

## **CHAIRMAN'S ADDRESS**

As I have stated in our Annual Report, FBD Holdings plc delivered another outstanding performance in the year under review.

A key measure of this performance is the net earnings figure of €246.8m for the period. These earnings resulted from the strong operating performance, the land sale at La Cala in Spain and the significant returns on our investment portfolio.

Shareholders' funds increased to €497.5m, after repatriations to shareholders totalling €207.0m, consisting of €77.8m in dividends and €129.2m in a share buyback.

Based on the excellent results and in keeping with our stated policy to increase the dividend payout ratio, the Board is recommending a final dividend of 45.0c per ordinary share, bringing the total dividend for the year to 69.0c. This represents a 20% increase on the 2005 figure, which itself was an increase of 43.75% over 2004.

In addition to the ordinary dividend just mentioned, on 17<sup>th</sup> April 2007 last the Board announced its decision to distribute a further €177 million of reserves to shareholders, subject to shareholder approval at a forthcoming EGM, scheduled for 31<sup>st</sup> May. We estimate that this will impact 2007 operating EPS by approximately 12 cent per share. The distribution will be made on 27<sup>th</sup> June to shareholders on the register on 8<sup>th</sup> June 2007. The decision to distribute was taken following the Board's assessment of the capital required by the Group to deliver its ambitious development plans; and, the mode of repatriation was determined by the Board after due deliberation as to the option it believes is in the best interests of shareholders. The decision to return capital deemed surplus to requirements is further evidence of the Group's disciplined capital management and will enhance the return on equity for shareholders. In mentioning returns to shareholders, I would remind you that the average total shareholder returns per annum over the last 5 years were 52%, an outstanding performance by any measure.

You will have received your documentation for the EGM and I urge you to complete and return your proxy form to the Registrar, if you are not attending, no later than Tuesday morning, 29<sup>th</sup> May 2007.

## **UNDERWRITING**

As in previous years, the performance of FBD Insurance, our primary business, underpinned the Group's results. I am pleased to report that in a highly competitive market we succeeded in growing our market share and are now Ireland's fourth largest general insurer. We have achieved this position through organic growth based on sustainable development of our customer focused, direct sell, business model.

It is widely recognised that insurers and policyholders have benefited from the positive insurance environment that has pertained in Ireland in recent years. It is equally important to recognise that the key element that has made this possible is the reduction in accident claim costs that has occurred, relative to what they were a few short years ago. The heartening reality is that accident frequency and average claim costs have reduced. The factors that have brought about the improved situation are well known; the reduction in fraudulent claims, the road safety and law enforcement measures that have been implemented, and the reduction in legal costs arising from the establishment of the Personal Injuries Assessment Board (PIAB). If further savings in claim costs are to be achieved, it is essential that progress on all these fronts is sustained. Concerted efforts by some lawyers to thwart the PIAB in its objectives continue. The government must remain firm in its support for PIAB and ensure that any legislative changes that are necessary to underpin its capacity to deliver on the purposes for which it was established, are implemented.

## **NON-UNDERWRITING**

You are all aware that the Group's non-underwriting interests encompass leisure/property development, financial services and the investment of non-allocated capital. As our results show, these activities reported satisfactory outcomes in 2006.

In relation to our property business, I wish to refer to the disposal of the major portion of the development land owned by the Group at La Cala Resort in Spain. This land sale was agreed in February of last year and effected in June. The net profit arising from the transaction, when finally concluded, is estimated to be €90m. The Board decided when entering into the transaction that the entire net proceeds of the sale would be distributed to shareholders. Accordingly, a special dividend, amounting to €5m, was paid in August 2006 in respect of the Tranche I land. Payment by the purchaser for the second Tranche of land is due on final approval being granted by the Regional Planning Authority. Whilst we had initially expected an earlier outcome, due to delays being experienced in this final approval process, we are of the view that it is unlikely to be received before year end. A distribution of the remaining net sale proceeds, estimated at €65m, will be made when payment of the final monies, triggered by the planning approval, is received. The land disposal evidences the ongoing commercial assessment the Group undertakes in relation to all its businesses and the focus it maintains on optimising shareholder returns.

## **CORPORATE**

On the corporate front, a significant change in the Group's shareholding structure occurred in 2006 when Farmer Business Developments plc placed 4.5m shares (i.e. 12% of FBD Holdings plc's issued capital at that time) on the market in June. As stated earlier, the Group bought, and subsequently cancelled, 3.8m. of these shares and the remainder were purchased by other investors. This transaction resulted in the shares' free float moving to 67% and Farmer Business Developments' shareholding reducing to 24.4%, thereby increasing share liquidity. I welcome the new investors who have joined the Company and acknowledge your confidence in us.

## **OUTLOOK**

As the results have reflected, 2006 was a year in which the growth momentum that the Group established over the years was maintained. This is borne out across all our businesses by the increase in customer numbers, the new markets that have been sourced and the organisational and infrastructural developments that have been implemented to underpin our progress. These latter developments, including the establishment of our Business Support Centre in Mullingar, Co. Westmeath, which opened in February of this year, ensure that our platform for success continues to be strengthened.

**Outlook continued overleaf.....**

As regards the current year, I am pleased to report that we have continued to make solid progress to date. We are vigorously pursuing our strategies for growth and, albeit that price competition remains intense across all our areas of business, I am confident that the progress we have made will be built on and that we will fulfil our full year earnings expectations.

### **CONCLUSION**

In conclusion, I extend my sincere thanks to the Board, Management and Staff for their efforts and dedication in, once again, delivering an outstanding performance for the Group. By maintaining our focus on maximising benefits for all our stakeholders, I am confident that FBD is very well positioned to continue developing successfully.