

**FBD Holdings plc**  
**18 November 2008**

## **INTERIM MANAGEMENT STATEMENT**

FBD Holdings plc ('FBD' or the 'Group') issues the following Interim Management Statement covering the period from 1 July 2008 to date.

### **Business Overview**

FBD has maintained a solid trading performance in the second half of 2008 to date in difficult market conditions.

### **Underwriting**

There is further evidence of market rate increases in the second half of 2008, but it is likely to be 2009 before material benefit flows through to general insurers. The rate increases that FBD implemented earlier in the year have increased average premium per policy and new business volumes remain strong. The decision not to match uneconomic rates, which some market participants continue to offer, has restricted policy volumes. The pricing environment will be kept under constant review.

Recently published industry data shows that FBD continues to perform ahead of the market. In the year to June 2008, premium income in the Irish general insurance market as a whole reduced by 6.7 per cent, compared to FBD's 3.5 per cent. FBD has increased its market share for seven consecutive years and is the third largest non-life insurer in Ireland.

Continuing poor weather and increasing costs of property claims in recent months have resulted in a higher than previously anticipated claims charge in the second half of 2008. These factors are common throughout the Irish insurance industry and reinforce the need for rate increases.

A strong focus on cost containment and efficiency has continued to benefit the Group. Net operating expenses remain on target for the year. FBD's lower cost ratio provides a maintainable competitive advantage that delivers better value premiums to customers and allows profitable market share growth.

### **Non-Underwriting**

Market conditions for FBD's leisure and property development businesses in Ireland and Spain and our financial services businesses in Ireland continue to be challenging. Measures to protect the competitiveness of these businesses have been implemented.

In conjunction with planning advisors, the Group continues to pursue the planning permissions required to deliver the second Tranche of the La Cala land sale agreement. The planning advisors continue to be of the view that, although the delivery of the planning is ultimately outside of our control, it remains achievable before the June 2009 deadline set out in the sale agreement.

### **Investments**

The Group has continued to reduce its equity holdings since the half year, with equities at 31 October 2008 of €50m (30 June 2008: €78m) out of total insurance investments of €942m (30 June 2008: €931m). Nevertheless, the severe turbulence in financial markets since August has resulted in increased short term fluctuations in investment returns.

### **Financial Position**

Despite recent financial markets conditions, the Group's balance sheet remains very strong and the board is committed to maintaining strong solvency and liquidity margins.

## Outlook

Should all of the above trends in our operating environment continue and barring any further exceptional claims events for the remainder of the year, it is likely that the Group's full year operating earnings per share will be approximately 10% behind the current consensus range of broker forecasts\*.

FBD has continued to realign its organisational structure to match the evolving insurance requirements of customers. In September, the Group launched its on-line car insurance offering on [www.fbd.ie](http://www.fbd.ie), which has significant transactional and payment functionality including allowing customers to choose the level of cover they require and to pay on-line. Progress to date is extremely positive and the facility will be expanded to home insurance in December. The investment in the customer support centre is almost complete. These developments will ensure that FBD has the capacity to further grow personal lines business in the most cost effective manner.

The Group is confident that it is well positioned to deliver profitable growth and superior returns to shareholders.

\* An FBD survey of the forecasts of the analysts who cover the Group indicates a consensus range for 2008 operating earnings per share of between 195 cents to 205 cents per share.

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### Forward looking statement

This document contains certain forward looking statements with respect to the financial condition, results of operations and businesses of FBD Holdings plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions, the existing regulatory environment and the current interpretations of IFRS applicable to past, current and future periods. Nothing in this announcement should be construed as a profit forecast.