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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt about the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriate independent professional adviser, who, if you are taking advice in Ireland, is authorised or exempted under the Investment Intermediaries Act, 1995 of Ireland or pursuant to the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) and in the case of shareholders in the United Kingdom, an adviser authorised pursuant to the Financial Services and Markets Act, 2000, or from another appropriately independent financial advisor if you are in another overseas territory.

If you sell or have sold or otherwise transferred all of your Ordinary Shares in FBD Holdings plc, please send this document and the accompanying Election Form at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares in FBD Holdings plc, you should retain this document.

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## **FBD Holdings plc**

(Incorporated in Ireland. Registered number 135882)

### **Letter from the Chairman**

### **Return of Capital through the Issue and Purchase of "A" Ordinary Shares or the payment of a Special Dividend**

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A letter from the Chairman of FBD Holdings plc is set out on pages 1 to 2 detailing the reasons for this communication and the actions, if any required of you.

An Election Form for use by shareholders in connection with the purchase of "A" Ordinary Shares/Special Dividend is enclosed with this document. To be valid, Election Forms must be received by the Company's Registrars, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 as soon as possible and in any event no later than 12.00 noon on 1 October 2008.

**Shareholders should note that an Election cannot be made through CREST.**

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10 September 2008

Dear Shareholder,

On 27 August 2008 the Board announced its intention to return €49.8 million, representing €1.50 per share, to shareholders. This letter is being sent to all shareholders to advise you of the return and to enable you to take appropriate action depending on your own particular circumstances.

The Board is now ready to make this return to all shareholders and intends, in accordance with authority already held, to issue "A" Ordinary Shares of €0.01 each to the holders of Ordinary Shares of €0.60 each on the basis of one new "A" Ordinary Share for each Ordinary Share held on 5 September 2008.

#### **Purchase of "A" Ordinary Shares**

The Company will purchase these "A" Ordinary Shares from shareholders for a consideration of €1.50 per "A" Ordinary Share (the "Share Purchase Alternative"), and these shares will then be cancelled by the Company. This is the default position and all shareholders will receive the return in this way unless they specifically elect for the alternative below.

For the taxation implications of the Share Purchase Alternative please see the section headed "Taxation" below.

#### **Alternative**

In cases where a shareholder specifically elects to receive a special dividend on the "A" Ordinary Shares he or she will receive a special dividend of €1.49 (before the deduction of any applicable withholding tax), per share and will remain the registered and beneficial holder of his or her "A" Ordinary Shares of €0.01 each (the "Special Dividend Alternative"). The intention that the shareholder will remain the registered and beneficial holder of the "A" Ordinary Shares under the Special Dividend Alternative is the only substantive change to this structure which was previously employed to return capital to shareholders in 2007.

For the taxation implications of the Special Dividend Alternative, please see the section headed "Taxation" below.

#### **Default Position**

The default position will be that the Company will repurchase the "A" Ordinary Shares and if this is what you as a shareholder want then no further action is required by you. If, however, you wish to receive the Special Dividend Alternative rather than the Share Purchase Alternative you will need to complete, sign and return the Election Form enclosed with this document to the Company's Registrar in the reply paid envelope.

#### **Rights attaching to the "A" Ordinary Shares, and Share Certificates**

The rights attaching to the "A" Ordinary Shares are clearly set out in the Articles of Association and are repeated later in this document. Essentially they have very restricted voting rights, and other than a right to a return of paid up capital of €0.01 per "A" Ordinary Share in the event of a winding up, the "A" Ordinary Shares have no right to participate in the capital or the profits of the Company.

The Board considers that the "A" Ordinary Shares have no value above their nominal value of 1 cent each.

The "A" Ordinary Shares will not be quoted, no listing will be sought for them on any recognised exchange, they will not be capable of being held in CREST and are not transferable, except to the Company only.

Should the Board consider that it is in the best interests of the Company and its shareholders to make further returns to shareholders at some stage in the future, any such returns will be effected by a method other than the issue of further "A" Ordinary Shares.

It is intended that the Company Secretary of FBD Holdings plc will retain the original "A" Ordinary Share certificates in trust for all shareholders who elect for the Special Dividend Alternative, however any shareholder wishing to receive his or her certificate directly can do so on application to the Company Secretary at the Company's registered office.

#### **Funding the issue of "A" Ordinary Shares**

The Board intends to declare an interim dividend of €0.0125 per share on the Ordinary Shares to the holders of Ordinary Shares on the register on 5 September 2008 and to apply the net dividend, after dividend withholding tax if any, in order to issue fully paid "A" Ordinary Shares of €0.01 each. Those shareholders who are exempt from dividend withholding tax and who have filed the necessary exemption claim form with the Company's Registrar, will receive the balance of this interim dividend of €0.0025 per Ordinary Share.

#### **Currency of payment**

All payments will be made in euro currency only.

#### **Taxation**

We would urge all shareholders to obtain their own taxation advice on the choice of method to receive this return.

Our understanding is that if you are an Irish resident shareholder the interim dividend of €0.0125 per share on the Ordinary Shares will be treated as income for Irish tax purposes and, for individual shareholders income tax will be payable at their highest rate of tax for the current tax year. Irish resident corporate shareholders are generally not subject to corporation tax on dividends received from Irish resident companies, such as FBD. However, the receipt of a dividend may give rise to a tax liability for certain corporate Shareholders.

The interim dividend is subject to withholding tax ("DWT"), at 20%, except for shareholders who are exempt from DWT **and** have furnished a properly completed declaration of exemption to the Company's Registrar, from whom further details may be obtained.

Our understanding is that if you are an Irish resident shareholder, then the proceeds of the Share Purchase Alternative, the default position, will be treated as a capital disposal for Irish tax purposes and capital gains tax, currently at 20%, will apply on the difference between the purchase price per share (€1.50) and the base cost of the share (which we understand to be its nominal value of €0.01).

If you elect, by completing, signing and returning the Election Form, for the Special Dividend Alternative, our understanding is that the special dividend will be treated as income for Irish tax purposes and, for individual shareholders, income tax will be payable at their highest rate of tax for the current tax year. Irish resident corporate shareholders are generally not subject to corporation tax on dividends received from Irish resident companies, such as FBD. However the receipt of a dividend may give rise to a tax liability for certain corporate shareholders.

The special dividend is subject to withholding tax ("DWT"), at 20%, except for shareholders who are exempt from DWT **and** have furnished a properly completed declaration of exemption to the Company's Registrar, from whom further details may be obtained.

If the Company were, now or at some time in the future, to buy back the "A" Ordinary shares the subject of the Special Dividend Alternative, the special dividend may be treated as the proceeds of a disposal of shares for capital gains tax purposes.

If you are in any doubt as to which alternative is most appropriate to your circumstances, I would urge you to consult your own taxation advisers without delay.

#### **Further Action and Election Form**

If you wish to have your "A" Ordinary Shares bought back by the Company (The Share Purchase Alternative), no further action is required of you. This will automatically occur on the scheduled payment date. If you wish to elect for the Special Dividend Alternative, you must complete, sign and return the enclosed Election Form by 12.00 noon on 1 October 2008.

Shareholders should note that an election **cannot** be made through CREST.

Yours sincerely,

Michael Berkery  
Chairman

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## Expected Timetable of Principal Events

Record date for the Return	5 Sept 2008
Election Forms posted to shareholders	10 Sept 2008
Latest time and date for receipt of Election Forms	1 October 2008 at 12.00 noon
Issue of "A" Ordinary Shares	10 October 2008
Date of purchase of "A" Ordinary Shares	10 October 2008
Special Dividend declared and paid to shareholders who have validly elected for the Special Dividend	10 October 2008
Despatch of cheques in respect of the proceeds of the Special Dividend	17 October 2008
Despatch of cheques in respect of the proceeds from the purchase of the "A" Ordinary Shares	17 October 2008

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## Rights attaching to the "A" Ordinary Shares

The Articles of Association of the Company stipulate that the "A" Ordinary Shares confer on the holders of those shares the following rights:

- (i) the "A" Ordinary Shares will not be entitled to dividends save for any Special Dividends declared provided a valid Election has been received by the Company,
  - (ii) on a return of capital on a winding up of the Company or otherwise (other than on conversion, redemption or purchase of shares), the holders of "A" Ordinary Shares shall be entitled, *pari passu* with the holders of the Ordinary Shares, to repayment of the nominal value of their shares. The "A" Ordinary Shares shall not confer upon the holders thereof any rights to participate further in the profits or assets of the Company,
  - (iii) the holders of "A" Ordinary Shares shall not be entitled to receive notice of any meeting of the Company or to attend, speak, or vote at any such meeting unless the business of the meeting includes a Resolution varying or abrogating any of the special rights attaching to "A" Ordinary Shares. In the event that such a Resolution is proposed on a show of hands, every holder of "A" Ordinary Shares who is present in person or by proxy shall have one vote and on a poll every such holder who is present in person or by proxy shall have one vote for every "A" Ordinary Share they hold,
  - (iv) in the event of a Resolution proposed under section 213(2) of the Companies Act, 1990 relating to "A" Ordinary Shares, the "A" Ordinary Shares shall carry no voting rights and any such Resolution shall not be regarded as any variation or abrogation of their rights,
  - (v) the Company will be entitled from time to time in accordance with the Companies Acts, to effect a reduction of its capital and to create, allot and issue further shares, whether ranking *pari passu* with, in priority to or deferred to the "A" Ordinary Shares, and such reduction of capital or creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the "A" Ordinary Shares and whether or not the same confer on the holders voting rights more favourable than those conferred by the "A" Ordinary Share) shall be deemed not to involve a variation of the rights attaching to the "A" Ordinary Shares for any purpose,
  - (vi) the "A" Ordinary Shares shall not be transferable save to the Company pursuant to the Articles,
  - (vii) all transfers of "A" Ordinary Shares may be made in accordance with the/any contractual arrangement entered into between the Company and the Shareholders.
  - (viii) Otherwise than provided in (i) to (vii) inclusive, the "A" Ordinary Shares shall not confer upon the holders thereof any further right to participate in the profits and assets of the Company".
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