



FBD Holdings plc

2014 Interim Results

August 2014

Forward Looking Statement

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.

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2014 Interim Results – Highlights



Performance

- GWP up 5.1%
- Further increase in market share
- COR of 107%:
 - Severe and persistent weather claims of €44.3m, gross of reinsurance, €15.3m net
 - Sharp increase in car insurance claims frequency
- Annualised investment return of 3.0%, excellent result in a low return environment
- Operating EPS of 14c, fully diluted EPS of 8c

Financial strength

- NAV of 776c
- Reserving ratio 241% (2013: 235%)
- Solvency strengthened to 73.4% of NEP

Dividend

- Interim dividend of 17.0c.
- Committed to progressive dividend policy

	2014	2013
GWP	€184.9m	€175.9m
Operating profit	€5.3m	€24.1m
PBT	€3.2m	€19.0m
Operating EPS	14c	63c
Fully Diluted EPS	8c	49c
NAV	776c	740c
Interim DPS	17.0c	15.75c

Strategic developments

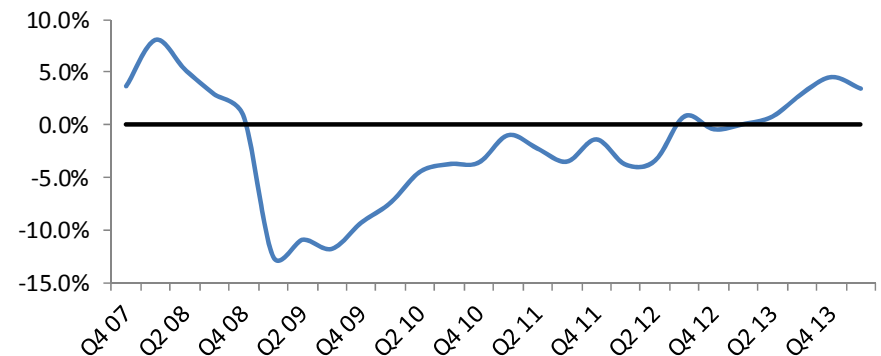
- Further progress in delivering on strategic priorities and aligning business model to continue to meet the needs of customers
- Relationships with broker partners are developing well and business written is gaining momentum
- Continued investment in platform for growth

2014 Interim Results – Irish economy

Economy

- Economic growth has accelerated faster than anticipated
- Welcome development post peak to trough decline in domestic demand of 20.4%
- Domestic demand forecast to grow 2.9% in 2014
- Unemployment rate 11.4% in 2014, down from 13% in 2013
- Consumer sentiment hits a five year high
- Retail sales of auto fuels, the best gauge of insurable auto risk, is up 8.8% yoy, far exceeding expectations
- Increase in new vehicle registrations:
 - Cars up 30%
 - HGVs up 44%
 - LCVs up 46%

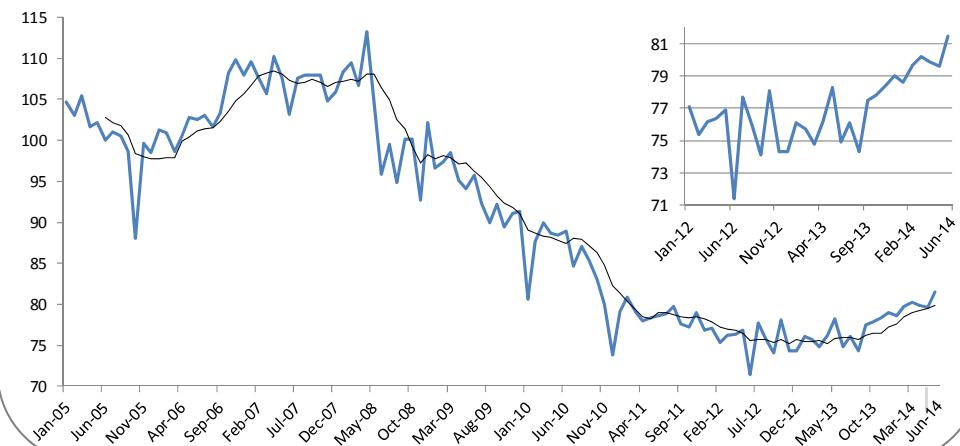
Domestic Demand (yoy change) *



Source: CSO/Goodbody * excludes aircraft and R&D

Retail sales of automotive fuel

Volume adjusted index (Base 2005=100)

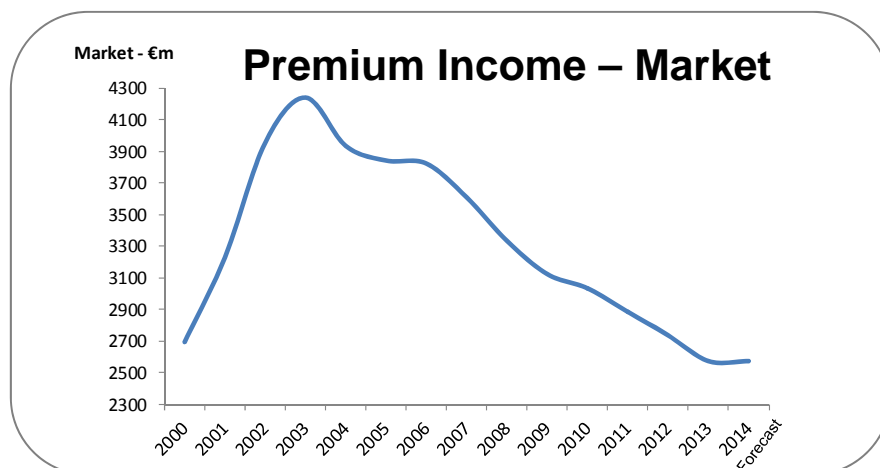


2014 Interim Results – Insurance industry

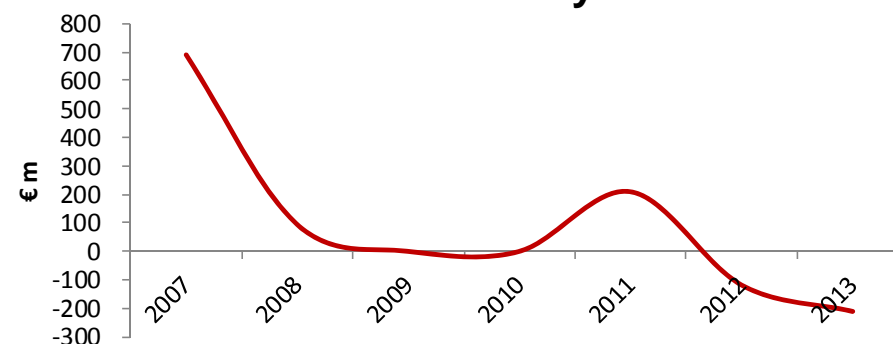
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Insurance industry

- Irish insurance market premium income stabilises after 11 years of decline
- Industry COR for 2011-2013 of 102% (Car 112%)
- Substantial rate increases in car insurance in recent months
- Market remains competitive, particularly in home insurance and for higher value business risks

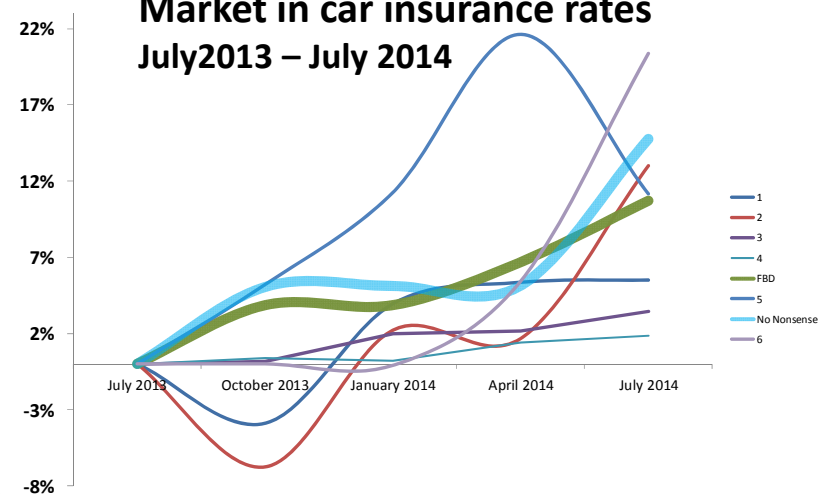


Insurance Industry – Underwriting Profit History



Source: Insurance Ireland

Market in car insurance rates July 2013 – July 2014



Source : Consumer Intelligence

2014 Interim Results – Claims



Claims environment

- Severe and persistent weather experience
- Improvement in economy led to higher claims frequency

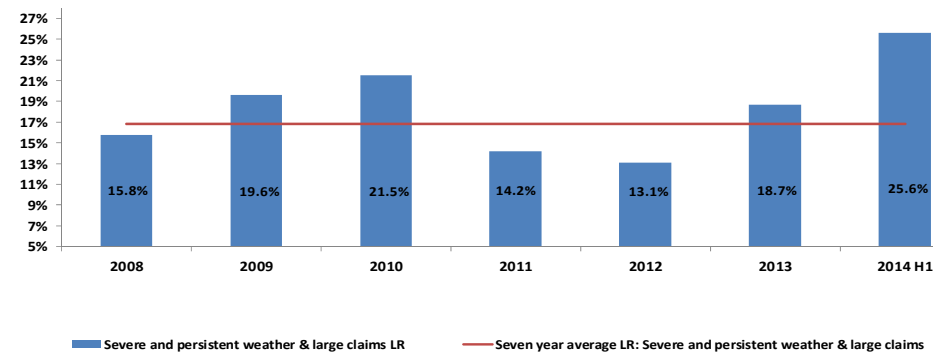
FBD claims cost

- Net claims incurred increased 17.2%
- Loss ratio of 79.5%
- Severe and persistent weather of €44.3m gross or €15.3m net
- Sharp increase in frequency of car injury claims
- Large claims over €1m revert to norm

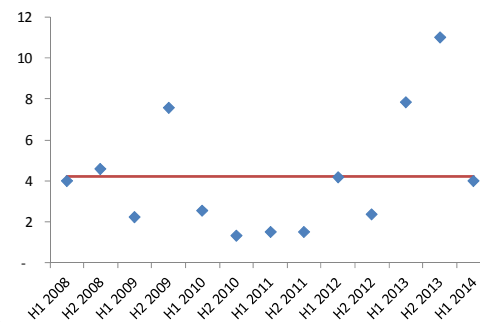
Weather and large claims

- H1 2014 weather cost is the highest in Group's history
- Severe and persistent weather and large claims accounted for 26% of NEP compared to an average of 16.5% for the previous seven years
- Over 9,000 customers impacted by weather

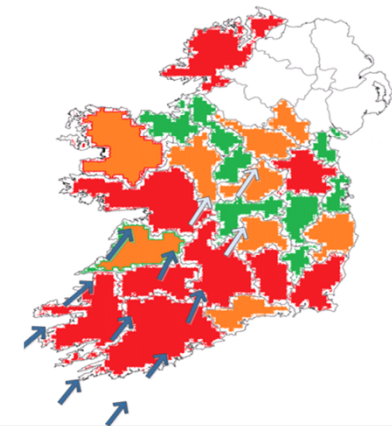
Analysis of Loss Ratio 2008 – 2014
Severe and persistent weather and large claims



Net cost of accident and liability claims (> €1m)
2008 - 2014



Impact of storm Darwin
- FBD risk exposure per county



2014 Interim Results – Claims (cont)

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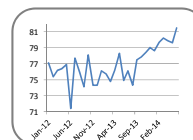
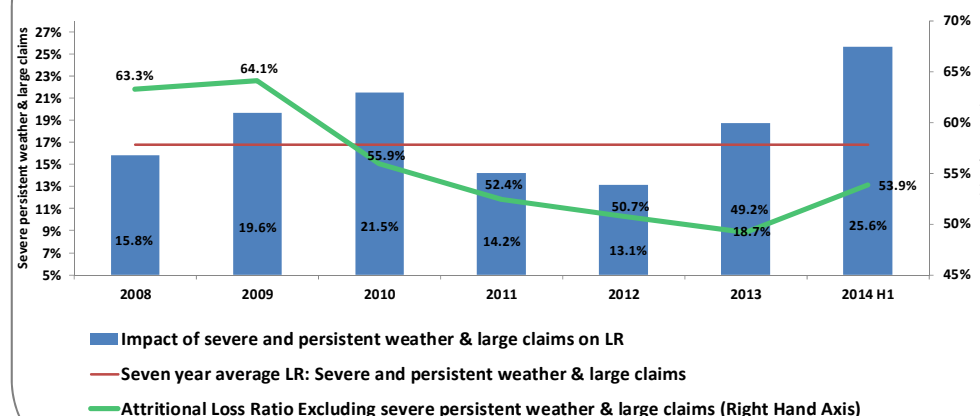
Attritional loss ratio

- First increase since 2009
- Up from 49.2% to 53.9%
- Car insurance claims frequency increased due to stronger than expected economic recovery
- First increase in frequency in H2 2013, further sharp increases in H1 2014
- Increase evident across all customer profiles

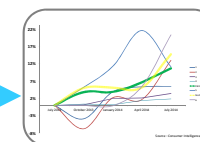
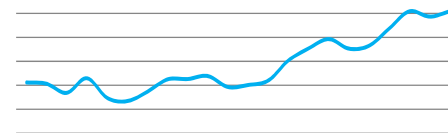
Rating action

- Rating action started in July 2013
- Further action in Oct 13 and Feb, Apr, May, Jul and Aug 14, with more to follow
- Sales volume continued to rise in H1 2014 and inbound call activity surged 40% in Q2. This suggests that a market wide adjustment is underway
- There is an inevitable lag before the benefit of rate increases reaches NEP

Analysis of Loss Ratio 2008 - 2014



Third Party Injury Frequency FBD Car 2012-14

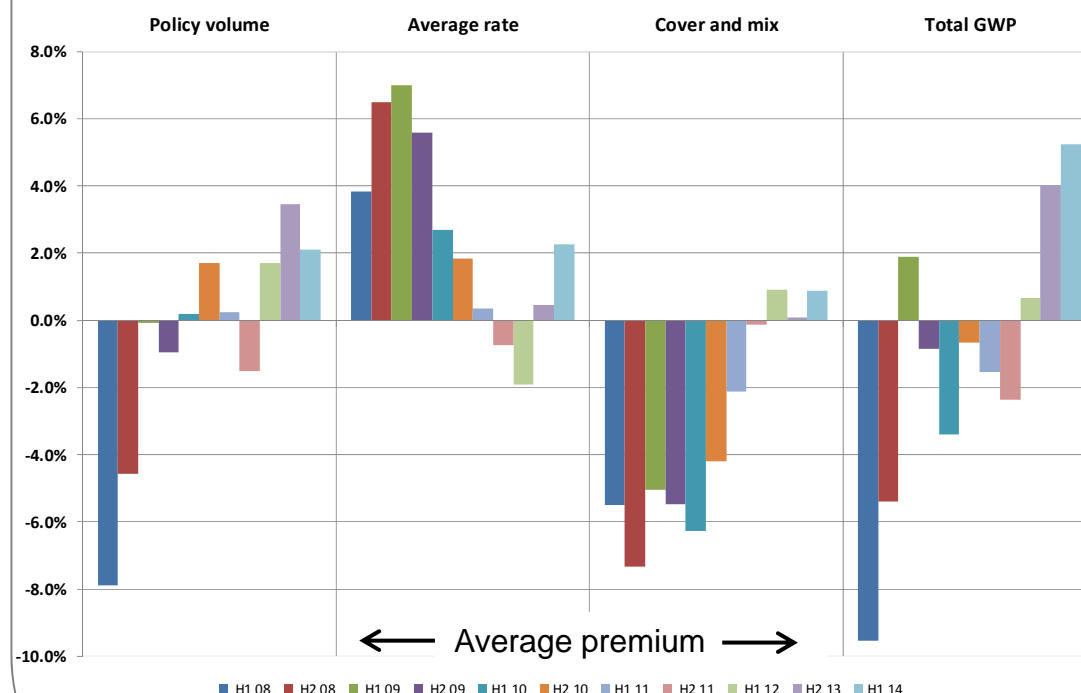


2014 Interim Results – Premium



- GWP up 5.1%
- Growth achieved across all customer segments
- Average premium up 3.1%, policy volume up 2.0%
- Further increase in market share
- Stabilisation in cover and mix continues

Analysis of change in GWP (YoY)



2014 Interim Results – Customer segments

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Farm and business direct

- Strong performance, growth in premium, more policies per customer
- Business insurance written directly stabilising
- Continued investment to improve customer experience, increase focus and provide capacity for growth

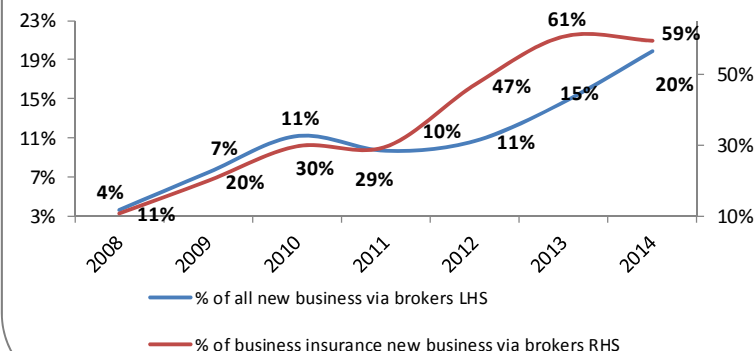
Brokers

- Relationships with broker partners are developing well and premium gaining momentum
- Brokers accounted for 20% of all new business
- Rates hardening for commercial insurance
- Clan Insurance delivering as expected

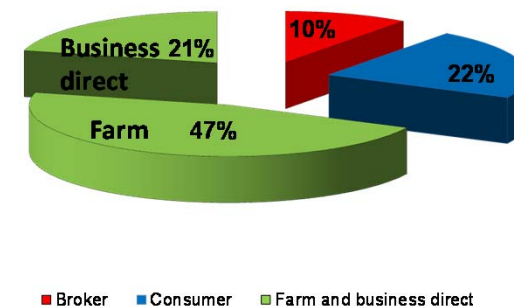
Consumer

- Growth in car insurance despite higher rates
- Decline in home insurance where FBD has continued to maintain its underwriting discipline rather than compete with uneconomic rates
- Launched new home insurance product in July

Broker as % of new business premium



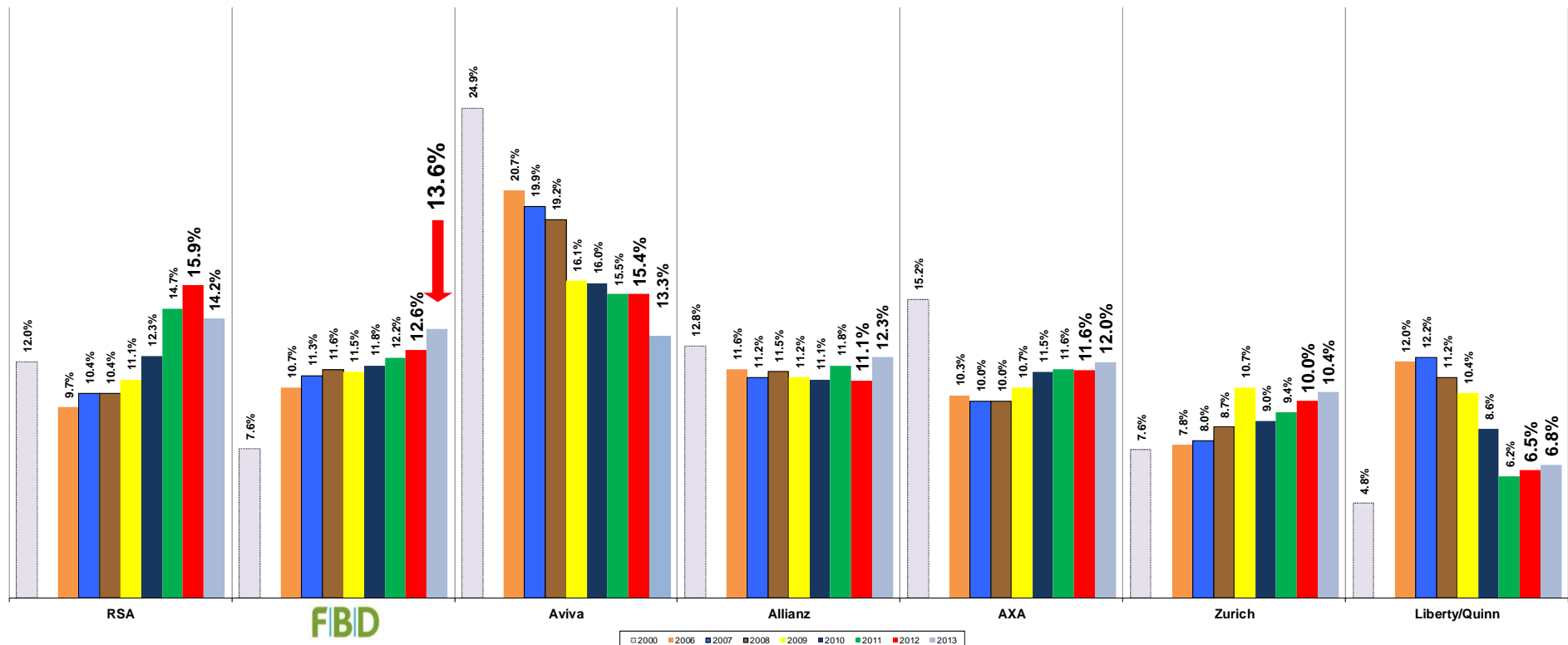
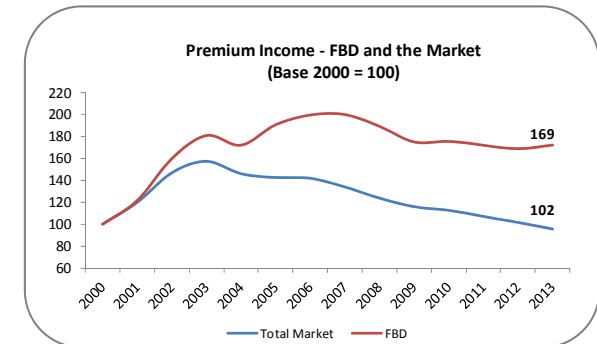
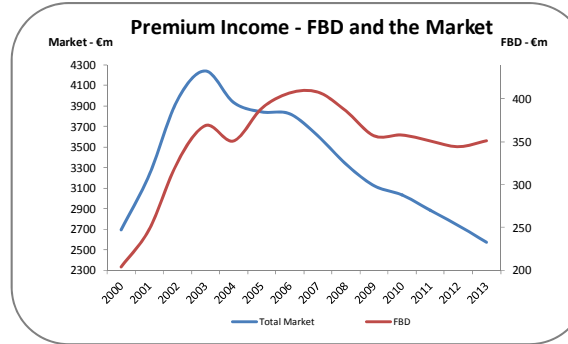
Premium by customer segment H1 2014



2014 Interim Results – Market share (GWP)

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Latest available market data (II)



2014 Interim Results – Non-underwriting



Financial services

- Includes:
 - premium instalment services
 - life, pension and investment broking (FBD Financial Solutions, largest retail broker in Ireland)
 - less cost of Holding Company
- Operating profit of €1.7m (2013: €2.2m)

Joint venture (JV)

- 50% share of property and leisure operations in Ireland and Spain
- Trading performance improved compared to 2013
- The Group's share of JV profits (in the seasonally quiet first half) was €0.1m, a significant improvement on the €0.4m loss in 2013
- Growth in occupancy, rates and revpar, particularly in the Irish market
- Market for Irish hotel assets has improved significantly, particularly in Dublin city centre
- The JV agreement with Taylor Wimpey plc to sell a parcel of development land at La Cala Resort Spain is progressing according to plan
- This transaction is indicative of JV's strategy to realise value as market conditions improve
- The JV is considering the disposal of Temple Bar Hotel if an attractive offer can be obtained

2014 Interim Results – Asset allocation



Underwriting investment assets

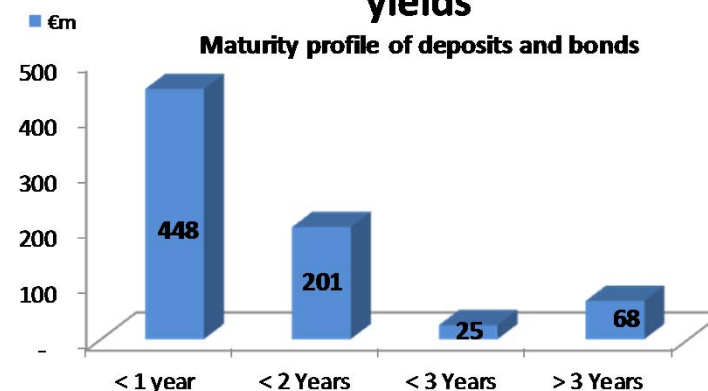
	30-Jun-14		31-Dec-13	
	€m	%	€m	%
Deposits and cash	490	57%	454	53%
Corporate bonds	172	20%	144	17%
Government bonds	81	10%	134	16%
Equities	58	7%	73	9%
Unit trusts	24	3%	24	3%
Own land & buildings	15	2%	15	2%
Investment property	13	1%	12	1%

Underwriting investment assets

	853	100%	856	100%
Working capital & other assets	128		116	
Reinsurers' share of provisions	62		44	
Investment in joint venture	45		45	
Plant and equipment	35		31	
Total assets	1,123		1,092	

- Annualised return of 3.0%, an excellent performance in a low yield environment
- Return delivered with a low risk allocation
- All asset classes contributed to performance
- Tactical allocation guards against volatility
- Deposits & fixed income investments rated A- or better
- Equity holdings reduced by 20% as gains were realised

Positioned to benefit from rising yields

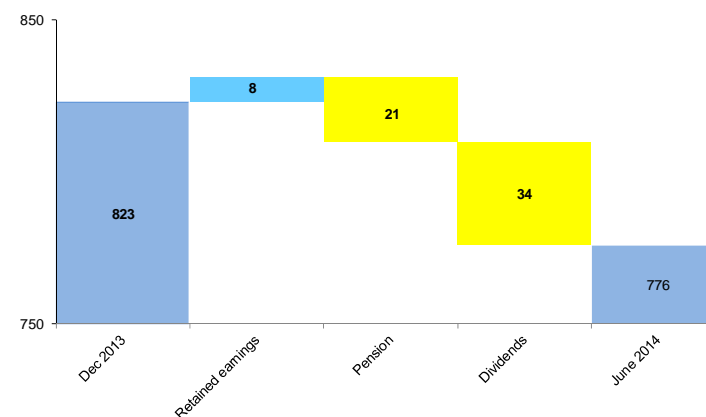


2014 Interim Results – Balance sheet

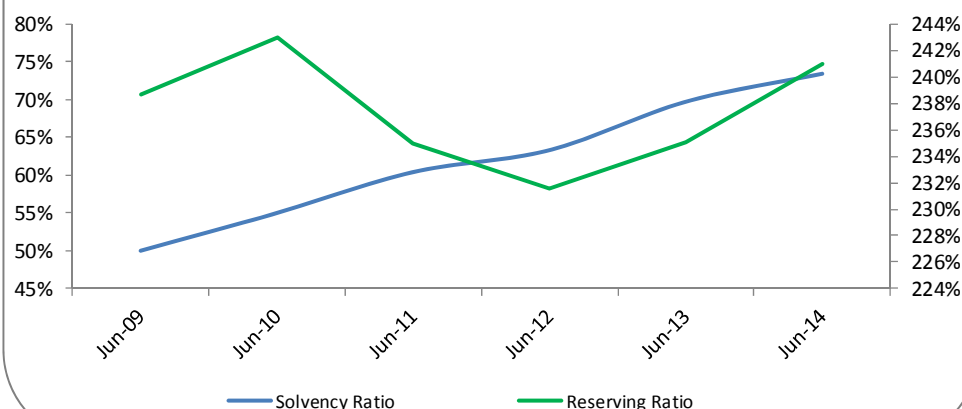
NAV progression & solvency strength

- Strong capital base with solvency level of 73.4% of NEP up from 69.7% at June 2013
- Excess capital over Solvency II requirement
- Reserving ratio 241% (2013: 235%)
- Net asset value per share 776c
- IAS 19 retirement benefit obligation increased by €7m, discount rate reached an all time low

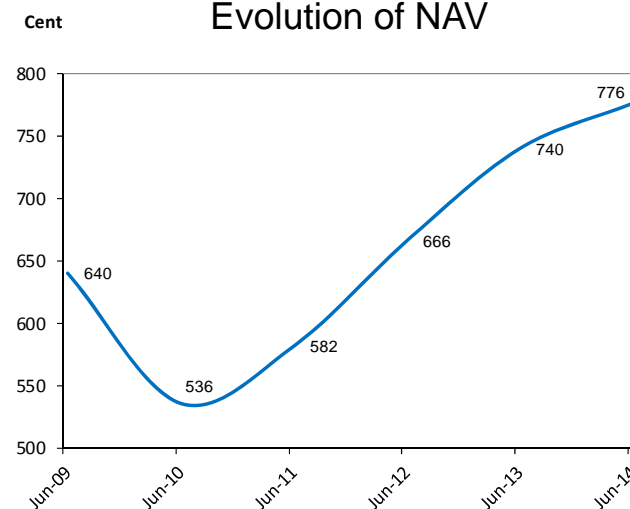
NAV progression – Dec 2013 to Jun 2014



Solvency & Reserving Ratios



Evolution of NAV

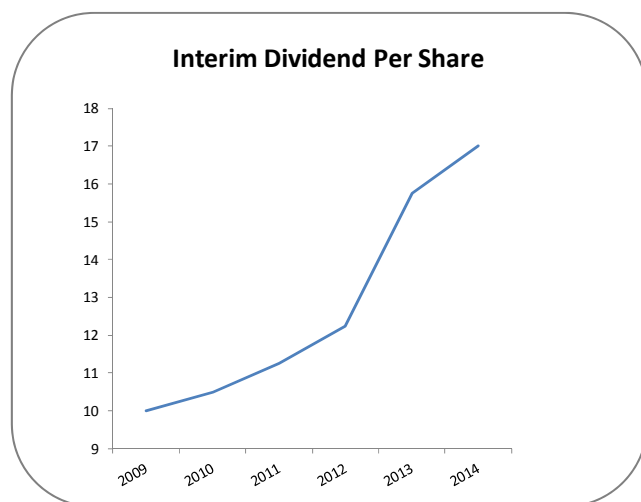


2014 Interim Results – Dividend



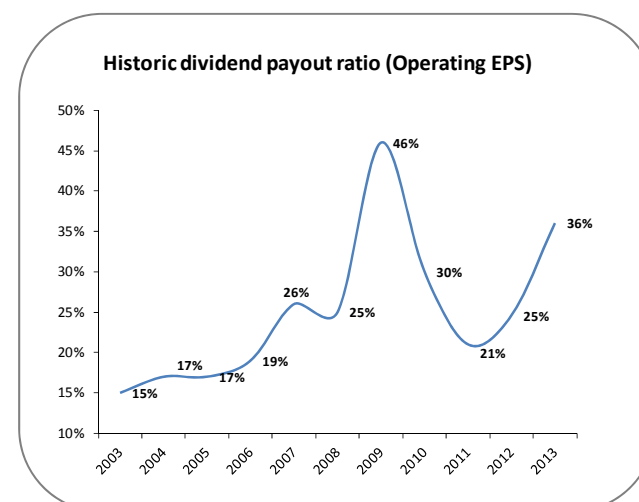
Policy

- 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 across insurance cycle



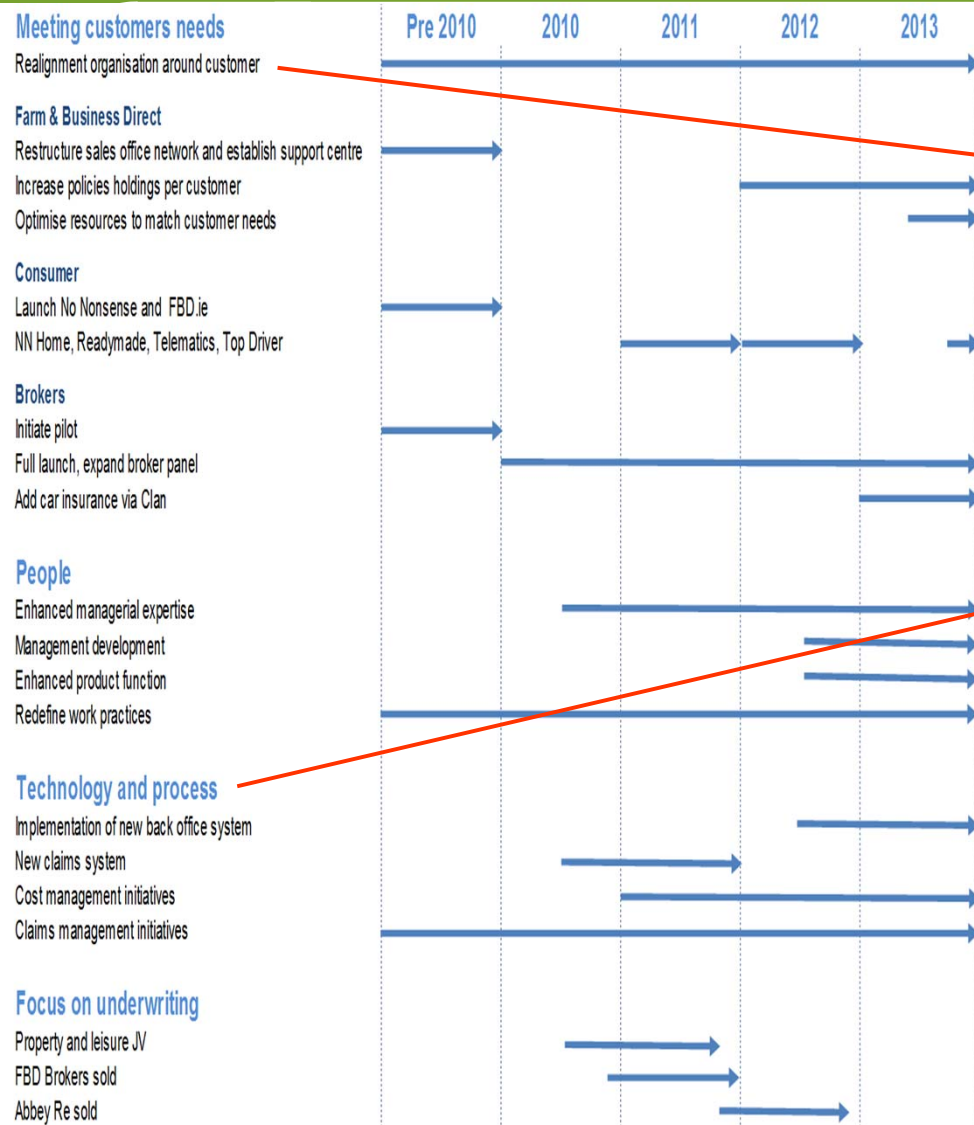
2014 Interim dividend

- Interim dividend of 17c, an increase of 8%
- Rationale for increase in dividend:
 - Committed to progressive dividend policy
 - Robust financial position
 - Confidence in capacity of business model to deliver returns through the insurance cycle



2014 Interim Results - Investing in the future

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Realignment around customer

- Enhanced customer experience
- Removed voice recognition for farming
- Generating capacity
- Optimum aligning of resources for customers

Technology and process

Investment in new technology will enable:

- Enhanced customer experience
- Agile pricing
- Product innovation
- Business intelligence
- Operational excellence
- Generating capacity

2014 Interim Results – Outlook



Operating environment

- Economic indicators point to an improved outlook
- Irish insurance market is likely to grow in H2 2014
- Rate of growth will depend on speed and extent with which the market chooses to adjust rates to deliver an acceptable return
- Increasing economic activity will lead to higher claims frequency
- Market profitability will continue to be challenging for the remainder of 2014 as the effect of rate increases are likely to have been more than offset by the upturn in frequency
- The precise timing and quantum of the improvement in market profitability will depend on the evolution of frequency arising from economic growth and any further rating action

FBD

- Growth in the second half more likely to come from rate than volume as Group ensures that car premiums reflect increasing frequency
- Rate increases implemented by FBD since the beginning of 2014 will improve loss ratio over time
- The inevitable lag before rate actions are effective will have a short term impact on profitability in 2014 and the early part of 2015
- Growth in economic activity will have a positive effect on FBD in the medium term, particularly given the Group's track record of outperforming the market
- The Group has developed the ability to broaden its customer reach and will continue to focus on farming and direct business customers. Together these provide a solid platform for profitable growth
- As a result it will continue to outperform the market and deliver superior returns to shareholders
- The Group re-affirms its previous guidance, subject to no further exceptional weather events arising, of full year 2014 operating EPS of between 70 and 80 cent

2014 Interim Results – Summary



The insurance market

- Continues to face profitability challenges
- Is experiencing increases in car insurance claims frequency due to the economic recovery
- Has applied rate increases but more are required
- Competitive dynamics will decide the speed and extent of the industry recovery

FBD will

- Seek opportunities for sustainable growth and profits
- Continue to invest to maximise potential
- Deliver superior returns to shareholders
- Continue to move towards target 40% - 50% dividend payout ratio across the cycle

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 positioned to benefit from rising yields



FBD Holdings plc

2014 Interim Results

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