



# FBD Holdings plc

## 2011 Results

March 2012

Our Policy is You

## 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.**

**Unless otherwise stated, all financial data is presented on the basis of continuing operations.**

# 2011 Results - Highlights

FIB|D

## Operational

- Operating profit/EPS up 60% \*
  - COR improved to 90.8% from 99.4%
  - Trend in 'day-to-day' claims is positive
  - PBT turn around – €59.7m profit from €3m loss in 2010\*
- 
- Market share increased to 12.2%
  - Progress on development of multi-channel distribution model
- 
- NAV increased 15% to 630c per share
  - Solvency increased to 66% of NEP
  - Low-risk asset allocation
  - Full-year dividend of 34.5c up 9.5%

\* includes continuing and discontinued operations

	<b>Continuing operations</b>	<b>All operations</b>
PBT	€52.3m	€59.7m
Operating profit	€62.5m	€64.9m
Operating EPS	164c	170c

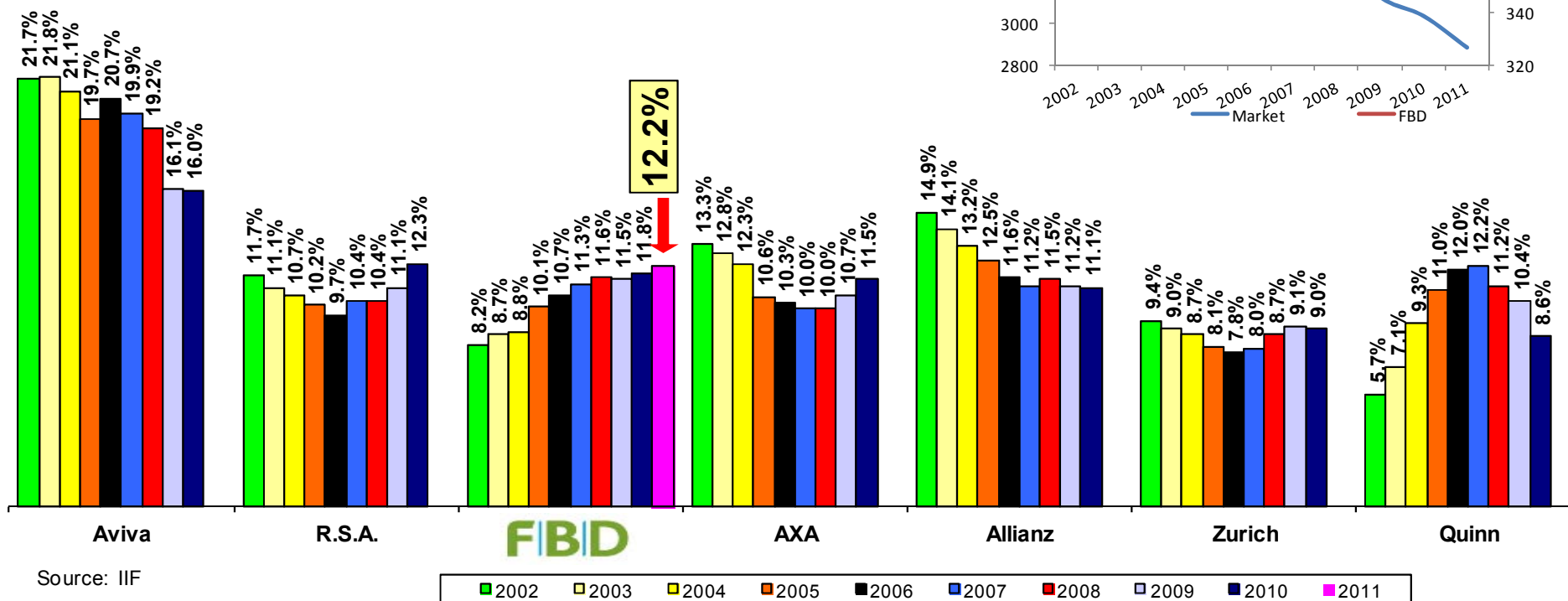
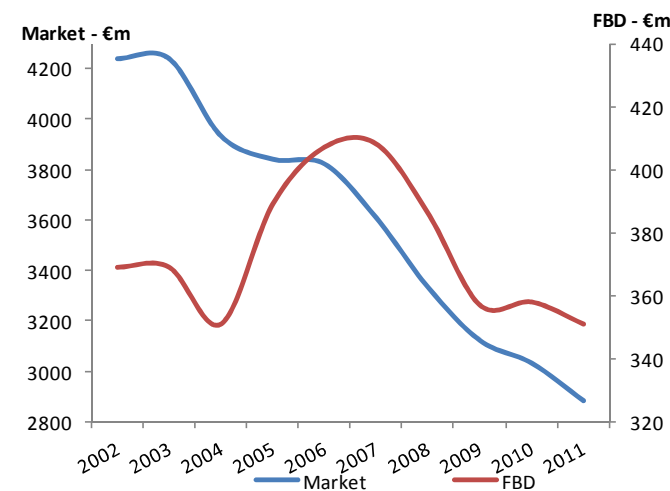
## Strategic

- Two transactions completed following strategic review:
    - property and leisure JV established
    - sale of FBD Brokers
- ..... increased focus on core business

# 2011 Results – Market share



Premium Income - FBD and the Market



Source: IIF

Legend: 2002 (green), 2003 (light green), 2004 (yellow), 2005 (orange), 2006 (black), 2007 (blue), 2008 (red), 2009 (light blue), 2010 (dark blue), 2011 (magenta)

Market share growth – in 10 of the last 11 years

# 2011 Results – Performance in market context



## Economy

	2008	2009	2010	2011f
GNP	(2.8%)	(9.8%)	(0.6%)	(0.7%)
Domestic demand	(4.6%)	(11.4%)	(5.8%)	(4.3%)

- Economic uncertainty has reduced but domestic demand is still likely to decline further
- Agriculture sector performs strongly

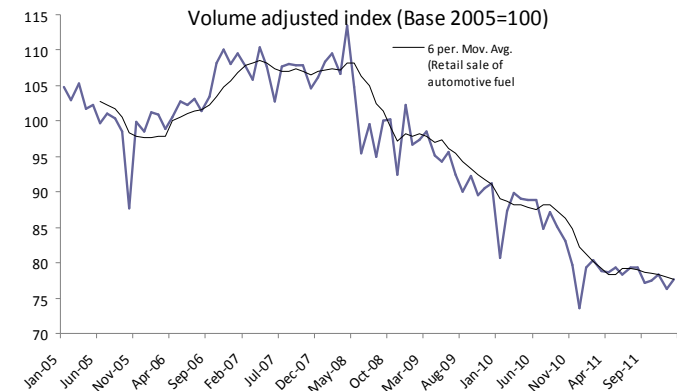
## Insurance industry

- Irish market contracted 4.9% in 2011
- Continued reduction in insurable risk and values outweighs rating increases
- Lower investment returns - a “new norm” for premium pricing

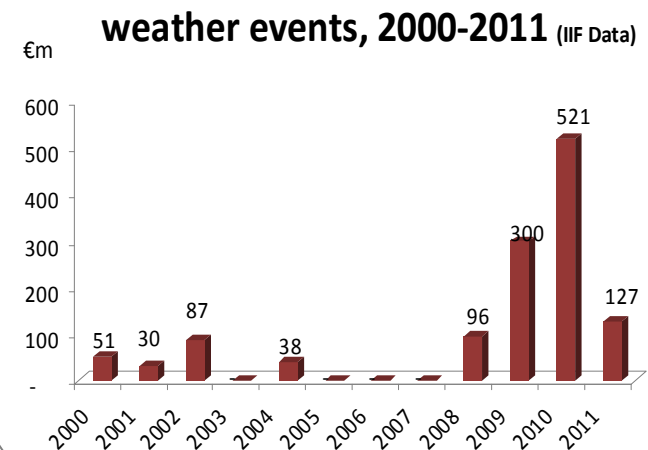
## Claims environment

- Industry benefits from favourable weather conditions
- Reduction in incidence of FBD large claims
- Economic activity and road-safety measures reducing risk in the market

### Retail sales of automotive fuel



### Industry cost of catastrophic weather events, 2000-2011 (IIF Data)

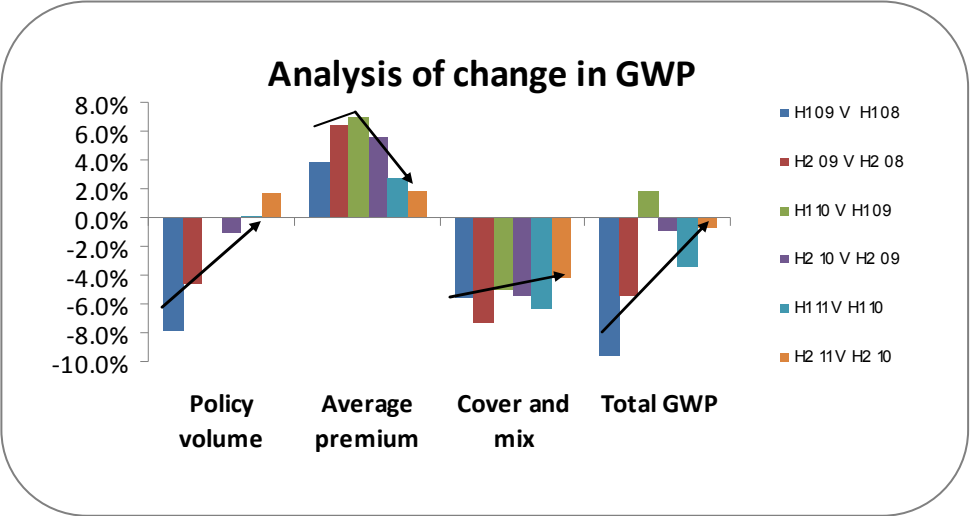
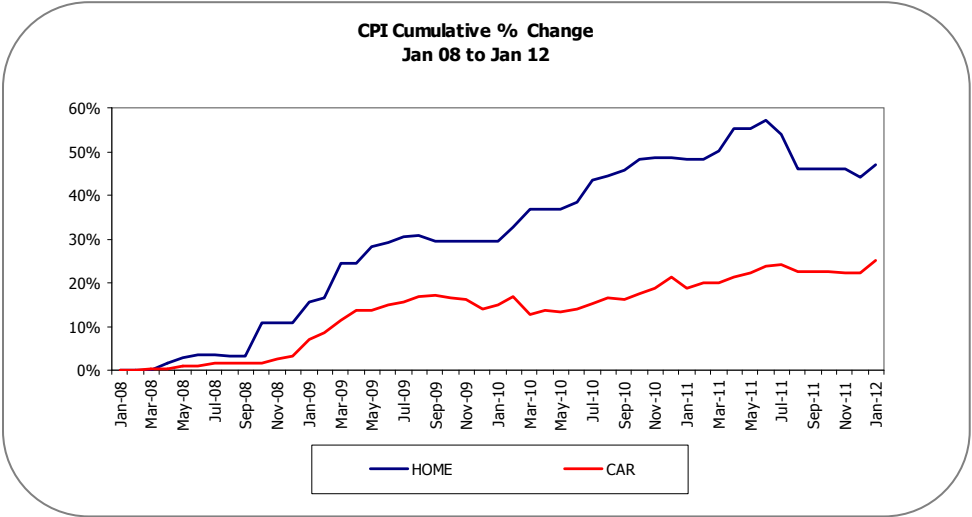


# 2011 Results – Premium trends



- GWP contracts 2% versus market decline of 4.9%
- Net earned premium in line with 2010 due to increase in risk retained
- First increase in policy volume since 2007 (600,000+ policies)
- Improved customer retention and higher new business conversion rates
- Rates continued to harden but at a slower pace
- Trend in cover and mix improved but still outweighed rate and volume increases
- Contraction in GWP slowed as year progressed

GWP	H1 2011	H2 2011
Market	-5.1%	-4.7%
FBD	-3.1%	-0.9%



**FBD continues to outperform market**

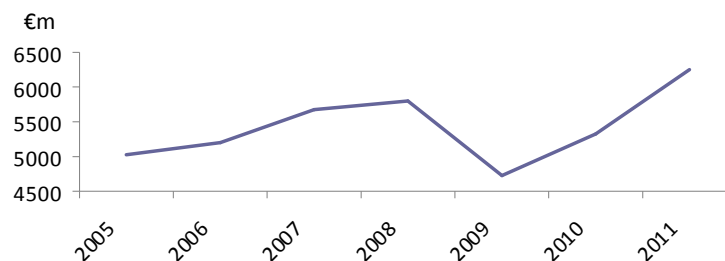
## Protect and grow farm insurance

- Benefited from growth in agri-sector
- Farm output and exports perform well
- Growth in number of farms insured and increase in connected business
- Sales office network focus successful in developing farming customer base

## Business insurance

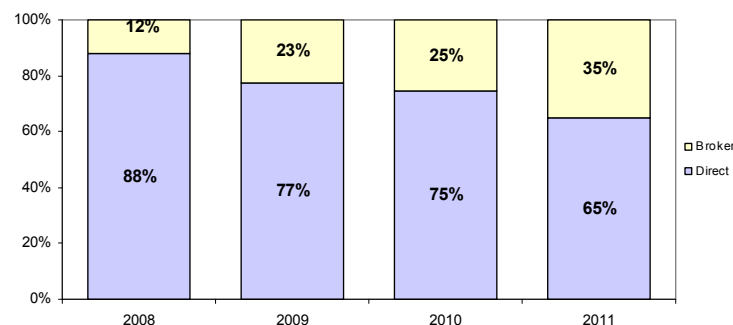
- Business insurance market has declined in line with economic activity
- Intense competition
- FBD maintains underwriting discipline - only grows volumes at economic rates, within risk appetite
- Opportunity in Dublin is significant
- Strong growth of premium via brokers
- Expansion of broker channel continues

Value of Irish primary agri output



Source: CSO

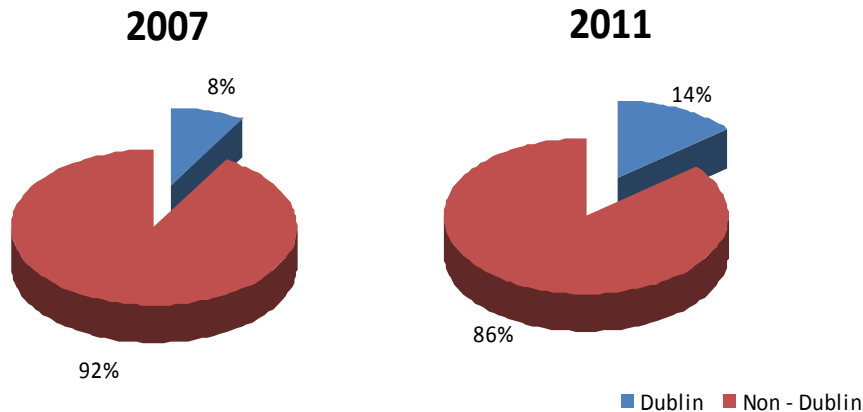
% of Business Insurance NB Premium



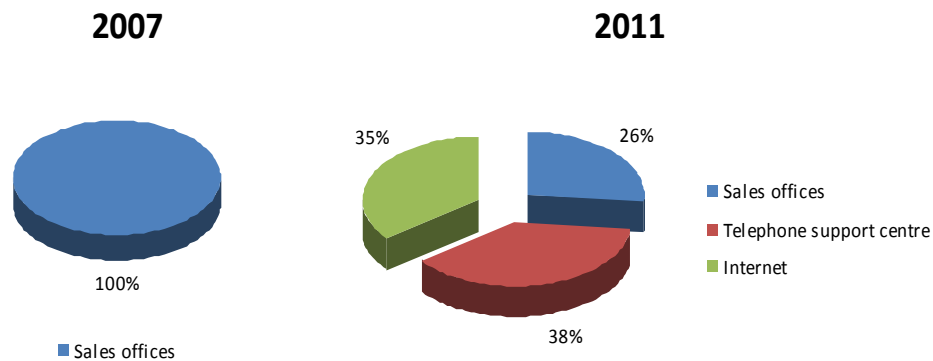
Development of broker channel

	2010	2011
Number	19	42
Locations	30	81

## Development of the Dublin market



## Car insurance – new business distribution



## Personal lines insurance

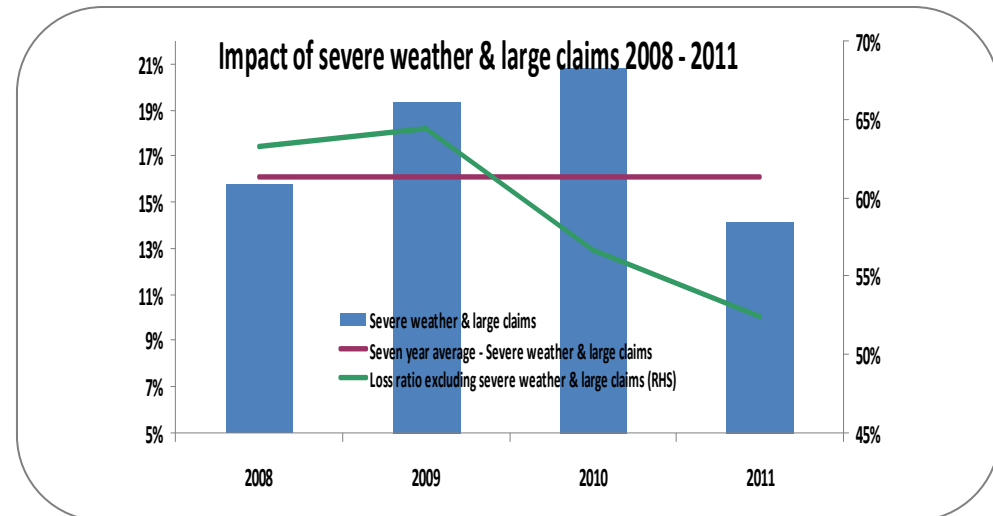
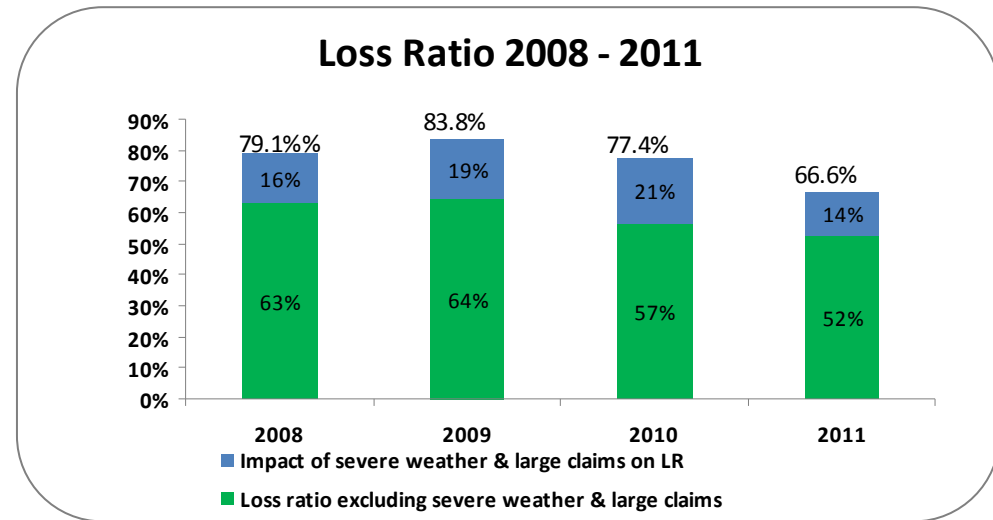
- Progress continued in Dublin and other urban areas
- 14% of GWP from Dublin
- Dublin market share circa 5%
- Dublin opportunity remains significant
- Competitive market place, significant investment in marketing
- NoNonsense policy count 20,000+ customers
- 30% of FBD customers from all channels choose to renew online

*Further progress – significant opportunities*



# 2011 Results – Claims costs

- Loss ratio improved from 77.4% to 66.6%
- 2011 – further progress on:
  - risk selection
  - claims management initiatives
  - direct settlement
  - fraud management
  - rating
- 2011 benefited from exceptionally:
  - favourable weather
  - low level of large claims
- Claims experience in these areas expected to revert towards norm in 2012
- Economic activity and other environmental factors are also positive

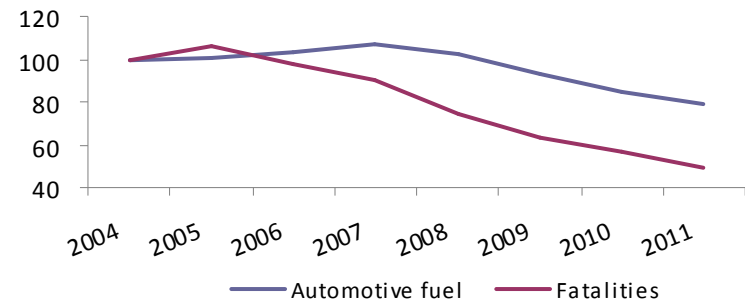


*Trend in 'day-to-day' claims is positive, 2011 benefits from exceptional factors*

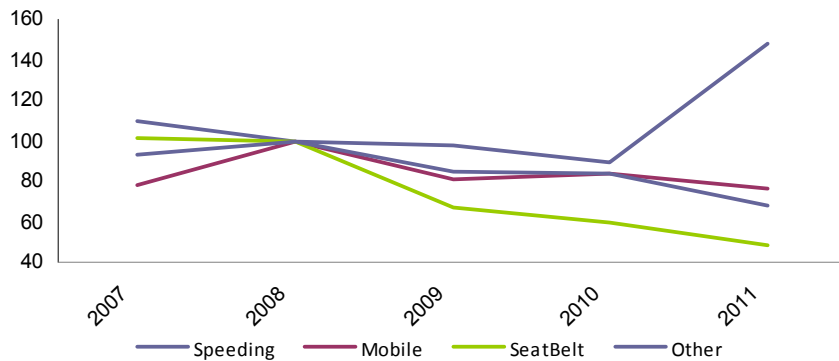
# 2011 Results – Claims environment

- Improved road safety measures, lowest road deaths since 1959
- Safer road network
- Increased enforcement – offence detection
- Claims frequency improving
- Reduced economic activity has led to less driving and therefore less accidents

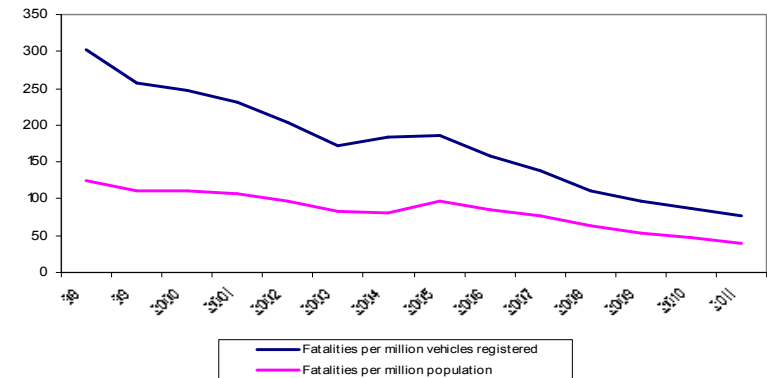
### Automotive fuel usage v road fatalities



### Driving offences - Base of 100 in 2008 YOY Comparison

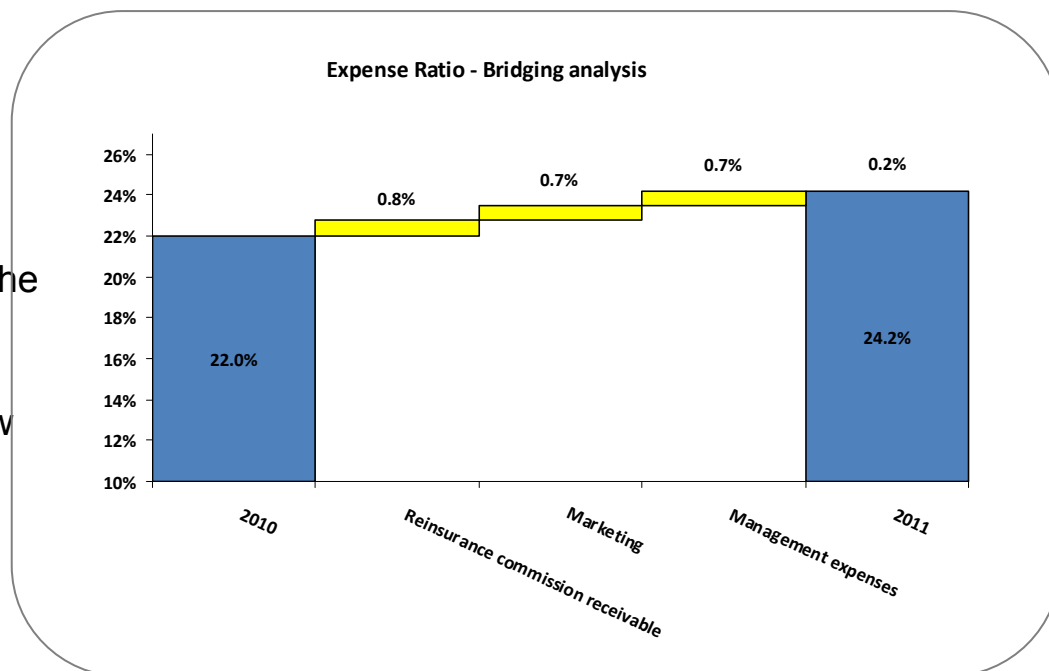


### Improvement in road fatalities



# 2011 Results – Expenses

- Fall in re-insurance commissions receivable due to:
  - increase in cost of reinsurance
  - FBD ceding less risk
- On-going investment in marketing reflecting the competitive 'noisy' market
- Finalised agreement with employees and now in implementation phase:
  - changes in terms, conditions and work practices
  - to secure and enhance cost competitiveness
  - to enable profitable growth



## Financial services

- Includes life assurance, pension and investment broking, premium instalment services and holding company costs
- Improved operating profit to €4.2m (2010: €2.3m)
- FBD Financial Solutions had a strong performance during 2011, growing profitability despite market decline, through focus on customer service and cost efficiency

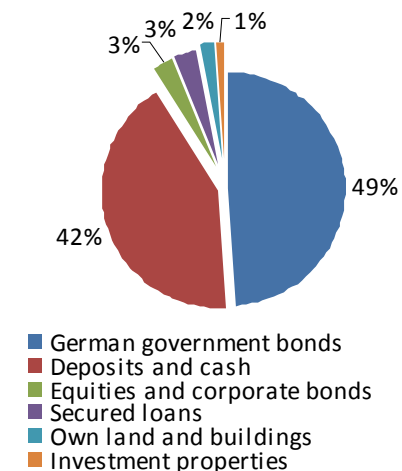
## Joint venture

- The recently established joint venture owns and manages the Group's former property and leisure operations in Ireland and Spain
- The Group's €0.5m share of joint venture's loss for the last quarter of 2011 is included in continuing operations within the consolidated income statement
- Joint venture included in balance sheet at €45.6m

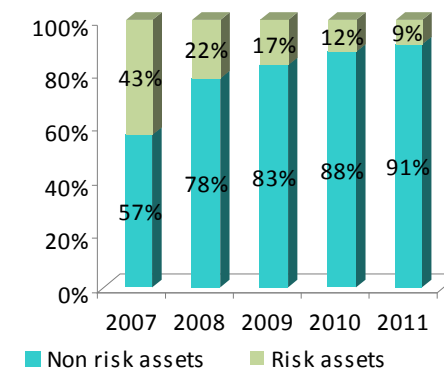
# 2011 Results – Asset allocation

	31 Dec 2011		31 Dec 2010	
	€m	%	€m	%
German government bonds	406	49%	497	61%
Deposits and cash	345	42%	217	27%
Equities & corporate bonds	28	3%	22	3%
Secured loans	22	3%	21	2%
Own land & buildings	17	2%	18	2%
Investment properties	9	1%	42	5%
<b>Total investment assets</b>	<b>827</b>	<b>100%</b>	<b>817</b>	<b>100%</b>
Trade & other receivables and DAC	93		91	
Reinsurers' share	64		96	
Fixtures and fittings	16		17	
<b>Total assets</b>	<b>1,000</b>		<b>1,021</b>	

Investment allocation



Balance sheet de-risked

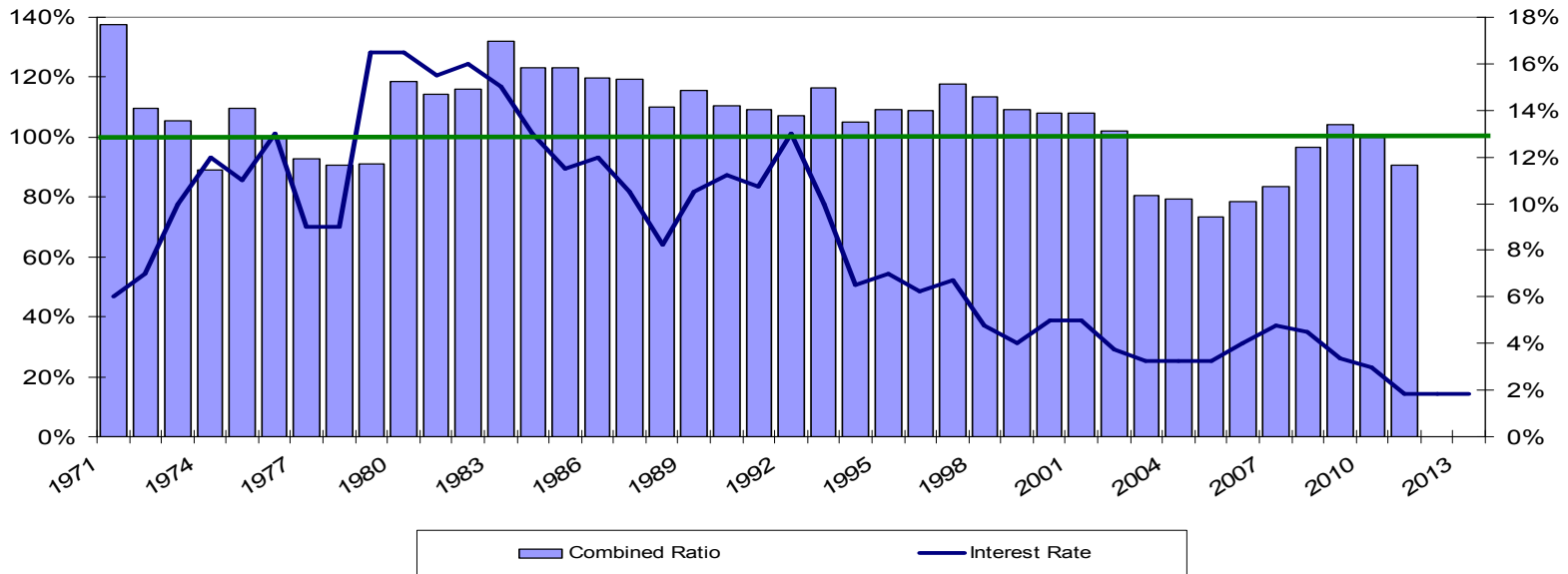


# 2011 Results

## – Premium pricing – the new norm



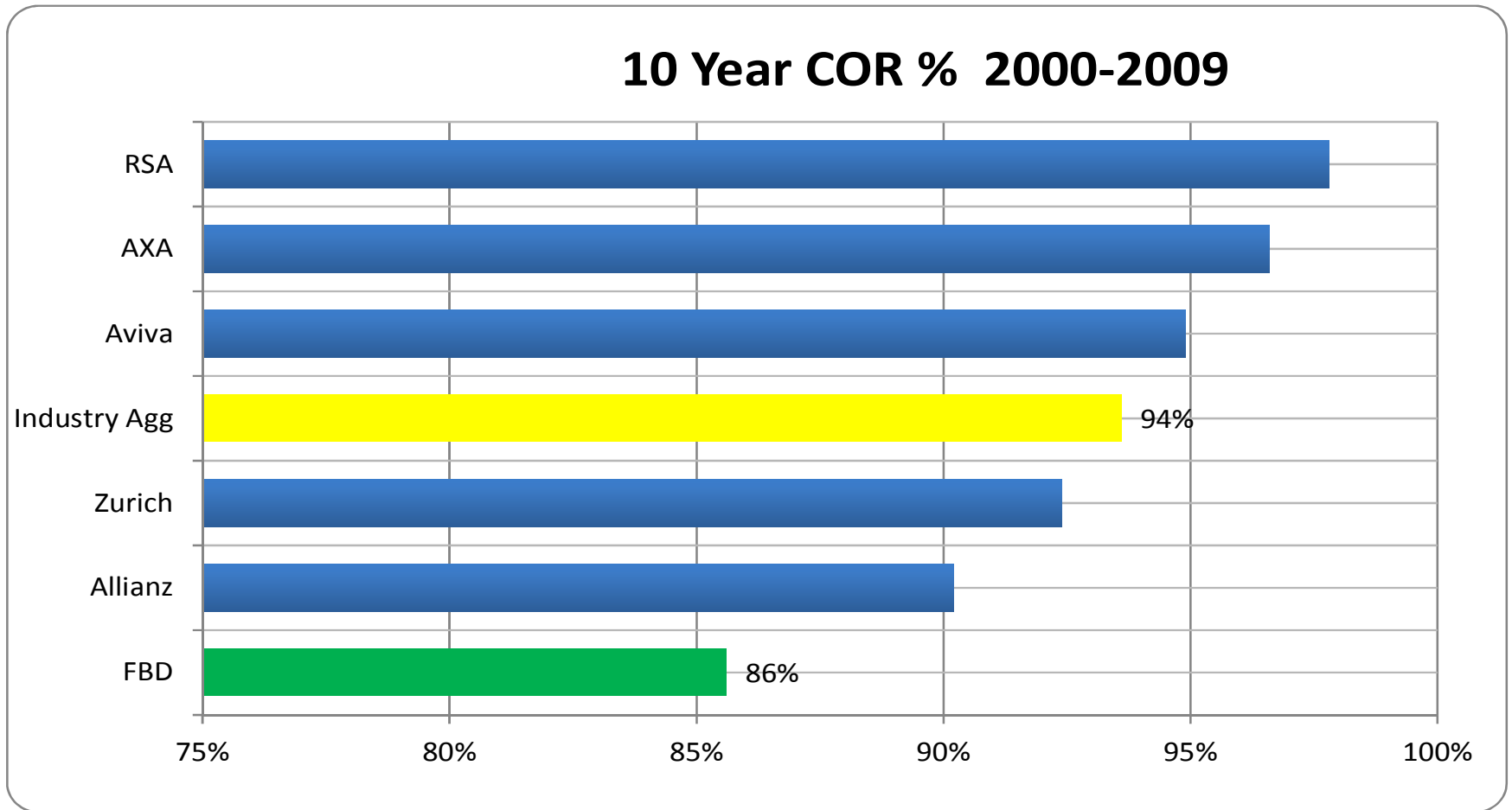
**FBD COR% and Interest Rates - 1971 to 2013**



**COR required to achieve an 18% ROE if duration of liabilities is 3 years**

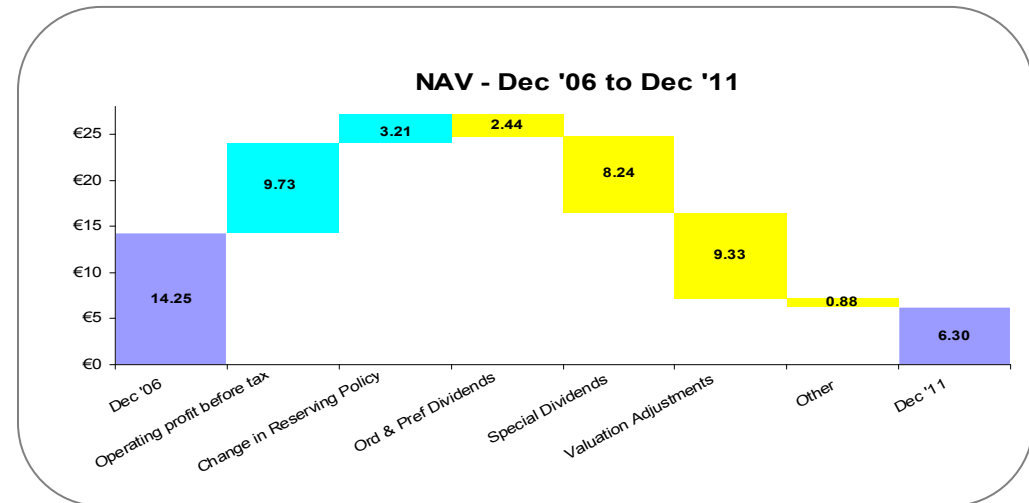
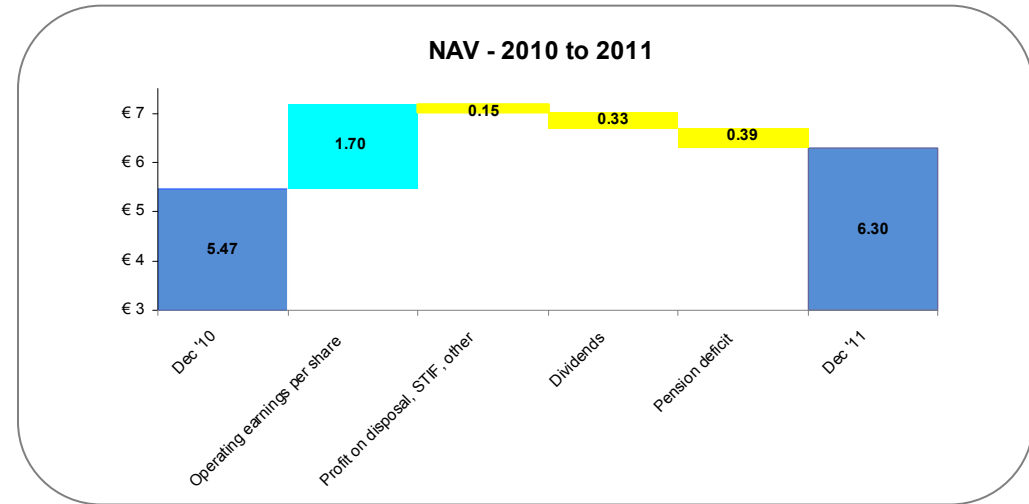
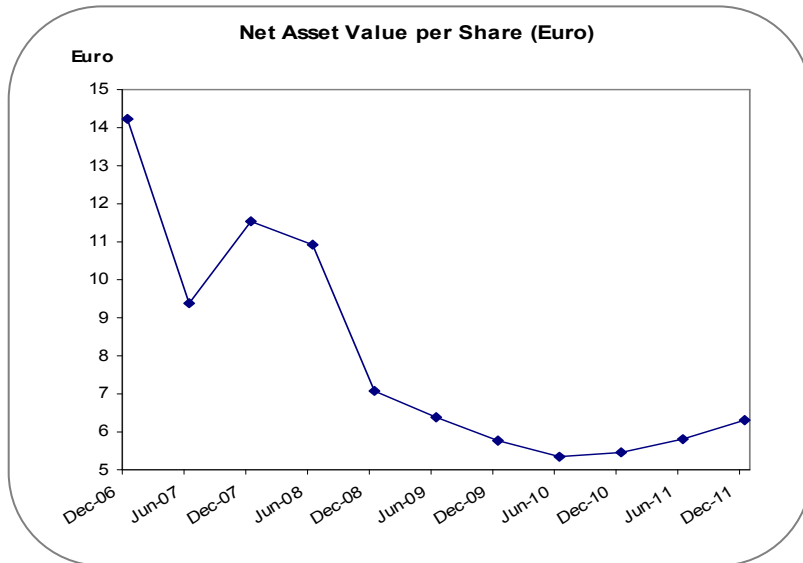
Investment return	1%	2%	3%	4%
COR required	91%	94%	96%	99%

***Insurers become more reliant on underwriting results to achieve returns***



# 2011 Results – Balance sheet

- Strong capital base with solvency level of 66%, up from 61%
- Reserving ratio of 236%
- Claims provisions further strengthened
- Pension assumptions hardened further
- No debt
- Net asset value per share grows 15% to 630c



**Third consecutive increase in NAV**



# 2011 Results – Reserving strength

## Net run-off 2011

	Prior years €000s	2002 €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	Total €000s
<b>Estimate of cumulative claims:</b>												
At end of underwriting year		212	221	265	290	298	307	338	308	283	233	
One year later		196	203	228	287	257	281	319	286	265	-	
Two years later		187	183	214	221	254	277	318	286	-	-	
Three years later		171	167	184	210	251	273	317	-	-	-	
Four years later		148	148	176	205	247	269	-	-	-	-	
Five years later		142	141	171	201	243	-	-	-	-	-	
Six years later		138	137	168	199	-	-	-	-	-	-	
Seven years later		136	135	167	-	-	-	-	-	-	-	
Eight years later		135	134	-	-	-	-	-	-	-	-	
Nine years later		134	-	-	-	-	-	-	-	-	-	
Ten years later		-	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		134	134	167	199	243	269	317	286	265	233	
Cumulative payments		(131)	(130)	(157)	(184)	(215)	(219)	(241)	(195)	(148)	(76)	
Claims outstanding 2011		8	3	5	10	15	27	50	76	91	118	157
Saving		1	1	1	1	2	4	4	1	0	17	-

- Claims provisions further strengthened in 2011
- Positive run-off of €32m (2010: €49m)
- Positive run-off each year since 2003

***Prudent reserving – stronger than prior year***

## Policy

- It is in long term interest of all shareholders to maintain strong solvency and liquidity margins
- FBD remain committed to progressive and sustainable dividend policy
- Target dividend pay-out ratio remains at 40% - 50%

## 2011 Dividend

- Full-year dividend of 34.5c
- Up 9.5% on 2010
- Currently at the lower end of the pay-out range
- Further potential for sustainable growth

## Outlook

- Economic uncertainty has reduced but Irish domestic demand is still likely to decline further. Opportunity for market premium growth is limited.
- FBD will continue to implement its plan to increase penetration of key urban markets and business insurance market.
- The opportunities provided by NoNonsense.ie and the expansion of the broker channel will provide the Group with the ability to outperform the market again in 2012.
- Claims costs will revert toward the norm in 2012. However, environmental trends are positive and FBD continues to implement claims initiatives to deliver further advantage.
- Unless exceptional events arise, the Group is guiding full-year 2012 operating EPS in the range of 145c – 155c.

## FBD has a track record of:

- Increasing market share, profitability
- Delivering superior returns to shareholders

## The insurance market is:

- Benefiting from positive environmental factors and reduced risk
- Enjoying positive insurance cycle trends

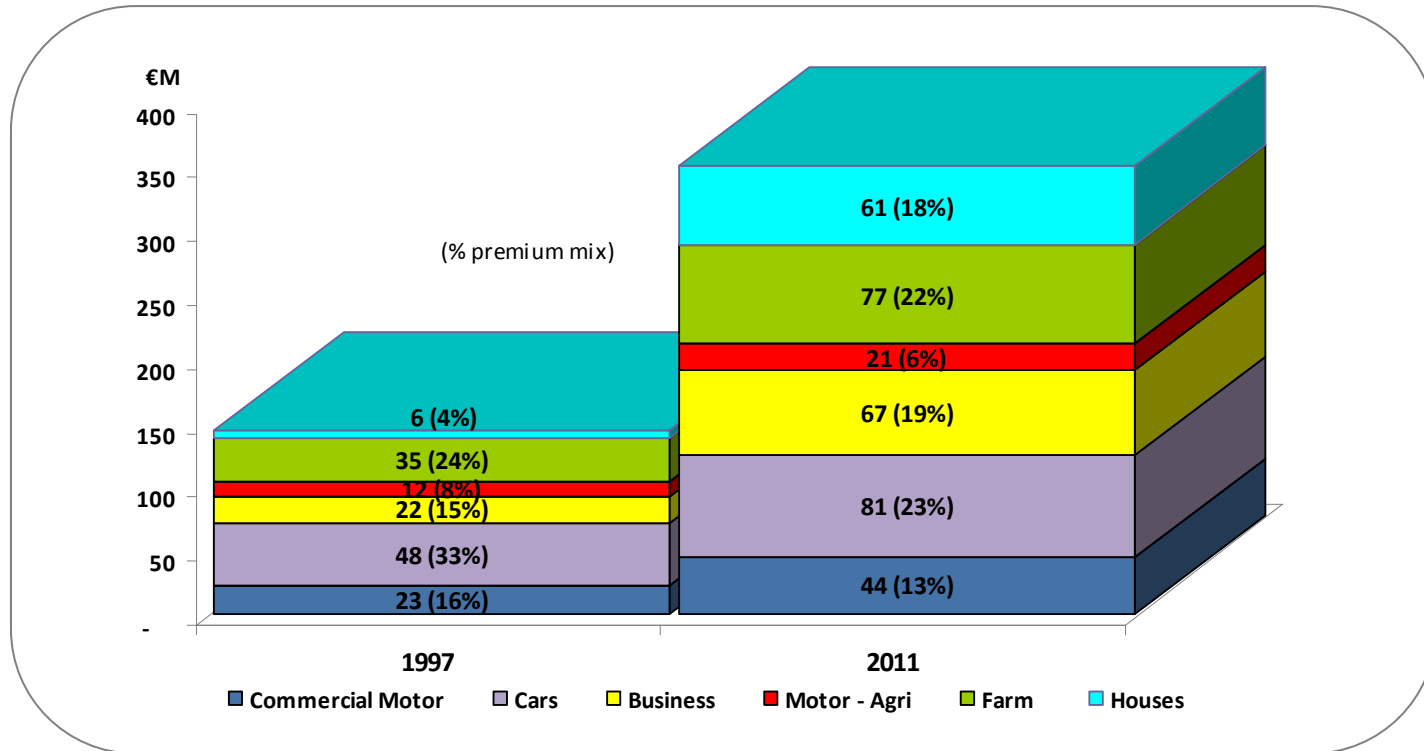
## The Group has:

- A robust underwriting business with a strong core franchise
- Appropriate plans, people and infrastructure to benefit from market opportunities
- Multi-channel distribution
- A strong capital base
- A prudent reserving strategy
- Low-risk investment allocation

# Appendices

# 2011 Results – Premium breakdown

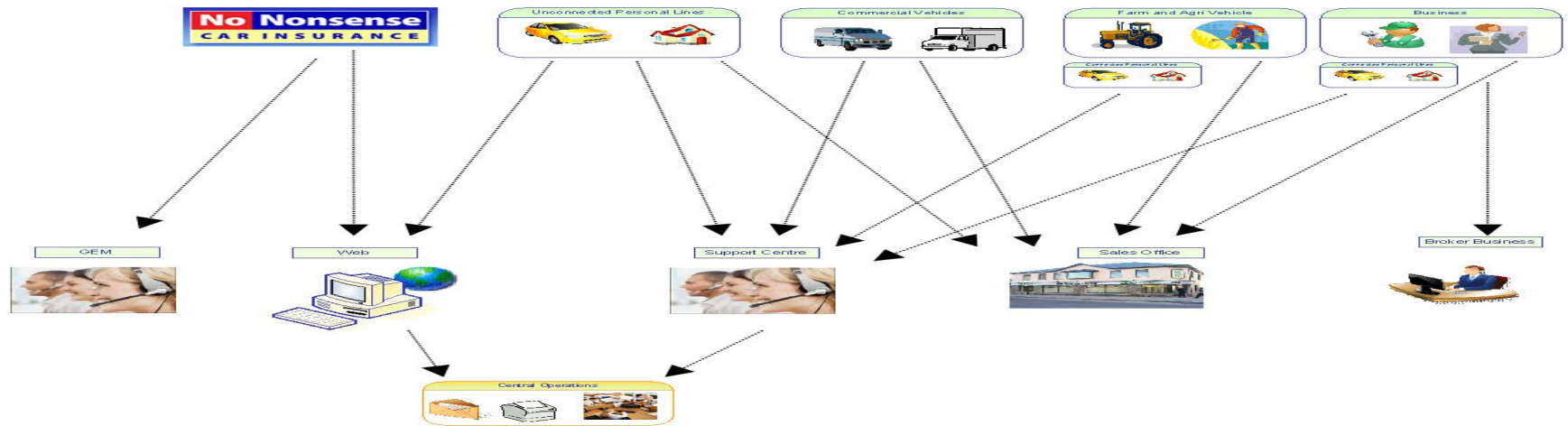
## Premium by category



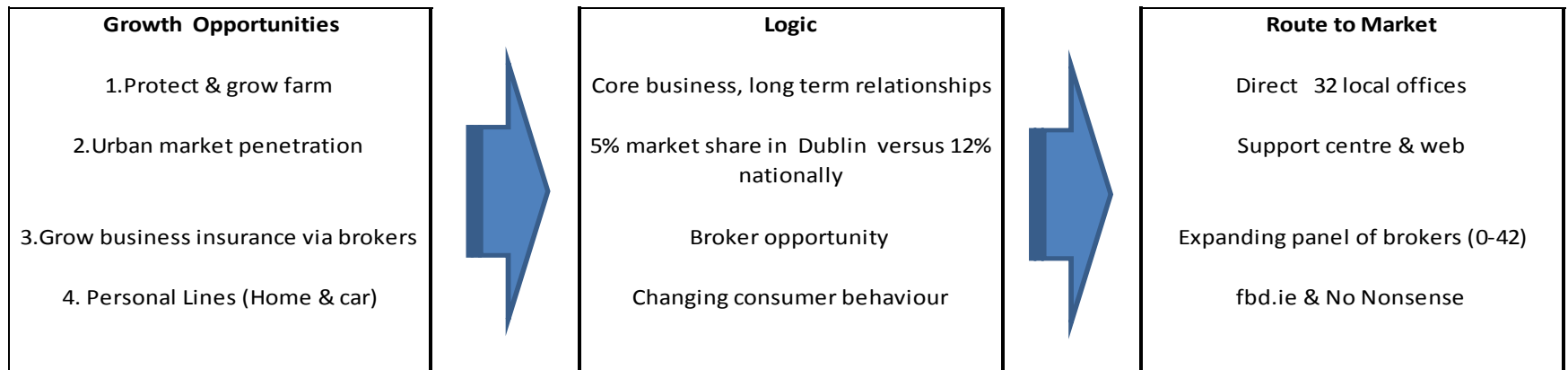
## Target sectors

- Farm Insurance, including property, liability and vehicles
- Business insurance, including shops, pubs, guesthouses, retail outlets, small /medium enterprises
- Personal lines, including motor & home

## Multi-channel Distribution



## Growth Opportunities



# 2011 Results



## Income Statement

	2011	2010
Underwriting	€000s	€000s
<b>Gross written premiums</b>	<b>351,111</b>	<b>358,385</b>
Net earned premiums	301,952	302,540
Net claims incurred	(201,123)	(234,268)
Net operating expenses	(73,002)	(66,653)
<b>Underwriting Result</b>	<b>27,827</b>	<b>1,619</b>
<b>Loss Ratio</b>	<b>66.6%</b>	<b>77.4%</b>
<b>Net Expense Ratio</b>	<b>24.2%</b>	<b>22.0%</b>
<b>Combined Ratio</b>	<b>90.8%</b>	<b>99.4%</b>



## Income Statement

	2011 €000s	Restated 2010 €000s
<b>Continuing Operations</b>		
Underwriting result	27,827	1,619
Longer term investment return	30,510	34,514
	<hr/>	<hr/>
<b>Operating profit</b>		
Insurance underwriting	<b>58,337</b>	<b>36,133</b>
Financial services	<b>4,170</b>	<b>2,329</b>
	<hr/>	<hr/>
	<b>62,507</b>	<b>38,462</b>
	<hr/>	<hr/>

## Income Statement (cont'd)

	2011	Restated 2010
	€000s	€000s
<b>Operating profit</b>	62,507	38,462
Investment return fluctuations	(5,060)	(30,093)
Revaluation of property, plant and equipment	(975)	(3,160)
Retirement benefits – past service gain	-	11,063
Restructuring costs	(3,725)	(1,615)
Share of results joint venture	(467)	-
<b>Profit before tax</b>	<b>52,280</b>	<b>14,657</b>
Income tax	(8,615)	(174)
<b>Profit for the period – continuing operations</b>	<b>43,665</b>	<b>14,483</b>
<b>Profit/(loss) for the period from discontinued operations</b>	<b>7,362</b>	<b>(17,718)</b>
<b>Profit/(loss) for the period</b>	<b>51,027</b>	<b>(3,235)</b>

# 2011 Results

## Balance Sheet - Assets

		<u>31/12/11</u>		<u>31/12/10</u>
		<u>€000s</u>		<u>€000s</u>
<b>Property &amp; Equipment</b>				
Hotels/golf	-		120,004	
Property – own use	17,140		18,115	
Fixtures & Fittings	16,657	33,797	17,840	155,959
		<hr/>	<hr/>	
<b>Investments in joint venture</b>		45,621		-
<b>Investments</b>				
Property		8,818		42,368
Financial		773,967		737,699
<b>Reinsurers' share of technical provisions</b>		63,991		95,622
<b>Other receivables/DAC's</b>		84,204		95,894
<b>Current and deferred tax</b>		10,482		15,250
<b>Other Assets</b>				
Development land	-		28,037	
Work-in-Progress	-		18,008	
Cash	35,658	35,658	36,714	82,759
		<hr/>	<hr/>	<hr/>
<b>Total Assets</b>		<b>1,056,538</b>		<b>1,225,551</b>

# 2011 Results



## Balance Sheet - Liabilities

		<u>31/12/11</u>		<u>31/12/10</u>
		<u>€000s</u>		<u>€000s</u>
<b>Equity</b>				
Share Capital		21,409		21,409
Reserves		188,523		160,714
		<hr/>		<hr/>
<b>Shareholders' funds – equity interests</b>		<b>209,932</b>		<b>182,123</b>
Preference Shareholders		2,923		2,923
Minority Interests		458		2,053
		<hr/>		<hr/>
<b>Total equity</b>		<b>213,313</b>		<b>187,099</b>
<b>Liabilities</b>				
Technical provisions				
- Unearned premiums	174,362		176,479	
- Claims	603,190	777,552	657,656	834,135
	<hr/>		<hr/>	
Deferred tax		9,643		11,751
Creditors				
- Loans	-		117,766	
- Other	56,030	56,030	74,800	192,566
	<hr/>		<hr/>	<hr/>
<b>Total Liabilities</b>		<b>1,056,538</b>		<b>1,225,551</b>

## Cash Flow Statement

	2011 €000s	2010 €000s
Net Cash from operating activities	32,674	38,130
From investing activities	(21,687)	(32,852)
Used in financing activities	(12,043)	(12,582)
Net (decrease)/increase in cash and cash equivalents	(1,056)	(7,304)
Cash and cash equivalents at the beginning of the period	36,714	44,036
Effect of foreign exchange rate changes	-	(18)
Cash and cash equivalents at the end of the period	35,658	36,714



# FBD Holdings plc

## 2011 Results

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