



FBD HOLDINGS PLC

2015 Final Results

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.

February 2016

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Our Policy is You

Section 1

Overview

FIONA MULDOON, GROUP CEO



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Strategic Highlights

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- FBD has stabilised during the second half of 2015
- Key second half goals have been achieved
- Significant governance changes announced separately today
- Clear strategy articulated - continue to strengthen customer base in the Irish agricultural and small business sectors and pursue a single brand consumer strategy
- Path to full year profitability by 2017

Financial Highlights

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Half Year

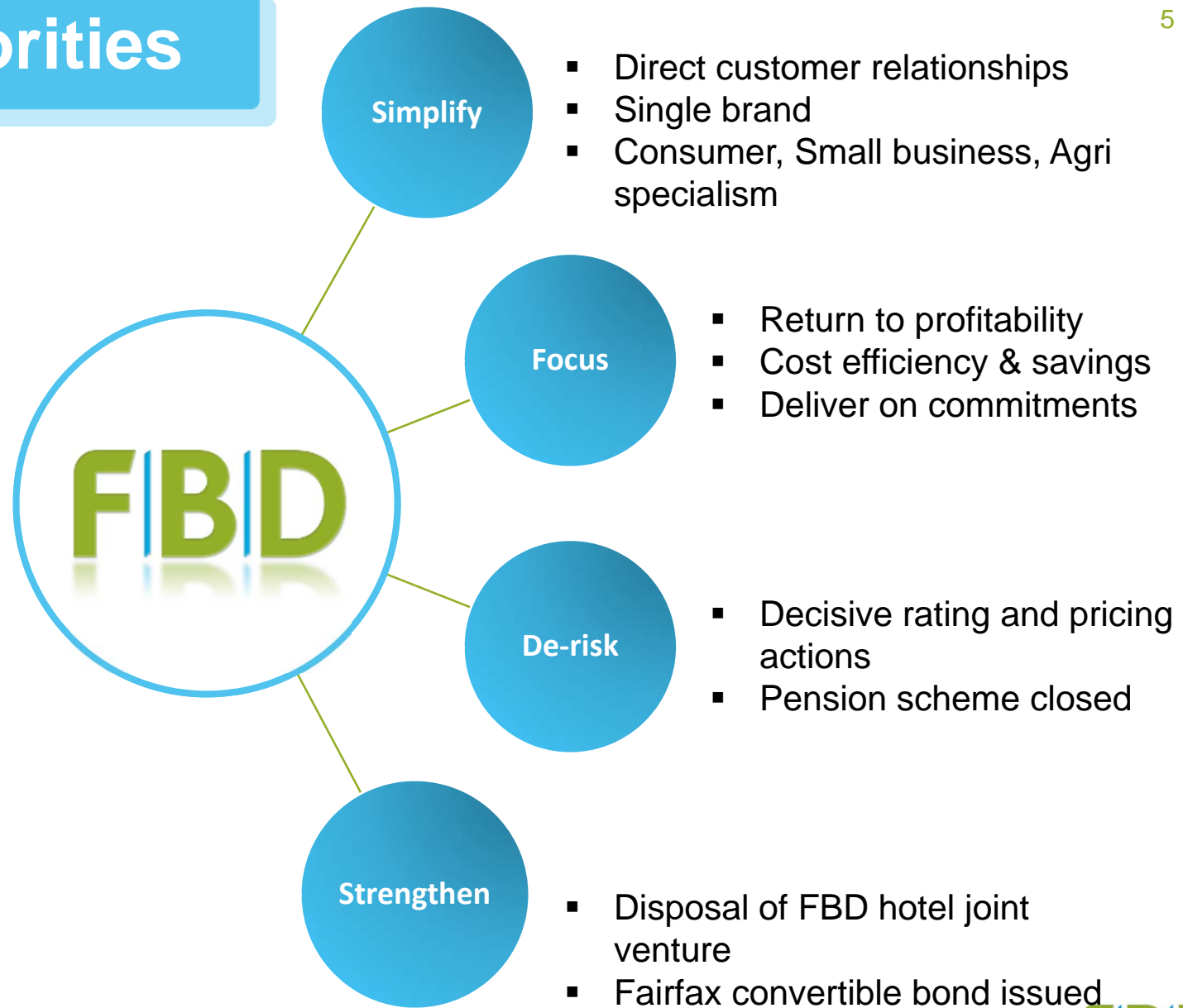
- Group profit before tax of €12m, after exceptional items
- NAV per share increased by 111c
- Cost savings program of €8m completed
- Prior year reserve and MFU strengthened by €8m in second half, to take account of discount rate changes in recent appeal case

Full Year

- GWP stable at €363m
- Total prior year reserve strengthening claims charge of €96m
- Capital within target range of 110-130% of SCR
- Investment return of 2.2%

Our Priorities

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Simplify

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- General insurance company
- Disposal of FBD Hotels
- Single brand consumer strategy
- Simpler corporate governance and Board structures



Focus

- Relationships and risk transfer in agriculture and small business
- Leverage nationwide branch network
- Refine product and service offering in consumer channel
- Deliver on objectives set-out to shareholders
- Return the business to profitability
- Rebuild capital strength

June 2015:
HY Loss €96m

Dec 2015:
FY Loss €85m (H2 Profit €12m)

Dec 2016:
Target Modest FY
Loss
Sub 100% COR by
Q4 (ex catastrophes)

Dec 2017:
Target FY
Profit

De-risk

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- Decisive rating and pricing action taken. Further pricing action warranted
- Cost savings program of €8m completed, full implementation by end of first quarter 2016, benefit realised from 2016 onwards
- Closed pension scheme to future accrual and severed final salary link. Deferred membership will be offered ETV in 2016
- Focus on direct customer relationships

<i>Pension</i>	<i>H1 2015</i>	<i>FY 2015</i>
Deficit	-€51m	€9m
SCR Impact of Pension changes		7%
Sensitivity to 1% move discount rate	€32m	€6m
Direct Equity Allocation	30%	0%

Strengthen

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- Strengthened loss reserves
- Improved capital position
- Fairfax convertible investment of €70m
- Single brand

Timeline

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	2015	2016	2017
Simplify	<ul style="list-style-type: none"> Refined strategy Disposal of hotels Direct Insurance focus 	<ul style="list-style-type: none"> Board simplification Reorganised customer focus Single Brand - FBD 	
Focus	<ul style="list-style-type: none"> Focus on single consumer brand Reduce costs 	<ul style="list-style-type: none"> Improve claims settlement Strengthen branch network Change Financial Solutions business model Deliver IT system 	<ul style="list-style-type: none"> Underwriting profitability
De-risk	<ul style="list-style-type: none"> Pension scheme rationalised Improve underwriting risk selection 	<ul style="list-style-type: none"> Pricing and underwriting actions Deferred pension members ETV 	<ul style="list-style-type: none"> Pricing and underwriting actions Delivering improved profitability
Strengthen	<ul style="list-style-type: none"> Focus on direct channel €96m reserve strengthening Fairfax convertible bond 	<ul style="list-style-type: none"> Appoint Chief Financial Officer Appoint Chief Risk Officer Appoint Chief Commercial Officer 	<ul style="list-style-type: none"> Pricing and underwriting actions Delivering improved profitability

Claims update

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Claims development 2014 - 2015

<i>Development</i>	<i>First emerged</i>	<i>Status 2015</i>
Claims Frequency	Q1 2014	<ul style="list-style-type: none">▪ Slowdown in Q4 2015
Severe Weather	-	<ul style="list-style-type: none">▪ 4 storms in Q4 2015 below “Cat” level▪ Total cost €11m
Large Claims	H2 2015	<ul style="list-style-type: none">▪ Eleven claims greater than €1m in 2015 (well above seven year average)
Adverse development	H2 2014	<ul style="list-style-type: none">▪ €96m reserve strengthening in 2015

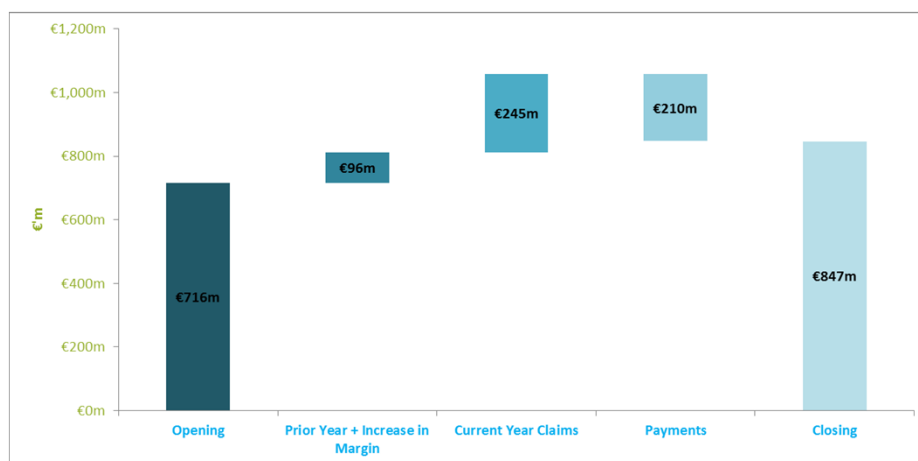
Reserves

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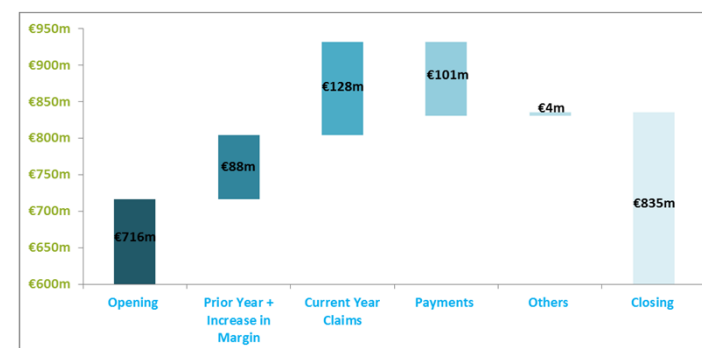
Fundamental re-examination of approach to reserving in an inflationary environment

- Similar implicit allowances for claims inflation as assumed at mid-year 2015
- Margin for uncertainty has increased over the year
- Increase in reserve strength of €96m in the full year (€88m in first half and €8m in second half)

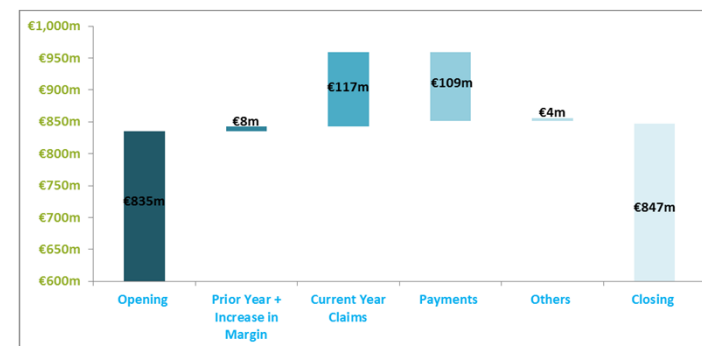
Full Year Movement



Half 1 2015



Half 2 2015



Second half stabilisation except for discount rate appeal case

- Reserves strengthened by €8m in the second half of 2015:
 1. Prior year development of €6m in the second half of 2015 - principally due to the discount rate (widening of application arising from effect of the Gill Russell v HSE appeal judgement)
 2. Margin for uncertainty increased by €2m between June 2015 and December 2015
- Otherwise the reserve position is similar to that at mid-year with no other material prior year development in H2
- Motor injury claims frequency has reduced
- Larger level of large claims experience
- Some early indications of claimants' willingness to settle following Russell appeal

Section 2

Financial Performance

PAUL D'ALTON, INTERIM CFO



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Full year results

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Performance for the year is poor

Action	2015	2014 (Restated)
GWP	€363m	€364m
Result before tax	€(85)m	(€5m)
EPS	(213)c	(7c)
NAV	623c	786c

	2015	2014
Loss ratio (excl. prior year strengthening & increase in MFU)	78.3%	79.1%
Expense ratio	27.4%	27.0%
Combined Operating Ratio	136.3%	110.3%
Investment return	2.2%	3.1%

€363m

Gross Written Premium

111c

H2 NAV increase

Full year results

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Second half results have stabilised

	<i>H1 2015</i>	<i>H2 2015</i>	<i>FY 2015</i>
	€m	€m	€m
Gross written premium	185	178	363
Net earned premium	154	159	313
Net claims incurred (inc MIBI)	-215	-137	-353
Net expenses	-42	-44	-86
Underwriting Result	-103	-22	-125
Investment income	5	15	20
Other	1	2	3
Sub Total	-96	-5	-102
Exceptional items			
Pension curtailment	0	28	28
Restructuring costs	0	-11	-11
Loss before tax	-96	12	-85

€12m

Second half profit

€96m

Reserve
strengthening

Investment Performance

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2.2% performance is strong (contains one-offs)

	31-Dec-15		31-Dec-14	
	€m	%	€m	%
Underwriting investment assets				
Deposits and cash	398	39%	511	58%
Corporate bonds	432	43%	224	25%
Government bonds	101	10%	46	5%
Equities	24	2%	41	5%
Unit trusts	25	2%	25	3%
Own land & buildings	16	2%	16	2%
Investment property	15	2%	20	2%
Underwriting investment assets	1,011	100%	883	100%
Working capital & other assets	117		118	
Reinsurers' share of provisions	80		57	
Investment in joint venture	-		47	
Plant and equipment	56		47	
Total assets	1,264		1,152	

2.2%

Investment Return

3%

Reduction in risk assets

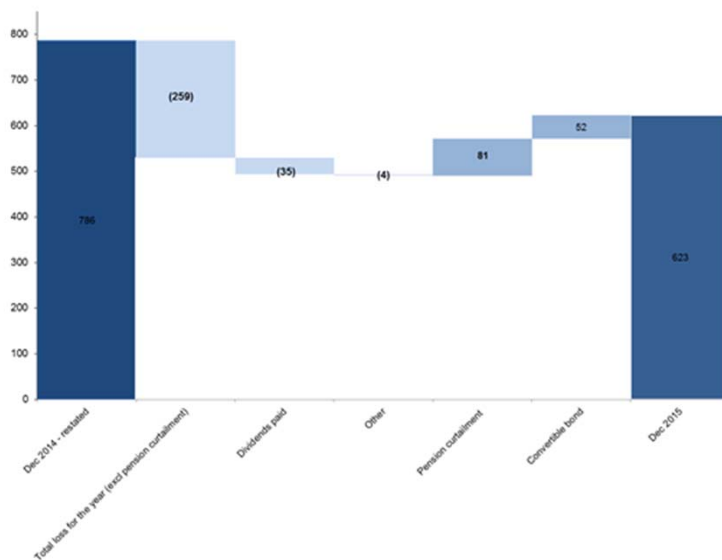
Capital

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Solvency strength and NAV have improved in second half

- Substantial increase in economic capital over second half
- Significant vote of confidence from Fairfax through convertible bond
- Capital within long term target range of 110-130% SCR

NAV - Dec '14 to Dec '15



FBD has a long term SCR target of 110% to 130%



Section 3

Environment, Outlook & Summary

FIONA MULDOON, GROUP CEO



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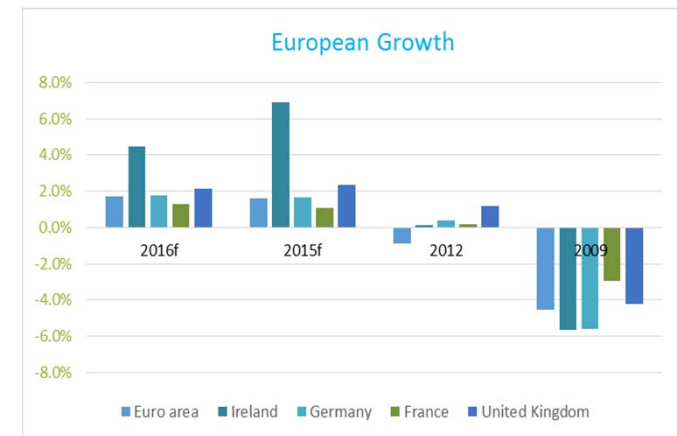
Irish Environment

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Economy and Environment

Domestic demand forecast to grow 5% in 2016 (Central Bank of Ireland)

- Fastest growing economy in Eurozone (European Commission)
- Strong uplift in domestic demand
- Unemployment rate 9% - down from 12.2% in 2013 (CSO)
- Loss-making insurance market - market COR of 111% in 2014 expected to have declined further in 2015

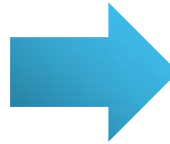


Claims environment

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Structural Changes

- Change in Court Jurisdiction Limits
- New Court of Appeal
- Discount Rate Ruling
- Recovery Benefit Assistance Scheme
- Potential PPOs
- Significant Court Award Inflation



Shift in Settlement Approach

- Slowdown in settlement of claims leading to higher claims costs
- Some pickup in settlement Q4 2015

Outlook

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- Rapidly expanding domestic economy – medium term positive for FBD
- Continued growth in Irish insurance market. Motor and business rates hardened considerably in 2015 – expected to continue in 2016
- Industry profitability remains challenging – industry likely loss-making in 2016
- Focus for FBD is on returning to profitability
- Ambition is to achieve a sub-100% COR by Q4 2016

Summary

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4 Key Areas for 2016

1. Simplify; Single brand focus built around more efficient platform
2. Focus; Irish agriculture sector and small business market core areas of excellence
3. De-risk; Settling claims, governance improved, costs reduce
4. Strengthen; Stabilise and improve profitability

Section 4

Appendix

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FBD at a Glance

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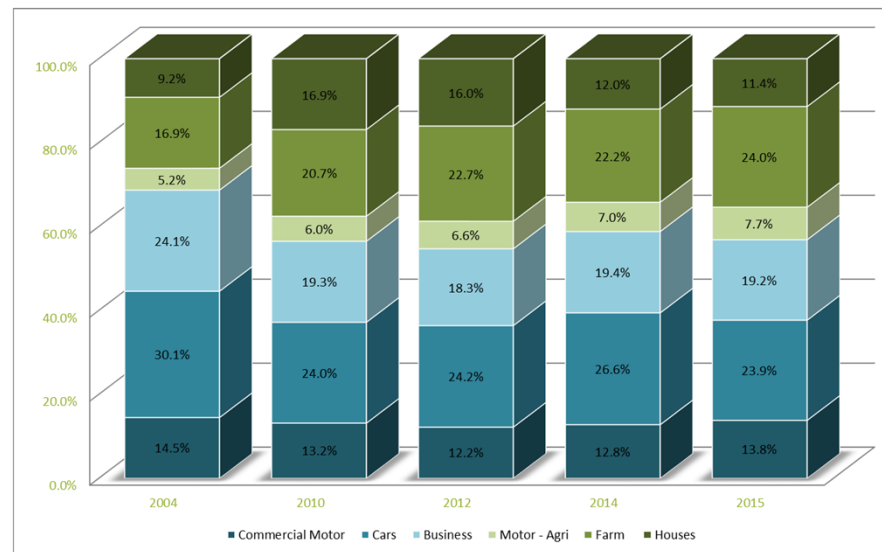
- One of the largest property & casualty insurance underwriters in Ireland
- Established by farmers for farmers in 1969
- Over 80% of farm insurance market
- Multi channel distribution model
- Strong customer relationships
- Resilient balance sheet, prudent reserving and low-risk investment allocation

Premium By Product

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- Farm customers include property, liability and vehicles
- Small Business customers include shops, pubs, guesthouses, retail outlets, small/medium enterprises

Balanced premium growth



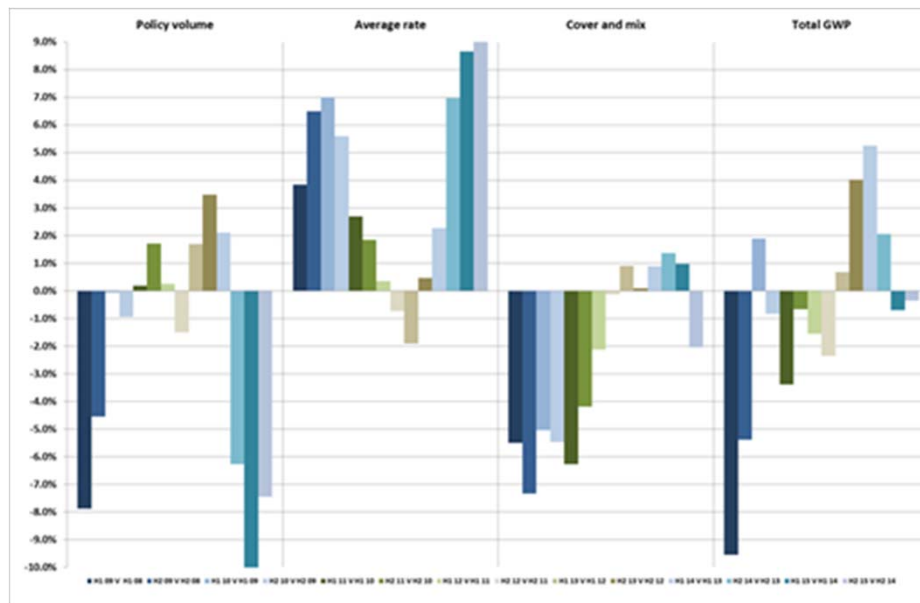
Business update

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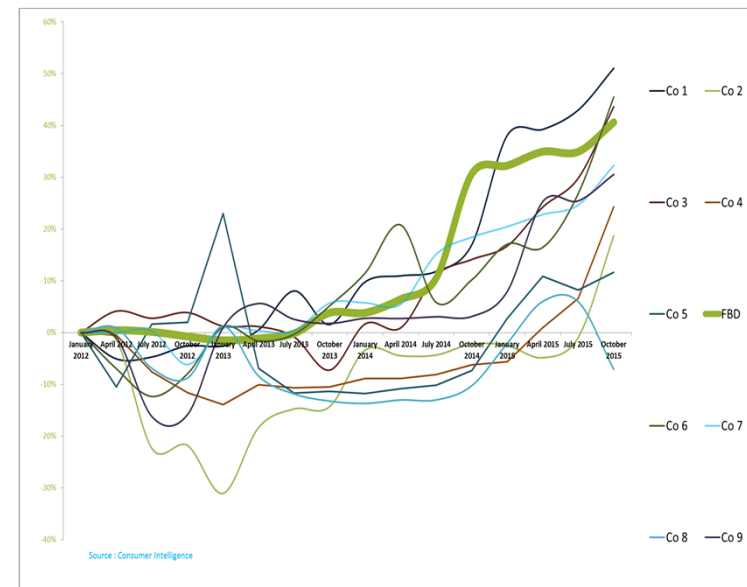
Strong rating action

- Prioritised profitability over volume
- 9% rate increase, offset by 9% volume decline
- Focused on profitable lines and classes of risk
- Retention of performing risk segments
- Further rating action will be necessary in 2016

Change in GWP

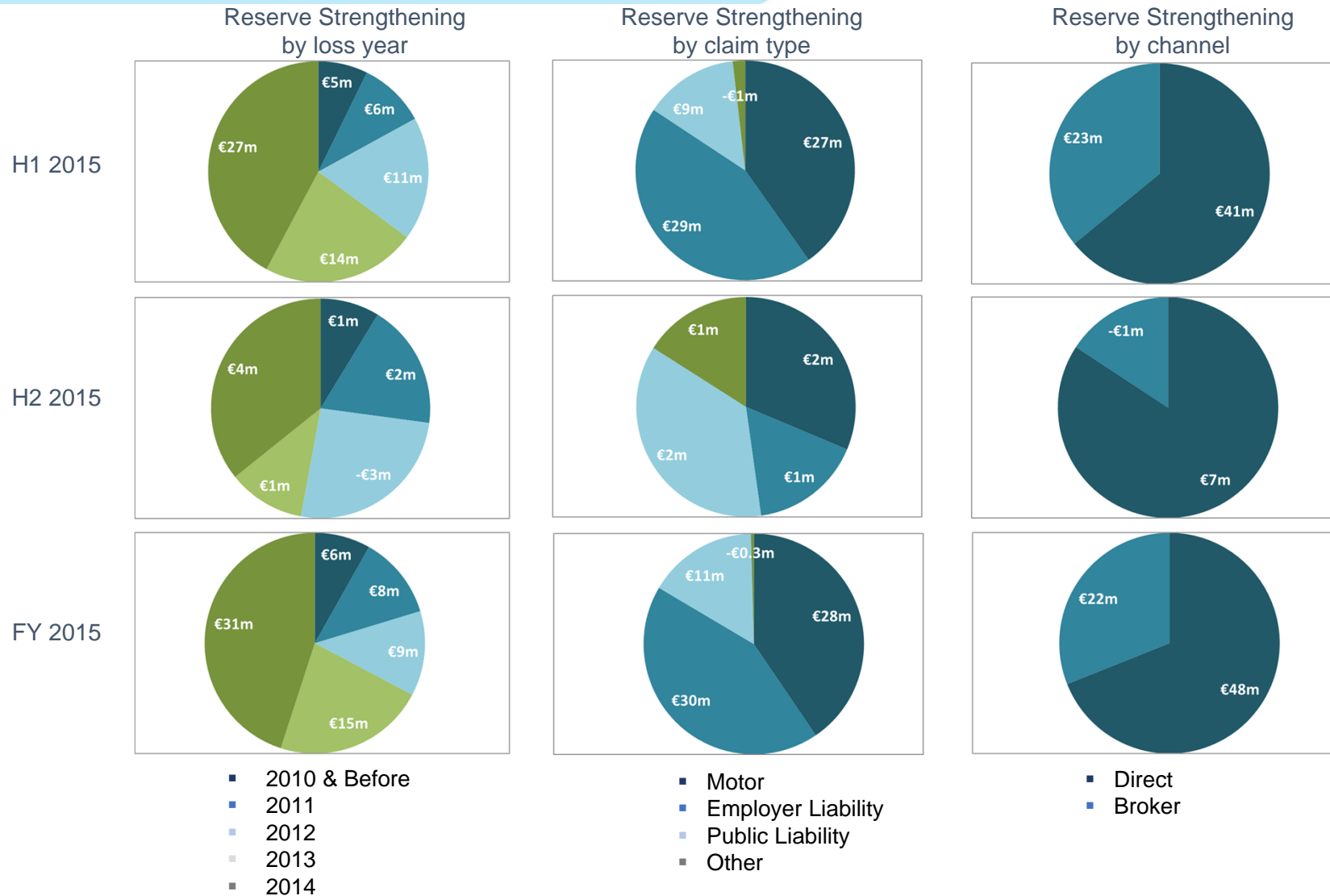


Price changes



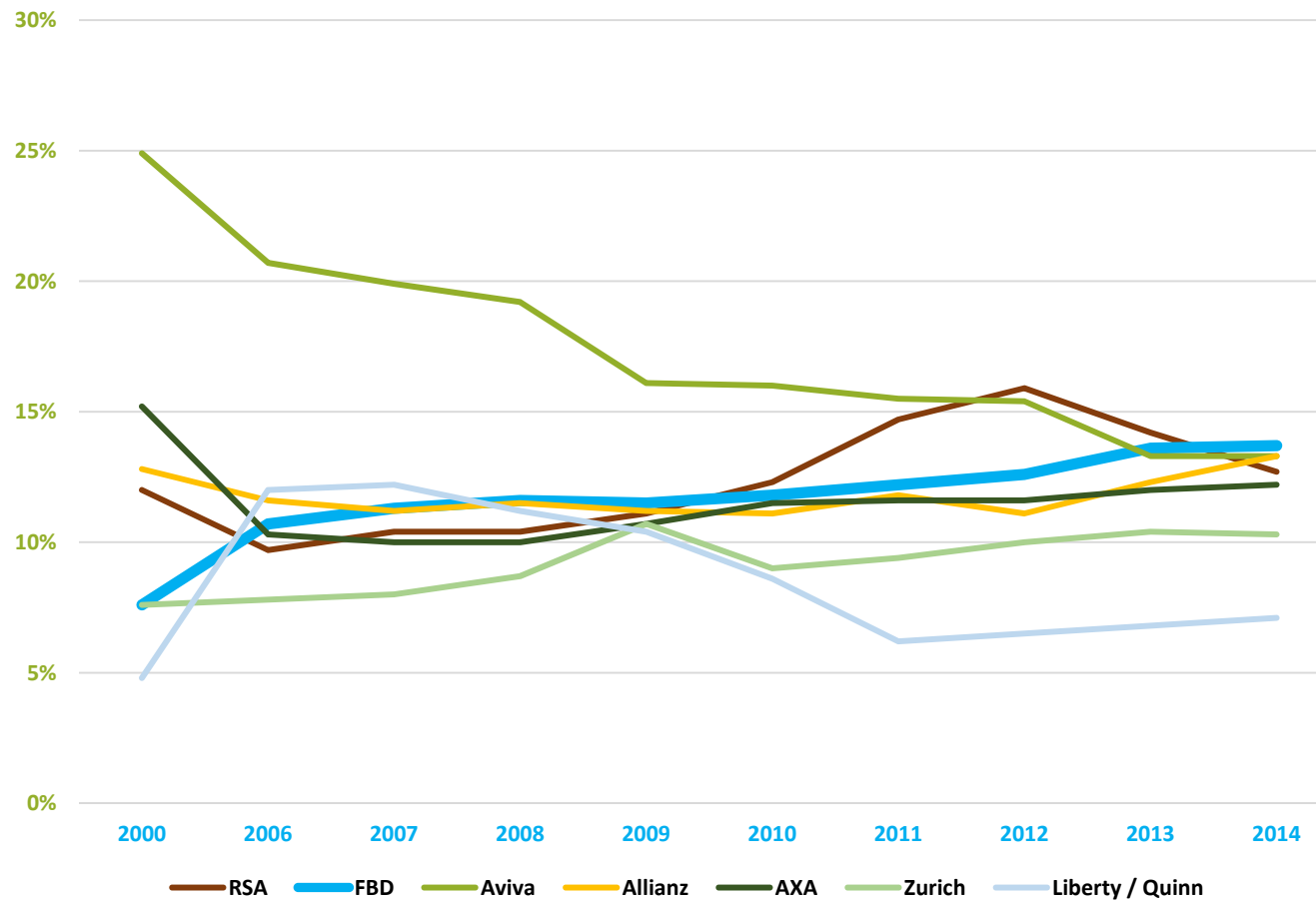
Reserves

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Market share

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Customer segments

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Farm & business direct

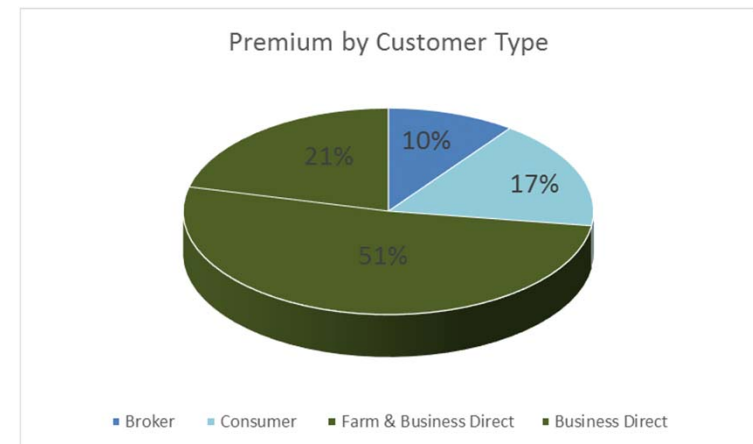
- Strong performance, growth in premium rate

Brokers

- Significant remediation and strong rating action

Consumer

- Significant rating action and remediation
- Home market very competitive



Reserves

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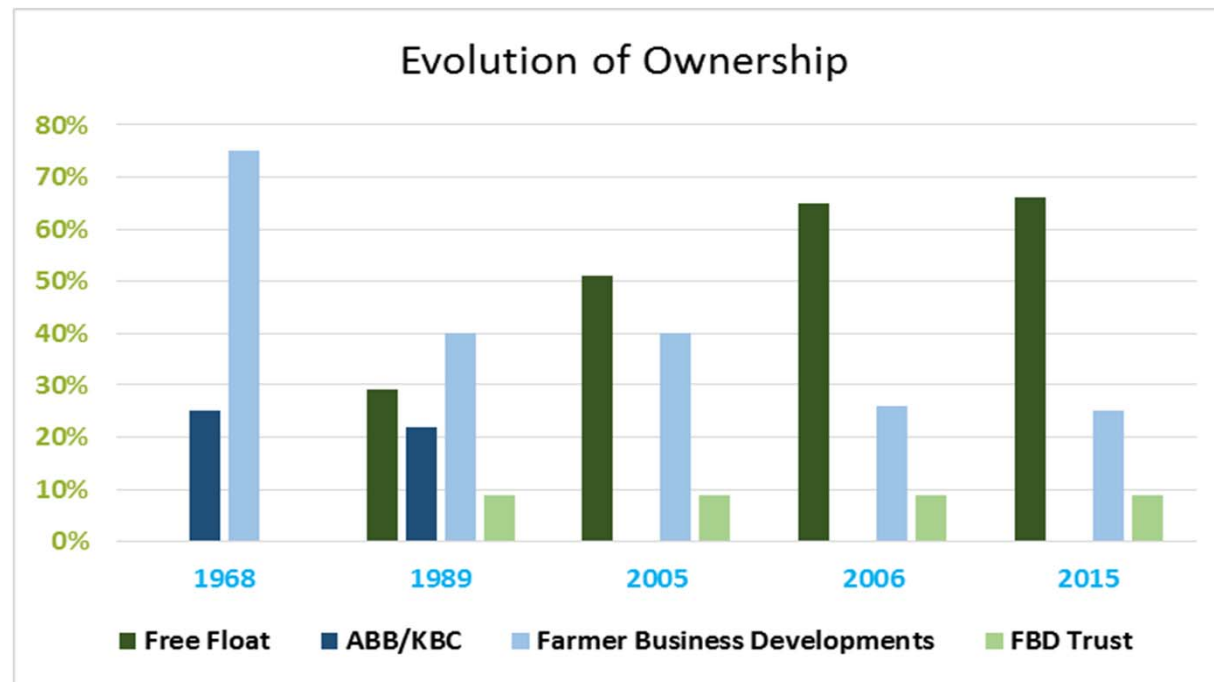
	Prior years €m	2006 €m	2007 €m	2008 €m	2009 €m	2010 €m	2011 €m	2012 €m	2013 €m	2014 €m	2015 €m	Total €m
Estimate of cumulative claims:												
At end of underwriting year	-	278	287	315	288	263	215	215	229	257	270	-
One year later	-	241	265	300	269	248	193	201	217	292	-	-
Two years later	-	240	262	301	270	249	201	210	243	-	-	-
Three years later	-	239	260	302	270	246	205	221	-	-	-	-
Four years later	-	236	258	301	263	244	210	-	-	-	-	-
Five years later	-	233	254	295	262	241	-	-	-	-	-	-
Six years later	-	232	251	293	262	-	-	-	-	-	-	-
Seven years later	-	229	249	292	-	-	-	-	-	-	-	-
Eight years later	-	229	249	-	-	-	-	-	-	-	-	-
Nine years later	-	228	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	228	249	292	262	241	210	221	243	292	270	-
Cumulative payments	-	-224	-242	-280	-246	-214	-163	-144	-132	-126	-65	-
Claims outstanding at 31 December 2015:	10	4	7	12	16	28	47	77	111	167	205	683*
Claims outstanding at 31 December 2014:	13	7	10	16	25	45	62	86	111	178	-	553
Movement during 2015:	-3	-3	-3	-5	-9	-17	-15	-9	1	-12	205	131
Development:	-	1	0	2	1	3	-4	-11	-26	-36	-	-71

*Claims outstanding less reinsurers share of claims outstanding

Key Shareholders

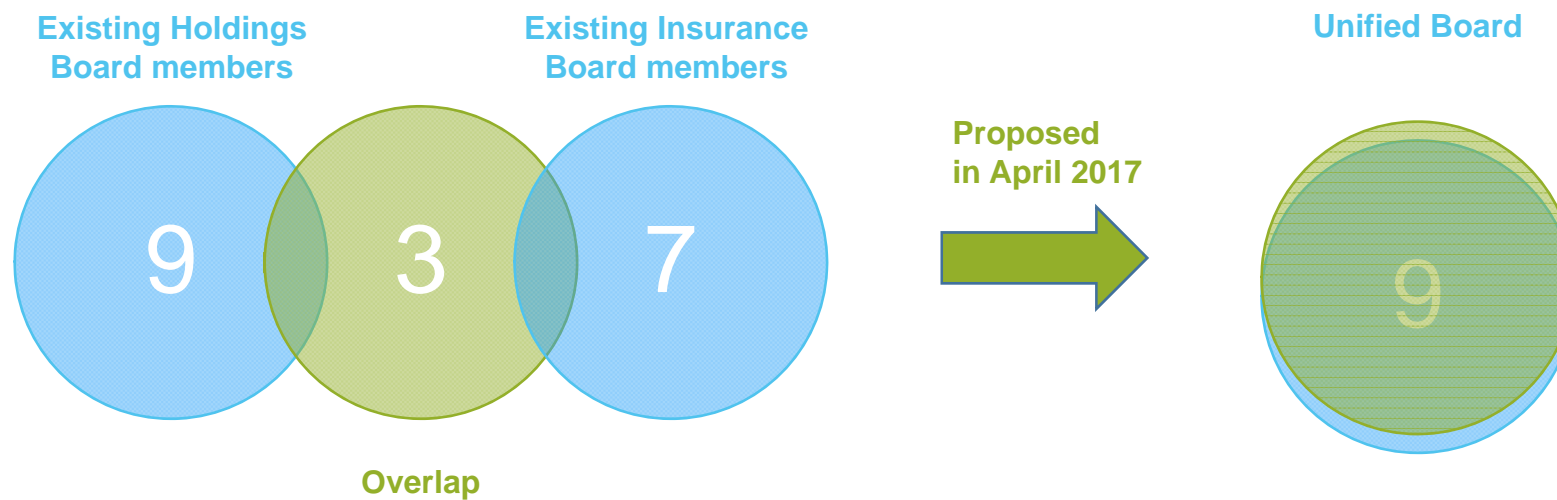
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Free-float evolution from 1968 to 2015



Board Structure

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Glossary

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Acquisition cost	The total of net commission and operating expenses incurred in the generation of net earned premium and often expressed as a percentage of net earned premium. The operating expenses are after the transfer of direct costs for claims settlement expenses which are included in net incurred claims expense.
Best estimate	The actuary's expectation of future cost to settle all outstanding claims net of any margin for uncertainty, representing a 50% probability that the reserves are adequate to settle all future claims
Casualty insurance	Insurance that is primarily concerned with the losses resulting from injuries to third persons or their property (i.e. not the policyholder) and the resulting legal liability imposed on the insured. It includes, but is not limited to, general liability, employers' liability, workers' compensation, professional liability, public liability and motor liability insurance.
Catastrophe reinsurance	A reinsurance contract (often in the form of excess of loss reinsurance) that, subject to specified limits and retention, compensates the ceding insurer for losses in related to an accumulation of claims resulting from a catastrophe event or series of events.
Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
Claims incurred	The aggregate of all claims paid during an accounting period adjusted by the change in the claims provision for that accounting period.
Claims provision	The estimate of the most likely cost of settling present and future claims and associated claims adjustment expenses plus a risk margin to cover possible fluctuation of the liability.
Combined operating ratio	The sum of the loss ratio and expense ratio. A combined operating ratio below 100% indicates profitable underwriting results. A combined operating ratio over 100% indicates unprofitable underwriting results.

Glossary

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Deferred acquisition costs	Acquisition costs relating to the unexpired period of risk of contracts in force at the balance sheet date which are carried forward from one accounting period to subsequent accounting periods.
Excess of loss reinsurance	A form of reinsurance in which, in return for a premium, the reinsurer accepts liability for claims settled by the original insurer in excess of an agreed amount, generally subject to an upper limit.
Expense ratio	Underwriting and administrative expenses as a percentage of net earned premium.
General insurance	Generally used to describe non-life insurance business including property and casualty insurance.
Gross claims incurred	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
Gross earned premium (GEP)	The total premium on insurance earned by an insurer or reinsurer during a specified period on premiums underwritten in the current and previous underwriting years.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.
Incurred but not reported (IBNR)	Claims arising out of events that have occurred before the end of an accounting period but have not been reported to the insurer by that date.
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer.
Loss ratio	Net claims incurred as a percentage of net earned premium.
Margin for uncertainty	The margin held over and above the actuarial best estimate in order to provide greater certainty that claims reserves will be sufficient to settle all outstanding claims as they fall due
Net claims incurred	The amount of claims incurred during an accounting period after deducting reinsurance recoveries.
Net claims ratio	Net claims incurred as a percentage of net earned premium.

Glossary

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Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium for a year.
Net investment income	Gross investment income net of foreign exchange gains and losses and investment expenses.
Net written premium (NWP)	The total premium on insurance underwritten by an insurer during a specified period after the deduction of premium applicable to reinsurance.
Outstanding claims provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.
Personal lines	Insurance for individuals and families, such as private motor vehicle and homeowners insurance.
Policyholders' funds	Those financial assets held to fund the insurance provisions of the Group.
Premium	Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection.
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.
Recoveries	The amount of claims recovered from reinsurance, third parties or salvage.

Glossary

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Reinsurance	An agreement to indemnify a primary insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the primary insurer. The enterprise accepting the risk is the reinsurer and is said to accept inward reinsurance. The enterprise ceding the risks is the cedant or ceding company and is said to place outward reinsurance.
Reinsurer	The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer.
Retention	That amount of liability for which an insurance company will remain responsible after it has completed its reinsurance arrangements.
Underwriting	The process of reviewing applications submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium.
Underwriting expenses	The aggregate of policy acquisition costs, and administrative, general and other expenses attributable to underwriting operations.
Underwriting result	The amount of profit or loss from insurance activities exclusive of net investment income and capital gains or losses.
Underwriting year	The year in which the contract of insurance commenced or was underwritten.
Unearned premium	The portion of a premium representing the unexpired portion of the contract term as of a certain date.
Written premium	Premiums written, whether or not earned, during a given period.



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