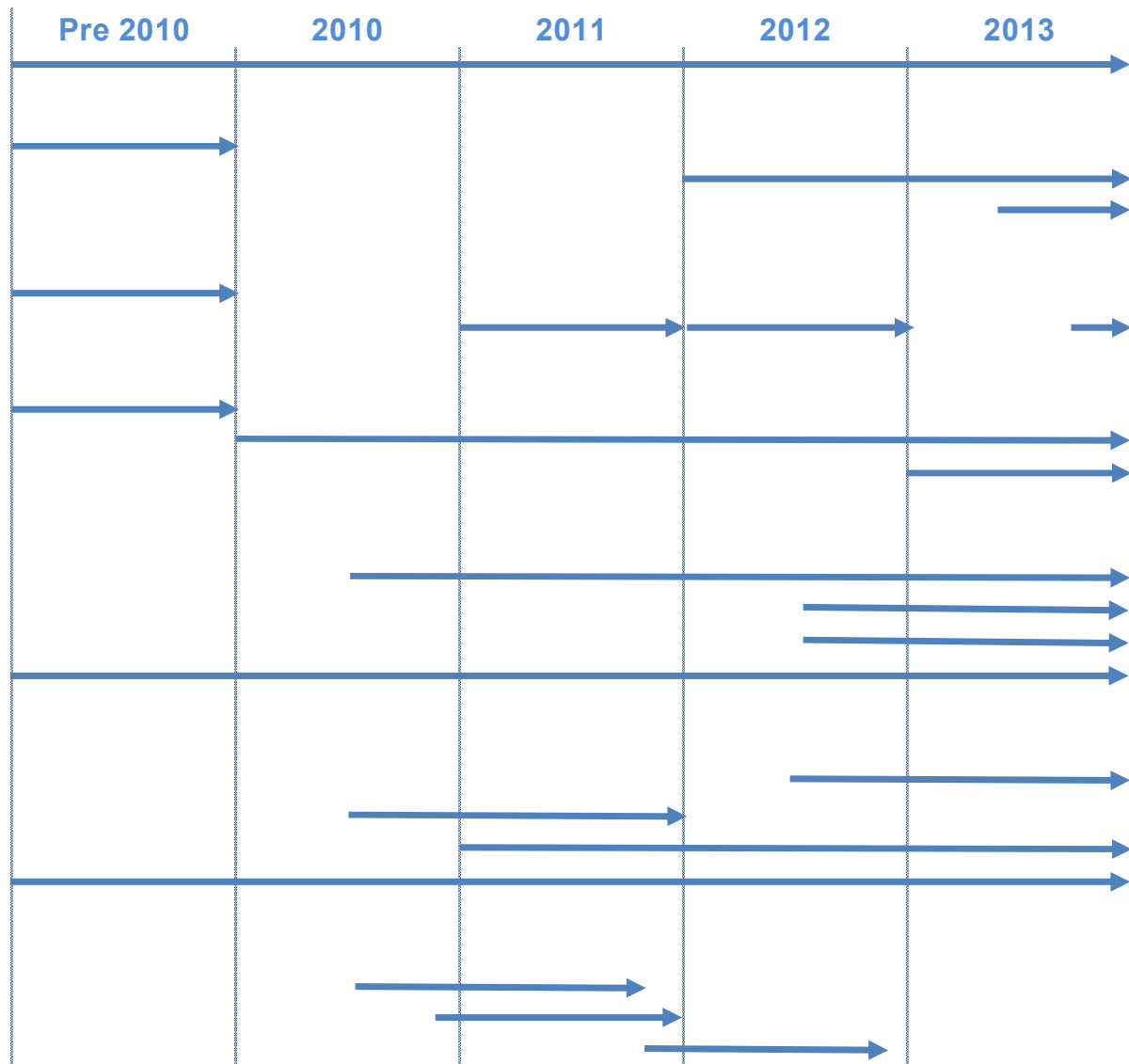
Claims management initiatives

Focus on underwriting

Property and leisure JV

FBD Brokers sold

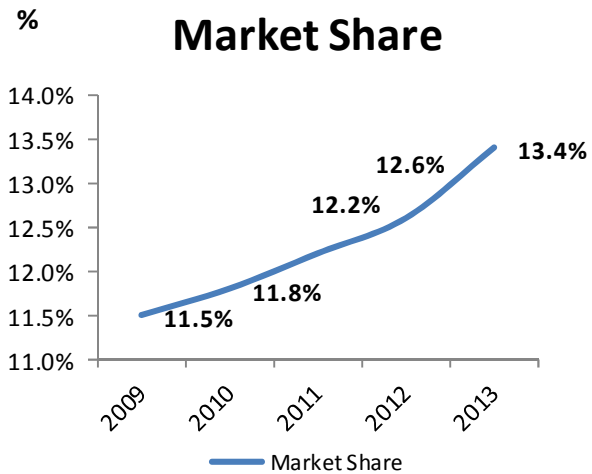
Abbey Re sold



Investing through the downturn - pace of change increasing

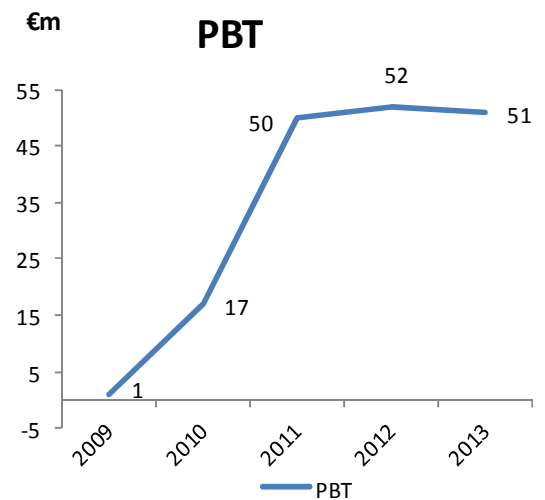
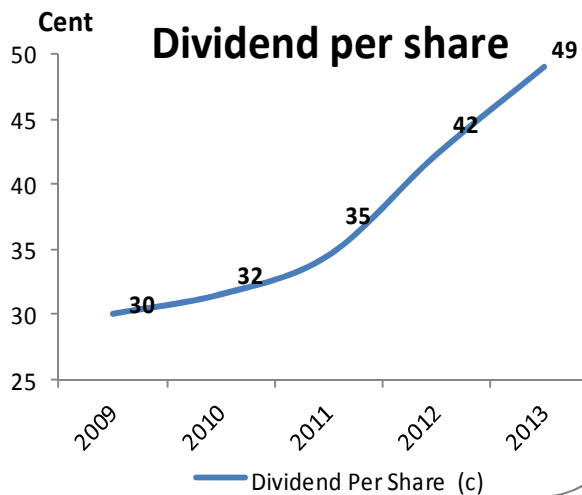
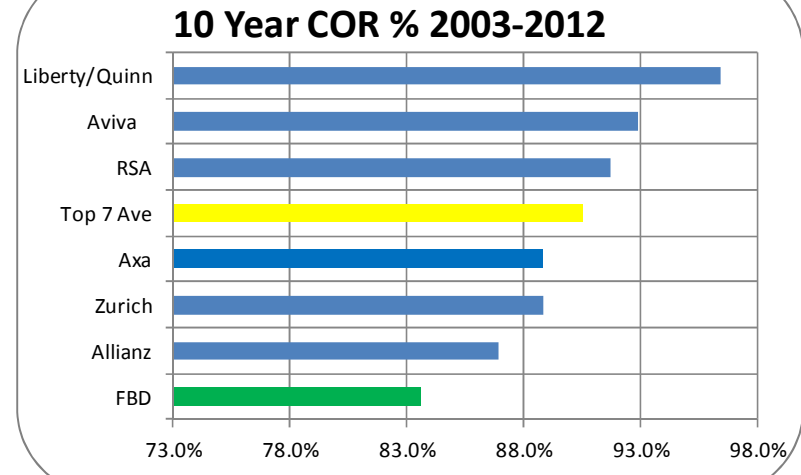
- Initial signs of a recovery in Irish economy. Resulting growth will be very positive in terms of premium income. Turnaround faster than the market anticipated
- Increased economic activity will lead to higher claims frequency. There is invariably a time lag before this is reflected in market premiums. This will have a short term impact on profitability in 2014 and early 2015
- Market rates should rise given the profitability challenges facing the industry, the extent of recent weather losses and any impact of increased frequency arising from economic activity
- The February windstorm will cost the industry up to €130m. FBD cost within annual budget. FBD's cost of severe weather and large claims will revert to norm
- Persistent bad weather in January/February will lead to an increase in industry and FBD claims
- The initiatives on those aspects of claims costs that are within the Group's control, will continue to have a positive impact on the loss ratio
- FBD is committed to achieving profitable growth by focusing on needs of customers by:
 - delivering products and services that matter to its farming and business direct customers
 - increasing penetration of key urban markets, in particular Dublin
 - increasing business and car insurance in partnerships with brokers
- These initiatives will enable the Group to outperform the market in 2014 and deliver superior return to shareholders
- Subject to no exceptional events arising, the Group is guiding full-year 2014 operating EPS of 120c to 130c

2013 Results – Track record



FBD has a track record of:

- Outperforming its peers
- Delivering returns in difficult market conditions



The insurance market:

- Is facing a profitability challenge
- Has incurred weather losses
- Will see an increase in claims frequency due to the economic recovery
- Should see rate adjustments, the speed and extent of which, depend on competitive dynamics and priorities of competitors

FBD has:

- A strong track record
- A robust underwriting business with a strong core franchise
- A strong capital base and balance sheet and a prudent reserving strategy
- A low-risk investment allocation and is positioned to benefit from rising yields

FBD will:

- Increase investment to maximise potential
- Seek opportunities for sustainable growth and profits
- Deliver superior returns to shareholders
- Continue to move to target 40% - 50% dividend payout ratio



FBD Holdings plc

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