

FBD Holdings plc

2010 Results

March 2011

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.

2010 Highlights

Financial

- Solid operational performance
- Operating profit up 41% to €40.7m, operating EPS of 106 cent
- Operating profit and cash flow from both divisions
- COR improved from 104% to 99.8%
- Underwriting operating profit up 61% to €35.4m despite severe weather
- Loss net of valuation impairments
- Strong balance sheet
- Solvency strengthened to 61% of NEP
- Dividend increased 5% to 31.5 cent

Operational

- GWP rose 0.3%, first rise since 2007
- Further growth in market share to 11.8%
- Increased share in 9 of last 10 years
- Premium rates continuing to harden
- Dublin penetration over 5%
- Underwriting turnaround
- Successful claims initiatives
- Improving claims frequencies
- Pension and cost initiatives

Benefit of rate actions, claims initiatives and cost management masked by weather events

Performance in a market context

Economy

- Three challenging years

	<u>2008</u>	<u>2009</u>	<u>2010</u>
GNP	(2.8%)	(10.7%)	(2.5%)
Domestic demand	(4.6%)	(13.0%)	(6.8%)
Investment	(15.5%)	(31.0%)	(24.8%)

- Unemployment 13.5%
- Insurable volumes and values reduce in line with economic activity
- Domestic economy influenced by uncertainty about Ireland's fiscal position
- Economy continuing to contract in 2011 but at a slower pace

Insurance Industry

- Industry hardening of rates continues, particularly in property
- Volumes and values continue to decline during 2010
- Industry premium down 2.6% in 2010
- Industry COR in 2010 unlikely to improve

Industry COR:	<u>2009</u>	<u>2008</u>
Car Insurance	108%	105%
Home Insurance	138%	137%

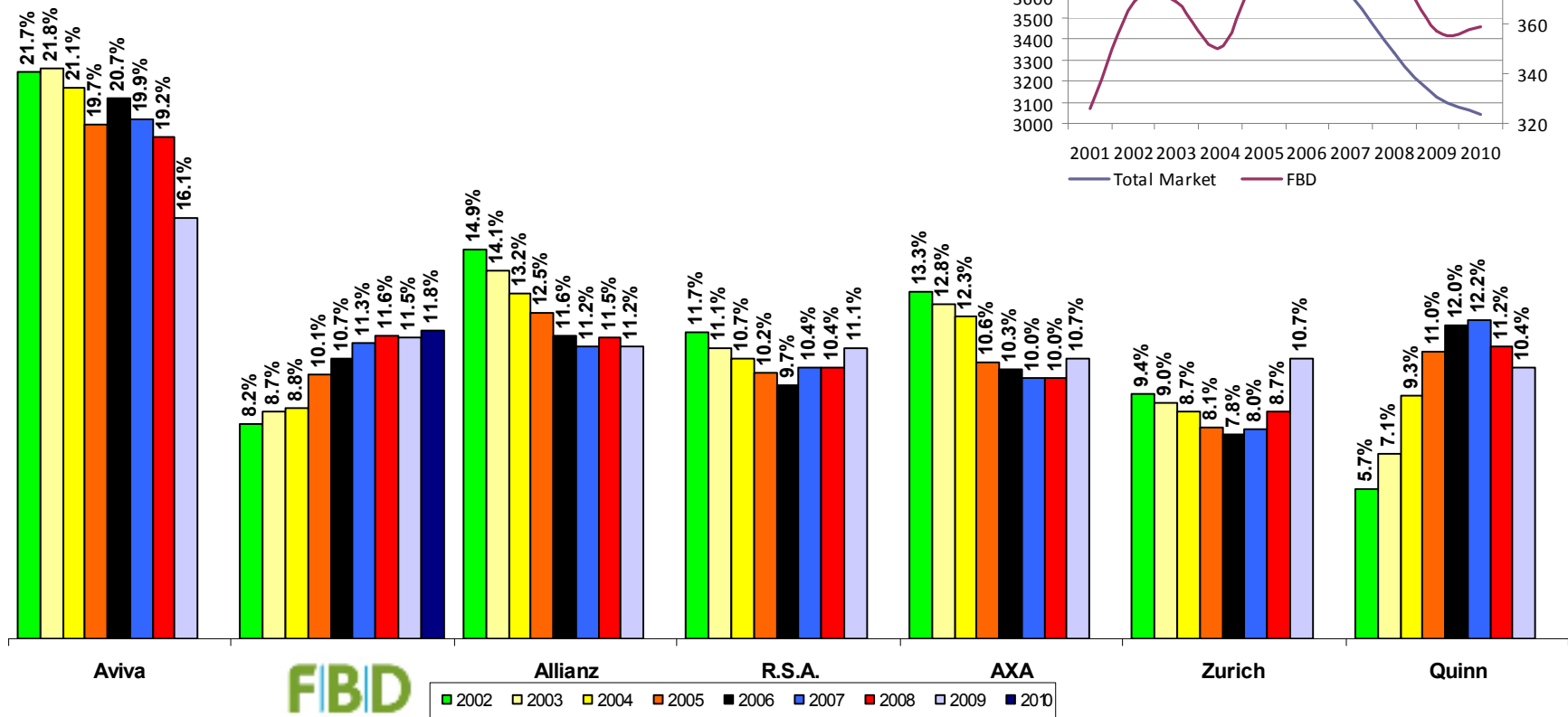
- Severe weather in January and December
- As investment returns remain low, insurers must focus on positive underwriting results

Environment continues to stabilise – but end of market contraction still uncertain

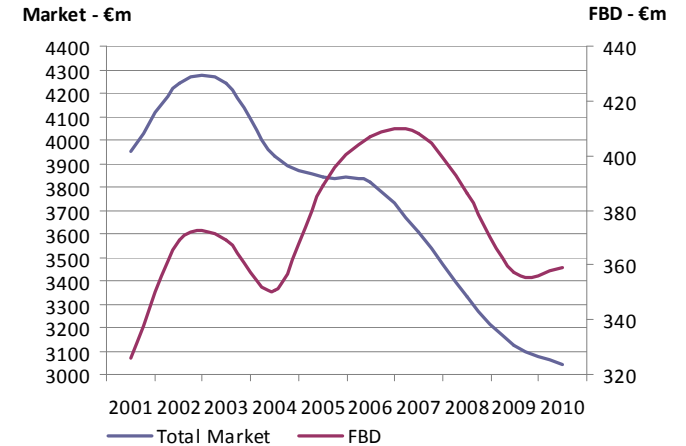
2010 Results - Underwriting



Market Share – Gross Written Premium (IIF estimate)



Premium Income - FBD and the Market



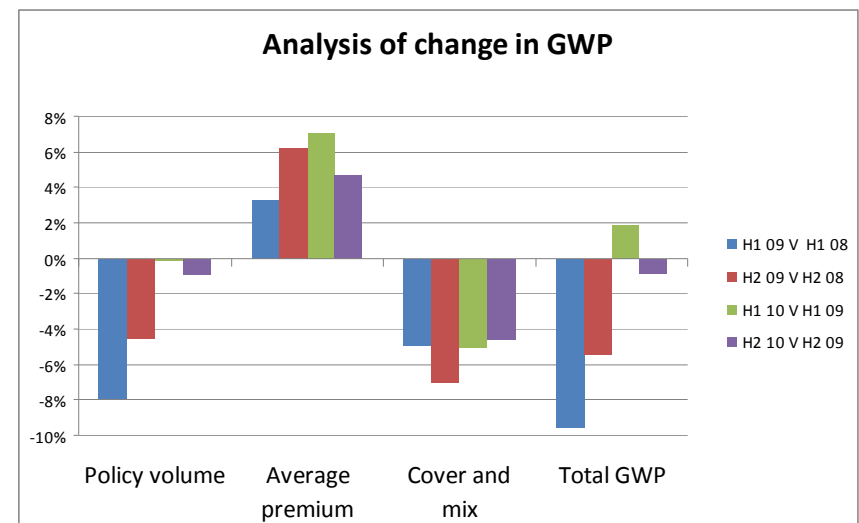
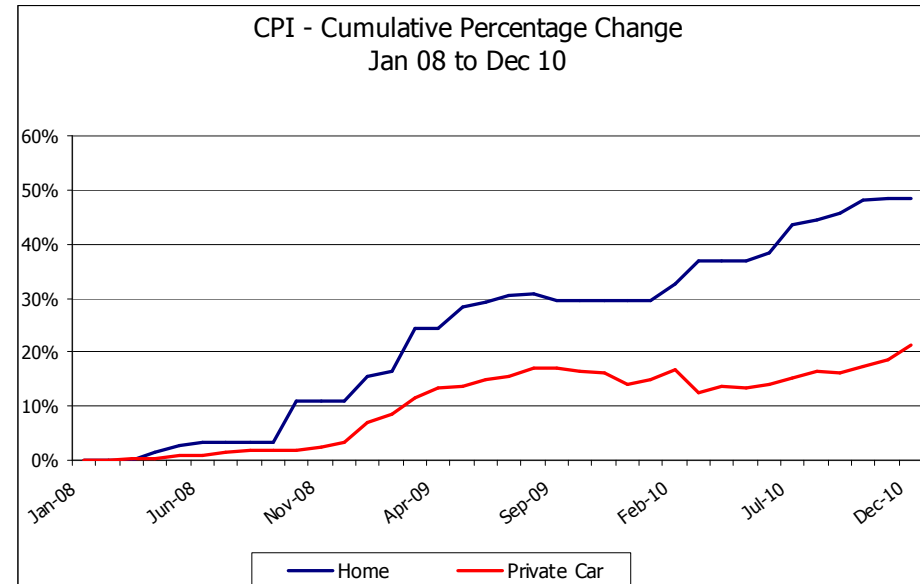
Market share growth – in 9 of the last 10 years

2010 Results – Underwriting



Premium

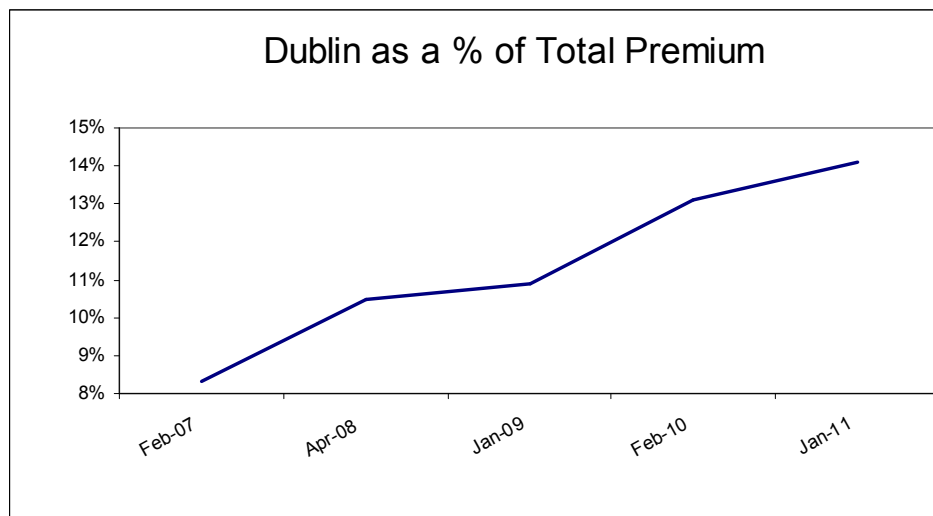
- First rise in GWP since 2007
- FBD prepared to forego volume in less profitable segments – however overall volume stabilised
- Benefited from relative strength of the agri-sector
- Industry rates continue to harden, particularly in property
- Reductions in cover offsets rate benefit
- Market rates for larger insurance risks becoming more competitive
- Improved retention rates
- Higher conversion rates
- Weather events have provided a further impetus to rate hardening



Rates continue to harden – premium growth with reduced risk exposure

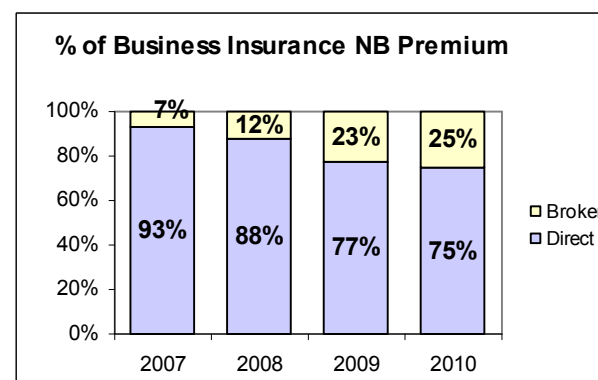
1. Dublin market penetration

- Progress in Dublin and other urban areas
- 14% of GWP coming from Dublin
- Dublin market share over 5%, and continuing to grow



2. Business insurance and broker initiatives

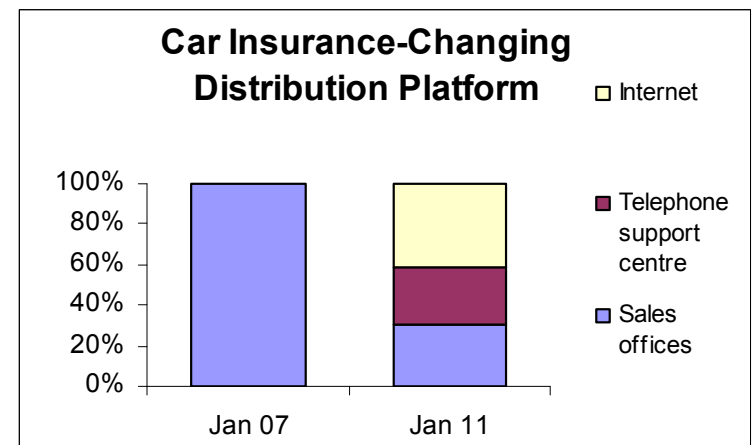
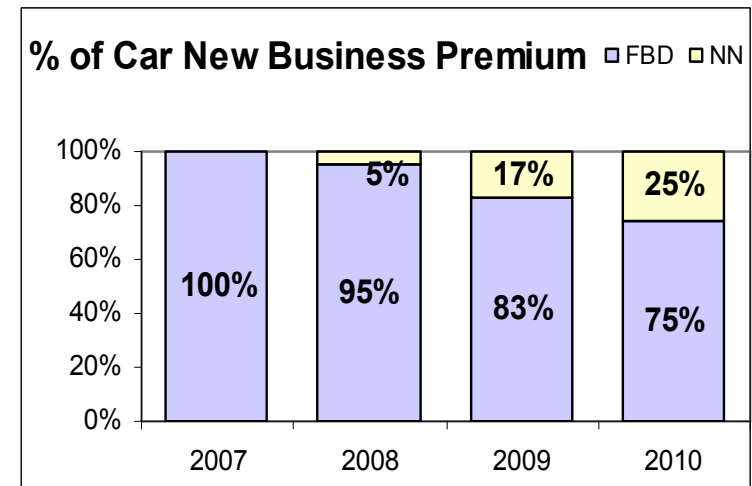
- Business insurance GWP increases with contributions from all channels
- Successful broker initiatives with increased new business from urban centres
- Broker offering enhanced
- Local office network focused on farming and business insurance



Multi-channel strategy provides significant opportunities

3. Personal lines development

- FBD.ie
- NoNonsense.ie
(now 15,000+ customers)
- Successful launch of NoNonsense Home
- Dublin represents 45% of all web based car insurance business
- Renewal facility online exceeding expectations
- Growth in home insurance



Constantly adapting platform to meet changing customer needs

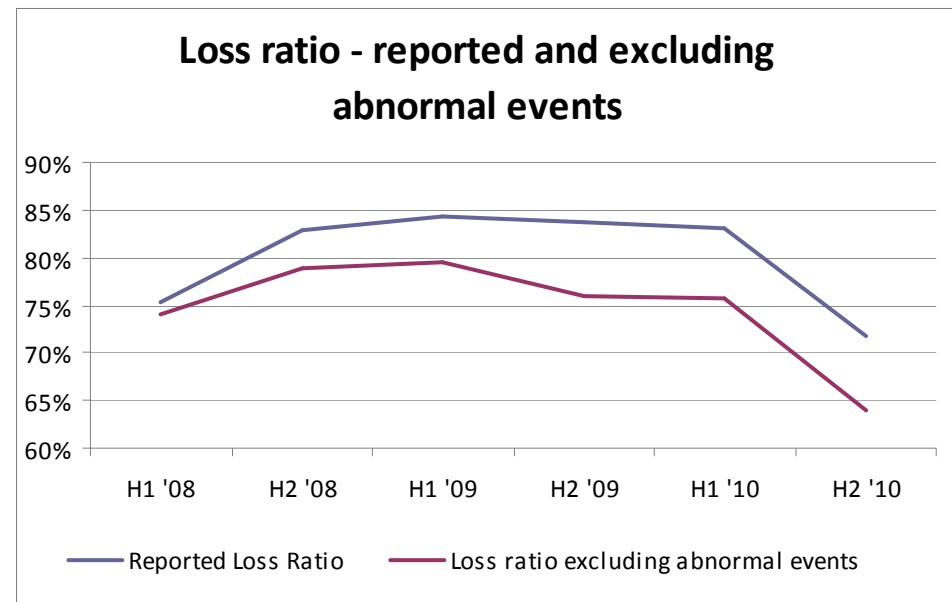
Claims Trends

- Reported loss ratio reduced from 83.8% to 77.4%
- Improvement in non-weather related property claims frequency
- Improvement in large claims experience
- Reduced frequency of motor injury claims
- Improved loss ratio also attributable to rate increases
- Severe weather in January and December cost €29m, net of reinsurance
- Benefit of underwriting and claims management initiatives
- Continued improvement in loss ratio excluding abnormal events *

- Strong reserving – consistent level of prudence maintained

Four severe weather incidents in 14 months:

~ Gross claims paid	€90m
~ Cost, net of reinsurance	€39m
~ Number of customers	14,000



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

Improving loss ratio, prudent risk management

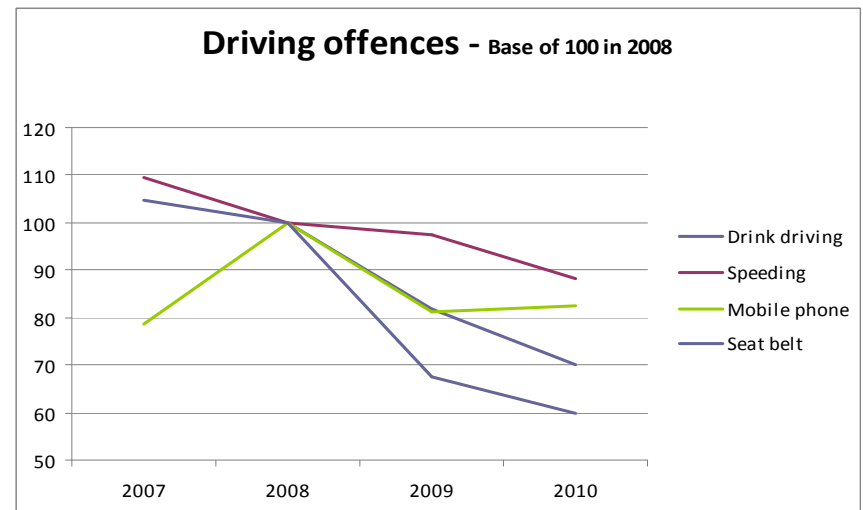
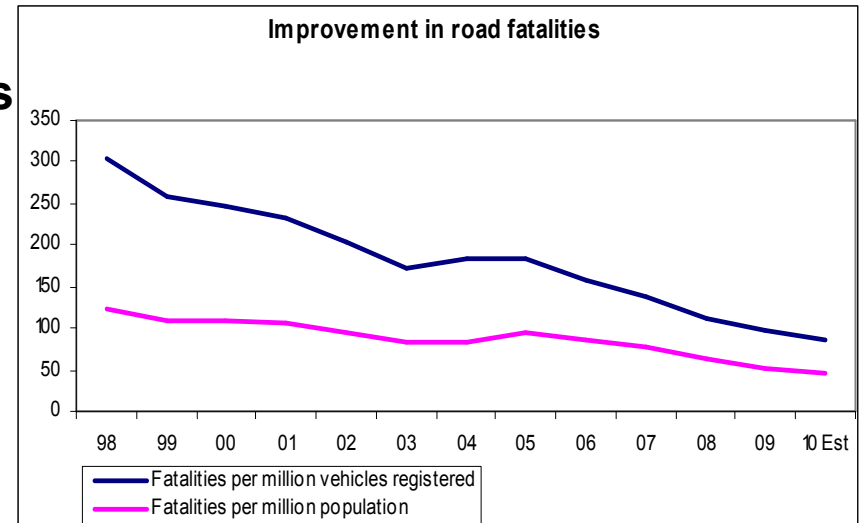
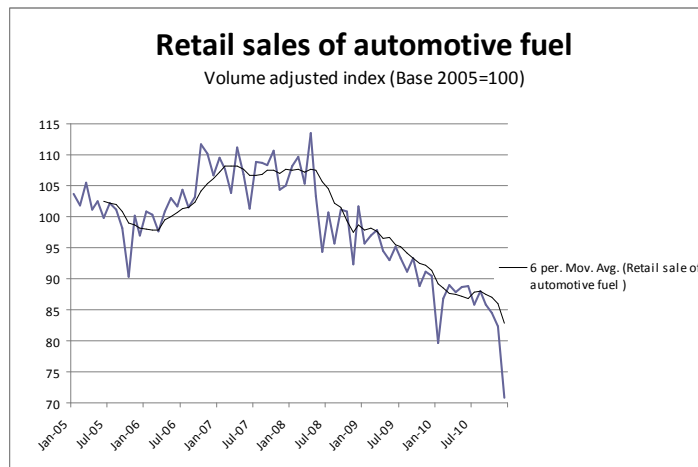
2010 Results – Underwriting



Claims Trends

Continued initiatives to improve claims costs:

- Successful implementation of new claims management system
- Increased resources and training to counter fraud
- Focus on direct settlement initiative
- Continued innovation in technology, organisation and process to improve settlement costs



Continued success in reducing claims costs – “Fair to FBD, fair to the customer”

2010 Results – Underwriting

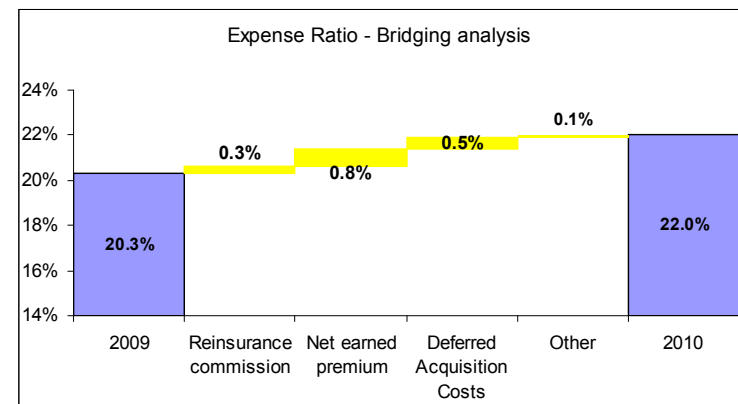


Cost structure

Initiatives completed

- Most competitive cost structure in the industry
- Engaged with employees
 - pension benefits restructured
 - pension contributions introduced
 - pay freeze/salary reductions agreed
 - changes to terms and conditions
- Reinsurance costs up in 2010

Underwriting expenses	2010	2009
	€m	€m
Management expenses	77.5	78.1
Deferred Acquisition Costs	-0.6	-2.2
Reinsurance commissions receivable	-12.7	-13.9
Broker commissions payable	2.4	2.1
	66.6	64.0



Adjusting expense base to meet customer needs and underpin the competitive advantage

2010 Results – Non-underwriting



- **La Cala**
 - Improvement in property sales despite challenging environment – 46 units sold
 - Inventory reduced by €13.2m to €18.0m
 - Golf and hotel in line with 2009 due to proactive marketing
 - Focus on costs

- **Sunset**
 - Excellent performance in line with 2009
 - Well ahead of the competition

- **FBD Hotels**
 - Oversupply in market
 - Outperformed market
 - Focus on costs

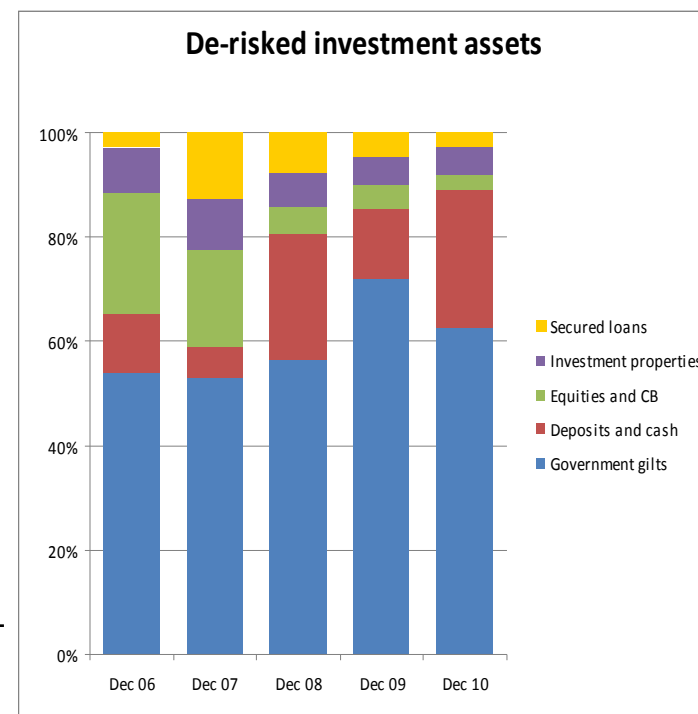
- **Financial Services / Other**
 - Growth in contribution from FBD Brokers and FBD Financial Solutions in challenging environment
 - Growth in new business and from existing customers
 - Focus on costs

Non-underwriting expenses	
	€m
2007	66.6
2008	60.4
2009	56.4
2010	53.4

2010 Results – Underwriting

Underwriting Assets Allocation

	31 Dec 2010		31 Dec 2009	
	€m	%	€m	%
Government gilts	497	61%	581	70%
Deposits and cash	217	27%	110	13%
Investment properties	42	5%	43	6%
Equities & corporate bonds	22	3%	36	4%
Secured loans	21	3%	37	4%
Own land & buildings	18	2%	22	3%
Total investment assets	817	100%	829	100%
Reinsurers' share	96		93	
Trade & other debtors and DAC	91		101	
Fixtures and fittings	17		17	
Total assets	1,021		1,040	



Three of four UK investment properties sold post year-end yielding cash of €20.6m and a profit over valuations of €0.5m

Underwriting asset allocation remains prudent

2010 Results – Group



Group Assets

	31 Dec 2010	31 Dec 2009	Asset value reduction
	€m	€m	€m
Government gilts	497	581	(8)
Deposits and cash	231	120	-
Hotel & golf resort assets	120	136	(17)
Trade, other debtors and DAC	112	107	-
Reinsurers' share	96	93	-
Inventory	46	59	-
Investment properties	42	43	(1)
Equities and corporate bonds	25	40	(2)
Secured loans	21	37	(19)
Own land & buildings	18	22	(3)
Fixtures and fittings	18	18	-
	1,226	1,256	(50)

Cumulative impairment as a % of Dec 2007 values:

Sunset Beach Resort	0%
La Cala Hotel & Golf Resort	43 %
FBD Hotels	45 %
Own land and buildings	45 %
Investment properties	48 %
Secured loans	72 %

Prudent valuations taking into consideration the performance, quality and locations of the underlying assets

Secured loans written down to the approximate value of the underlying security on an existing use basis

The potential for further downside is limited, underwriting downside effectively eliminated

2010 Results – Net claims run off



	Prior years €m's	2001 €m's	2002 €m's	2003 €m's	2004 €m's	2005 €m's	2006 €m's	2007 €m's	2008 €m's	2009 €m's	2010 €m's	Total €m's	
Estimate of cumulative claims:													
At end of underwriting year		188	212	221	265	290	298	307	338	308	283		
One year later		185	196	203	228	287	257	281	319	286	-		
Two years later		186	187	183	214	221	254	277	318	-	-		
Three years later		174	171	167	184	210	251	273	-	-	-		
Four years later		158	148	148	176	205	247	-	-	-	-		
Five years later		151	142	141	171	201	-	-	-	-	-		
Six Years Later		146	138	137	168	-	-	-	-	-	-		
Seven Years Later		144	136	135	-	-	-	-	-	-	-		
Eight Years Later		142	135	-	-	-	-	-	-	-	-		
Nine Years Later		139	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-		
Estimate of cumulative claims		139	135	135	168	201	247	273	318	286	283		
Cumulative payments		(135)	(130)	(128)	(151)	(174)	(203)	(199)	(219)	(172)	(94)		
Claims outstanding		7	4	5	8	17	27	43	74	99	114	189	587
Saving		3	3	1	2	3	4	4	4	1	22	0	49

- Positive run off of €49m (2009: €50m)
- Positive run off each year since 2003

Prudent reserving – consistent level of prudence maintained

- **Solvency**
 - Insurance solvency up from 52% to 61% of NEP
- **Reserving ratio**
 - Reserving ratio of 243% (2009: 240%)
- **Government gilts**
 - Gilts are held to maturity and accounted for on an amortised cost basis.
 - Excess of €20.8m not recognised
 - Gain will amortise over period to maturity – 2011 to 2012
- **Development land in inventory**
 - Development land at La Cala included in inventory at cost
 - External professional valuations report an excess of €24m (not recognised)
- **Net asset value**
 - Net asset value per share of €5.47

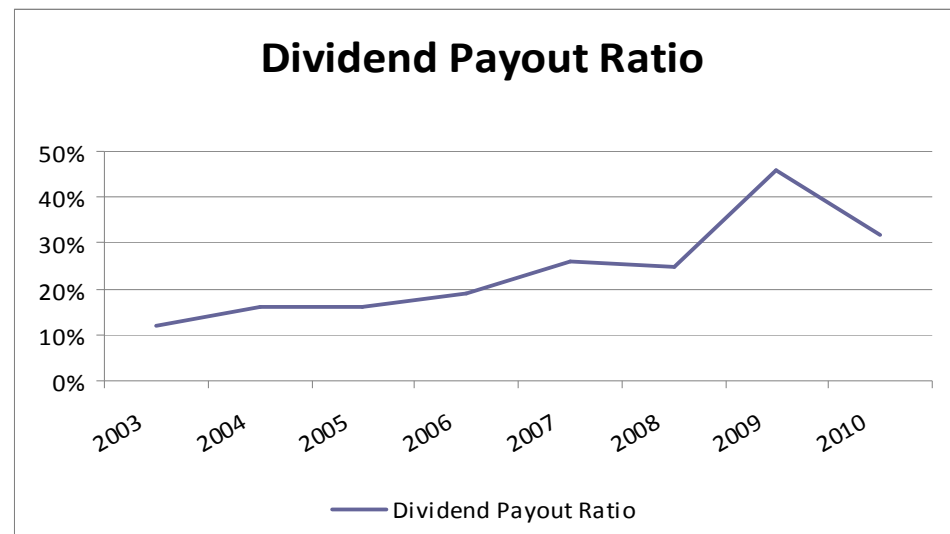
Strong balance sheet, robust solvency, prudent investment and reserving policies

Dividend policy

- 21.0 cent final dividend
- 31.5 cent total dividend
- Up 5% on 2009
- Logic:
 - Remain committed to maintaining a robust capital position and a strong balance sheet
 - Committed to a sustainable progressive dividend policy
 - Expectation that volatility will continue to reduce

Solvency II – implementation in 2013

- Conducted QIS 5 test of capital adequacy
- FBD met required standard and has excess over the QIS 5 solvency capital requirement
- Expect to be in a position to meet all Solvency II requirements in advance of introduction



Committed to a progressive dividend policy

Outlook - Underwriting

- Economic uncertainty has reduced but domestic demand is likely to fall further, albeit at a diminishing rate
- Austerity measures will have an impact on economic activity and insurance values
- Rate increases will benefit premium levels
- Market size will depend on whether rate increases exceed contraction in volume and cover
- FBD opportunity for growth in 2011 will be limited
- However, underwriting discipline and cost containment will deliver improved profitability
- Focus on profitable growth opportunities, claims and cost management

Objective – to be “the most successful insurance company in Ireland”

Outlook – Non Underwriting

Property and leisure

- Markets will remain difficult
- Recovery, particularly in Ireland, is dependent on a reduction in market capacity and growth in number of foreign tourists
- Will focus on the development of new market initiatives and segments to improve profitability and cash generation
- Unit sales in La Cala will continue
- Continue to focus on costs
- Expect profit increase in 2011

Financial Services / Other

- FBD Brokers will continue to pursue new business opportunities and is well positioned to take advantage of the buoyancy of the agri-business sector
- FBD Financial Solutions will continue to focus on new business from new and existing customers
- Continue to focus on costs
- Consolidate customer relationships
- Expect profit increase in 2011

Confident that we can outperform competitors

Proposition

FBD has:

- Robust underwriting business
- Appropriate plans, people and infrastructure
- A track record of profitable growth
- A quality portfolio of property and leisure businesses
- Strong capital base and balance sheet
- Prudent reserving policy
- A de-risked balance sheet

FBD is well positioned to:

- Continue growth in market share
- Benefit from hardening market
- Capitalise on growth opportunities using existing capacity
- Benefit from relative strength of the agri-sector
- Deliver long-term profitable growth
- Produce superior returns for shareholders

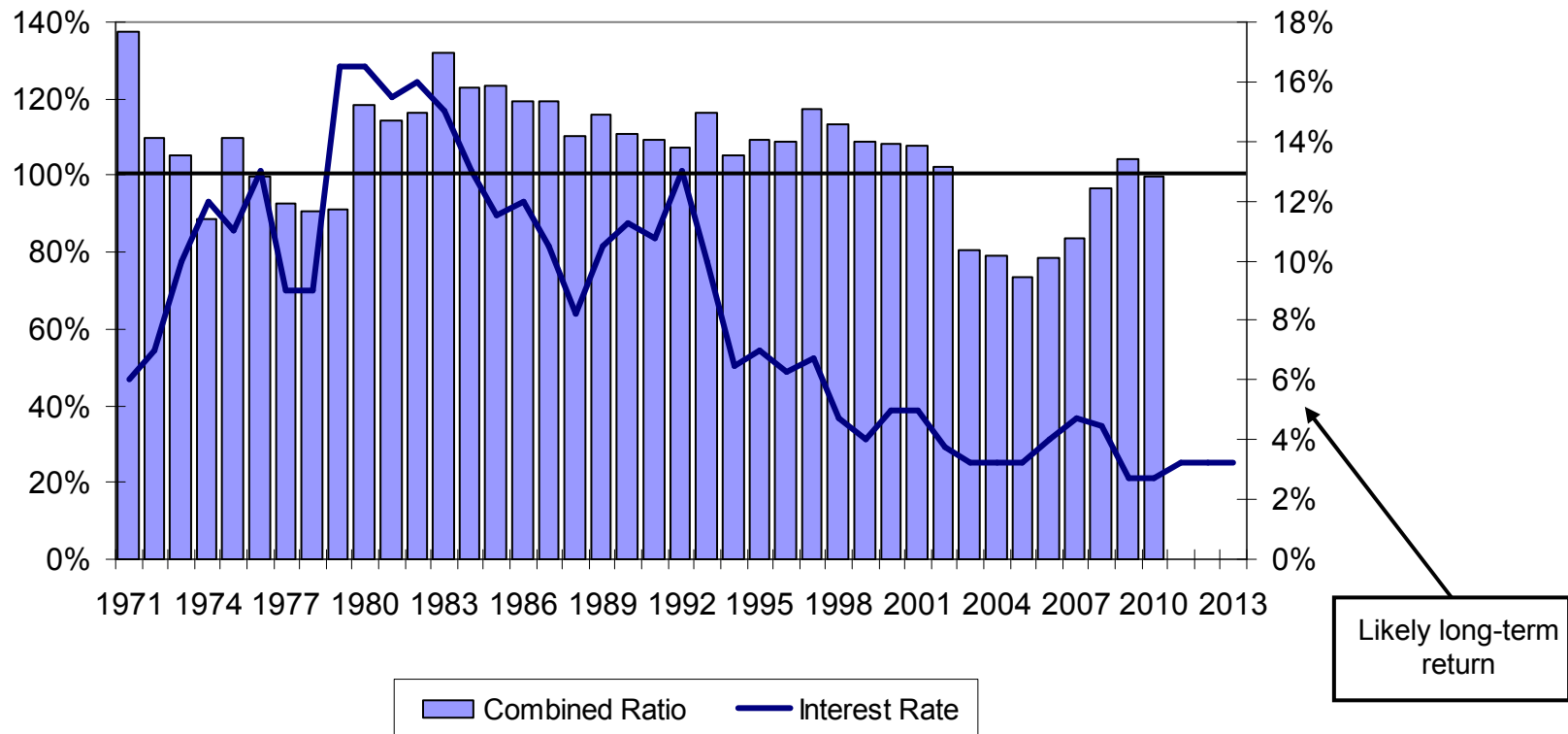
Operating earnings growth in 2011 – guidance of 130 to 140 cent per share



Appendices

Premium Pricing – the new norm

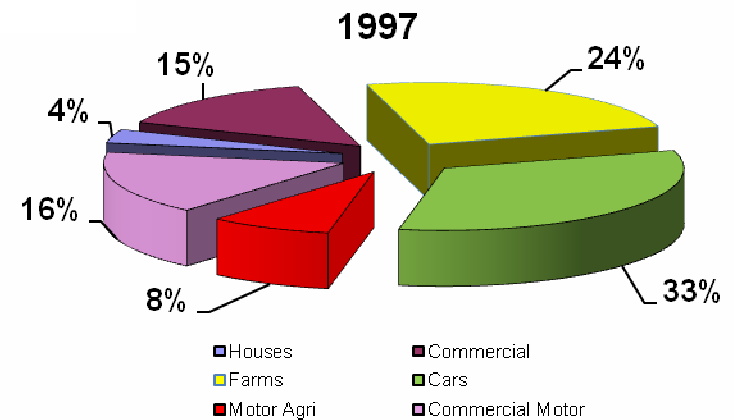
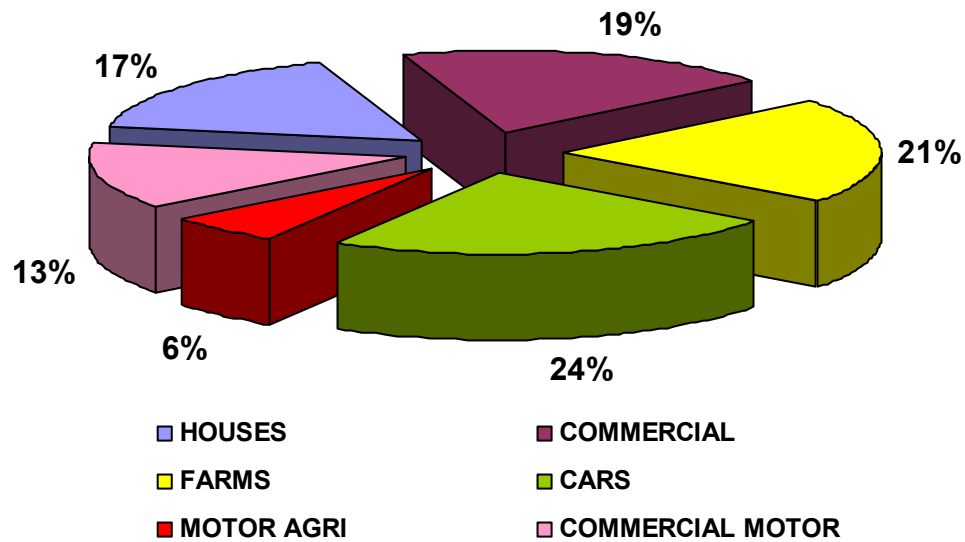
FBD COR% and Interest Rates - 1971 to 2013



Lower investment returns leading to new norm in combined operating ratio

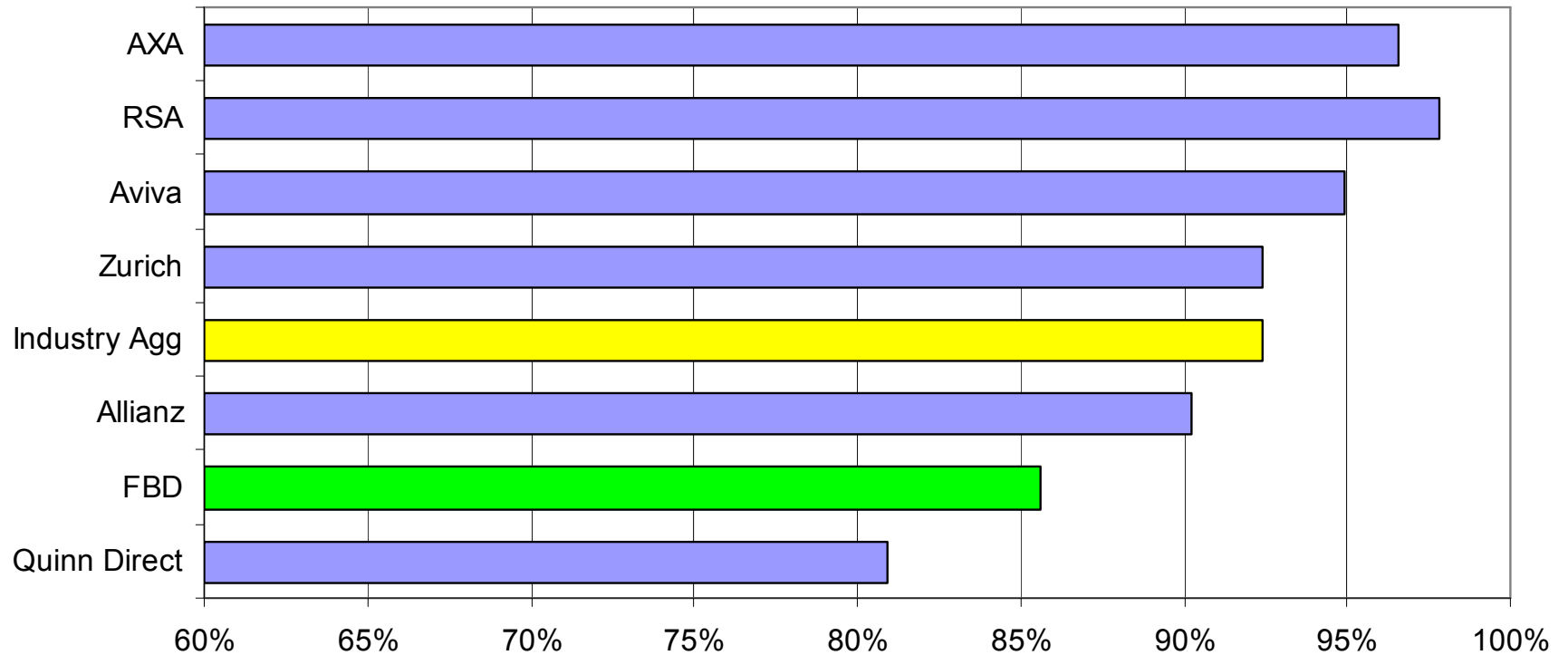
Premium by category

Premium by category - 2010



10 year average combined ratio

10 Year COR %



Income Statement

	2010	2009
Underwriting	€000s	€000s
Gross written premiums	<u>358,385</u>	<u>357,244</u>
Net earned premiums	302,540	314,604
Net claims incurred	(234,268)	(263,492)
Net operating expenses	<u>(66,653)</u>	<u>(64,020)</u>
Underwriting Result	<u>1,619</u>	<u>(12,908)</u>
Loss Ratio	77.4%	83.8%
Net Expense Ratio	22.0%	20.3%
Combined Ratio	99.4%	104.1%

Income Statement (cont'd)

	2010	2009
	€000s	€000s
Underwriting Result	1,619	(12,908)
Longer term investment return	34,514	35,299
Non underwriting operating income	4,533	6,489
Operating profit	40,666	28,880
Operating profit by activity:		
Insurance underwriting	36,133	22,391
Non-underwriting		
- Property/leisure	1,316	2,786
- Financial services/other	3,217	3,703
	40,666	28,880

Income Statement (cont'd)

	2010	2009
	€000s	€000s
Operating profit	40,666	28,880
Investment return fluctuations	(30,093)	(28,784)
Revaluation of property, plant and equipment	(19,868)	(29,048)
Retirement benefits – past service gain	11,063	-
Restructuring costs	(1,615)	(2,315)
Finance costs	(3,236)	(3,377)
Loss before tax	(3,083)	(34,644)
Income tax	(152)	3,714
Loss for the period	(3,235)	(30,930)

2010 Results



Balance Sheet - Assets

		<u>31/12/10</u>		<u>31/12/09</u>
		<u>€000s</u>		<u>€000s</u>
Property & Equipment				
Hotels/golf	120,004		136,347	
Property – own use	18,115		21,840	
Fixtures & Fittings	17,840	155,959	18,292	176,479
Investments				
Property		42,368		43,267
Financial		737,699		732,897
Reinsurers' share of technical provisions		95,622		93,189
Other receivables/DAC's		95,894		99,644
Current and deferred tax		15,250		7,082
Other Assets				
Development land	28,037		30,470	
Work-in-Progress	18,008		28,756	
Cash	36,714	82,759	44,036	102,830
Total Assets		1,225,551		1,255,820

2010 Results



Balance Sheet - Liabilities

		<u>31/12/10</u>		<u>31/12/09</u>
		<u>€000s</u>		<u>€000s</u>
Equity				
Share Capital		21,409		21,409
Reserves		160,714		170,099
		<hr/>		<hr/>
Shareholders' funds – equity interests		182,123		191,508
Preference Shareholders		2,923		2,923
Minority Interests		2,053		3,030
		<hr/>		<hr/>
Total equity		187,099		197,461
Liabilities				
Technical provisions				
- Unearned premiums	176,479		176,603	
- Claims	657,656	834,135	671,429	848,032
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Deferred tax		11,751		10,507
Creditors				
- Loans	117,766		120,051	
- Other	74,800	192,566	79,769	210,327
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Total Liabilities		1,225,551		1,255,820

Cash Flow Statement

	2010 €000s	2009 €000s
Net Cash from operating activities – pre tax	37,982	3,317
(Used in)/from investing activities	(32,854)	2,796
(Used)/released in financing activities	(12,432)	2,147
Net (decrease)/increase in cash and cash equivalents	<hr style="width: 100%; border: 0.5px solid black;"/> (7,304)	<hr style="width: 100%; border: 0.5px solid black;"/> 8,260
Cash and cash equivalents at the beginning of the period	44,036	35,713
Effect of foreign exchange rate changes	(18)	63
Cash and cash equivalents at the end of the period	<hr style="width: 100%; border: 0.5px solid black;"/> 36,714	<hr style="width: 100%; border: 0.5px solid black;"/> 44,036



FBD Holdings plc

2010 Results
QUESTIONS?