

## **INTERIM MANAGEMENT STATEMENT**

FBD Holdings plc ('FBD' or the 'Group') is issuing the following Interim Management Statement, covering the period from the year end to 31 March 2009, which will be read by the Chairman at the Annual General Meeting to be held in Dublin at 12 noon today.

### **REVIEW OF 2008**

I am very pleased to report that 2008 was another year of significant progress for FBD Group.

In a period of unprecedented economic volatility, the Group produced another solid performance with all divisions delivering operating profit. At €65.8m, the 2008 adjusted operating profit was lower than 2007 principally because of an increase in claims costs and a lower long term investment return. The increase in claims related particularly to unusual weather events and higher property related claims. This trend has, in turn, contributed to a hardening of insurance rates across the Irish market.

Gross premium written in 2008 amounted to €385.6m, down 5.5% in a very competitive market. Rate increases were implemented on certain products at the expense of volume growth. Despite this, FBD continued to outperform the market and its ability to achieve sustainable growth was demonstrated by increasing market share for the eighth consecutive year. Market share in 2008 grew from 11.3% to 11.6%. The Group maintained its underwriting discipline and offered insurance cover only at economic premium rates.

While FBD is not immune to global market volatility and negative growth forecasts for the Irish economy, the insurance business is, by its nature, defensive. In this changing environment, the Group continues to adapt its business to ensure that it meets customers' requirements efficiently and profitably.

Market conditions for the Group's leisure and property businesses have been challenging and will continue to be so. Excess capacity exists in both the Irish and Spanish hotel and leisure markets and innovative marketing and cost strategies will be required to protect competitiveness and profitability.

While the Group delivered a solid adjusted operating profit of €65.8m in 2008, the result before tax was adversely impacted by negative fluctuations in investment returns, reflecting the on-going volatility in equity and property markets and the impact of a weak sterling exchange rate at the end of 2008.

### **DIVIDENDS**

The Group is committed to a progressive dividend strategy while maintaining a strong balance sheet and robust solvency margins. To meet these competing demands, FBD has traditionally followed a prudent ordinary dividend payout policy combined, periodically, with significant special dividends or distributions. In the last four years, on top of ordinary dividends, the Group has made special distributions of €546m to shareholders, including €50m last October.

The Board is recommending a 2008 final dividend payout of 10 cent per ordinary share, bringing the full 2008 dividend to 40.25 cent per ordinary share. This equates to a dividend payout rate of 25% of adjusted operating earnings after taxation and reflects the Board's view that it is in the long-term interests of all shareholders to maintain particularly strong solvency margins in the current environment.

### **PERFORMANCE AND OUTLOOK FOR 2009**

#### **Underwriting**

Premium rates began to harden in the Irish insurance market in the last quarter of 2008 and this trend has continued into the early part of 2009, with a number of market participants, including FBD, increasing rates on certain business lines. Gross premium written continues to decline for the market as a whole as risk reduces in line with economic activity. Unless rate increases across the market accelerate, it is likely

that the total premiums for the Irish non-life market in 2009 will be lower than 2008. Despite understandable consumer sensitivity to rate increases, further premium increases are required to provide the industry with an adequate return on capital, especially in light of the deteriorating claims environment and lower long-term rates of return on investments. Price levels are not yet at the point where it is prudent to grow our volume.

Given FBD's fixed cost base, the Group will benefit from positive operating leverage as prices rise. The realignment of our local office network will deliver substantial savings and ensure that we continue to outperform our peers on cost competitiveness. I am confident that FBD will continue to outperform its competitors in delivering higher returns for shareholders.

In the early months of 2009, property claims frequency across the Irish market has continued to rise, primarily attributable to weather related claims in the month of January and an increase in claims associated with the recessionary period. The level of reported personal injury incidents has remained constant. Large claims experience has been poor in the first quarter. The Group continues to implement a number of initiatives to reduce the cost of claims.

Regaining national competitiveness is key to Irish economic prospects. Claims reforms initiated in recent years have delivered significant benefits to the consumer in the form of lower insurance premiums. However, claims costs in Ireland remain high relative to other economies and the Government must not become complacent in the light of its reform achievements. More remains to be done. The Government must move forward quickly with the implementation of full speed camera privatisation, extend the penalty point system to other safety related offences and ensure that budget cutbacks do not impact frontline Gardai numbers. Personal injury awards must be brought into line with other jurisdictions to deliver comparable premium levels.

In response to changing customer behaviour, FBD announced plans in December 2008 to realign its local office network, reducing the number of offices from 47 to 34, by merging the activities of certain offices. This realignment recognizes changing customer behaviour and is designed to enable local offices focus on farming and commercial customers. Significant progress has been made in implementing this programme since the year end and it is expected to be completed on schedule.

The Group continues to develop its e-commerce facilities in response to the needs of customers, who increasingly wish to purchase personal lines insurance over the internet. Over 40% of FBD's new motor business is now purchased over the internet through [www.fbd.ie](http://www.fbd.ie) and [www.NoNonsense.ie](http://www.NoNonsense.ie).

FBD Insurance will focus on profitable growth, maintaining underwriting discipline, maximising efficiency and constantly evolving its business to reflect customers' needs.

### **Non-underwriting**

The property and leisure markets in Ireland and Spain are expected to remain difficult throughout 2009. Over-supply in the marketplace is the key challenge facing the property and leisure businesses, both in Ireland and in Spain and market capacity should reduce in the medium term to match falling customer demand. New marketing and sales initiatives and operational cost efficiencies are being implemented to achieve targets.

FBD Brokers is developing new market segments while providing enhanced customer value, and is well positioned to benefit from hardening premium rates. FBD Life continues to provide professional advice to customers in the uncertain environment and to concentrate on the sales of pension and protection products as the market for retail investment and life assurance products remains weak.

### **La Cala Tranche II update**

The Group continues to vigorously pursue the planning process which would result in the required planning permission on a substantial portion of the Tranche II lands at La Cala. The deadline for receiving the permission under the sale contract is approaching and we depend on the relevant local authorities to complete the process within the required timeframe.

We are engaging with all parties to the contract to explore the various scenarios that may emerge.

## Group

FBD Group has a strong capital base and balance sheet and a prudent reserving strategy. Since the year end, the Group has continued to reduce its equity exposure, which now represent only 2.2% of the assets under investment. Despite the difficult environment, the Board is confident that the Group has the people, plans, infrastructure and financial strength to continue to deliver long-term profitable growth and superior returns to shareholders, particularly in an environment where premium rates are hardening.

## Board changes during the year

Andrew Langford was appointed Group Chief Executive to replace Philip Fitzsimons who died suddenly a week before the Annual General Meeting in 2008. Andrew has been with the Company since 1996 and joined the Board in 2004. He has been a key executive in FBD and has played a central role in the formulation and implementation of the Group's growth strategy.

I am pleased to welcome Cathal O'Caoimh as Group Finance Director. Cathal joined the Company and the Board in October 2008. His extensive proven experience has strengthened both our management team and the Board.

## CONCLUSION

Finally, I would like to extend my sincere thanks to the Board, the Management and the Staff for their combined efforts and dedication in delivering an outstanding operating performance for the Group in difficult circumstances. We will continue to focus on maximising benefits for all stakeholders, and I am confident that FBD will continue to develop successfully into the future.

## About FBD Holdings plc

FBD is Ireland's third largest non-life insurer looking after the insurance needs of private individuals, farmers and business owners. The Group has developed complementary financial service businesses and has hotel and leisure property interests that include four hotels in Ireland and two resorts in southern Spain. The Group was established in the 1960s and is quoted on the Irish and London stock exchanges.

## 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.

### For Reference

#### FBD

Andrew Langford, Group Chief Executive  
Cathal O'Caoimh, Group Finance Director

### Telephone

01 409 3208  
01 409 3208

### Murray Consultants

Joe Murray

01 498 0300