



FBD Holdings plc Corporate Governance Statement

Compliance with the Combined Code on Corporate Governance

The Board of FBD Holdings plc is committed to maintaining the highest standards of corporate governance throughout the Group. This statement sets out in detail how FBD has applied the principles set out in Section 1 of the Combined Code on Corporate Governance (June 2008) (the "Combined Code" or the "Code") which was published by the Financial Reporting Council in the UK and adopted by both the Irish Stock Exchange and the UK Listing Authority.

The Board of Directors

The Board provides leadership and maintains effective control over the activities of the Group. The Board meets on a regular basis and has a formal schedule of matters reserved to it for consideration and decision. This includes the approval of the Group's objectives and strategy, approval of financial statements, dividends, appointment and removal of Directors and the Company Secretary, approval of the annual budget including capital expenditure and the review of the Group's systems of internal control.

The Board has delegated responsibility for the management of the Group to the Group Chief Executive and, through him, to executive management. The Board has also delegated some additional responsibilities to Committees of the Board established by it whose powers, obligations and responsibilities are set out in written terms of reference.

The Board is comprised of three executive Directors and eight non-executive Directors, including its Chairman. Brief biographies of the Directors are set out on pages 16 and 17. The Board has considered and believes that during the year it had the appropriate range of skills, experience and objectivity to fulfil its role effectively.

The Board has determined that with the sole exception of the Chairman, by virtue of the office he holds, each of the non-executive Directors is independent. In arriving at this determination, the Board took full account of all factors, including the circumstances listed in Provision A.3.1 of the Code as potential indicators of non-independence. The Board believes that a Director can and should be considered to be independent notwithstanding that one or more of these circumstances applies. The Board further believes that it is the strength of character, integrity and judgement of the individual Director which determines his independence. Two of the non-executive Directors were Directors of Farmer Business Developments plc at the year end and four of the non-executive Directors were Directors of FBD Trust Company Limited. These companies hold 25.64% and 8.97% respectively of the ordinary share capital of the Company. Their shareholdings represent a financial investment based on the normal expectation of dividend income and capital appreciation. Four of the non-executive Directors have served on the Board for a period of greater than nine years. The Board has taken account of the foregoing circumstances and has concluded that, when combined with the other relevant factors highlighted earlier, it is satisfied that in the case of each of its non-executive Directors their independence of character and judgement was not and is not compromised in any way.

On appointment, and regularly thereafter, Directors are briefed in writing and orally by the Chairman and executive management. Papers are sent to each member of the Board in sufficient time before Board meetings. Each member of the Board may take independent professional advice at the Company's expense if deemed necessary in the furtherance of their duties. They have access to the advice and the services of the Company Secretary who has responsibility to ensure that Board procedures are followed and that applicable rules, regulations and other obligations are complied with.

Senior Independent Director

The Board has appointed Mr. Vincent Sheridan as the Senior Independent Director. Mr. Sheridan is available to shareholders who have concerns which cannot be addressed through contact with the Chairman, the Group Chief Executive or the Group Finance Director.

Performance Appraisal

The Board has conducted an evaluation of its performance and that of its Committees and individual Directors. This was achieved through discussion and written evaluation submissions. The Chairman's performance was evaluated by the non executive-Directors, led by Mr. Sheridan, the Senior Independent Director, and taking into account the views of the executive Directors.

Board Committees

As stated earlier, the Board has established three Committees to assist in the execution of its responsibilities. These are

- the Audit Committee;
- the Remuneration Committee; and
- the Nomination Committee.

Each of the Committees has written terms of reference which were approved by the Board which set out the Committee's powers, responsibilities and obligations. All of these terms of reference are available on the Group's website www.fbdgroup.com.

The Audit Committee

The Audit Committee consists solely of non-executive Directors all of whom are considered by the Board to be independent – Vincent Sheridan (its chairman), Sean Dorgan and Patrick O'Keeffe. The Board has determined that Mr. Sheridan is the Audit Committee's financial expert.

The Group Chief Executive, the Group Finance Director, the Company Secretary and the Head of Internal Audit normally attend meetings of the Committee while the external auditors attend as required and have unrestricted access to the Committee chairman at all times.

The main roles and responsibilities for the Audit Committee are set out in its terms of reference and include:

- monitoring the integrity of the Group's financial statements and reviewing the significant financial reporting issues and judgements contained in them;
- reviewing the half yearly report and the financial statements prior to their submission to the Board;
- considering and making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors;
- reviewing the terms of engagement of the external auditors;
- assessing annually the independence and objectivity of the external auditors;
- reviewing annually the audit plan with the external auditors;
- reviewing the statement on internal control prior to its consideration by the Board;

- assessing the significant risks facing the Group in the achievement of its objectives;
- reviewing and where appropriate approving the activities, effectiveness, structure and resourcing of the internal audit function; and
- approving the Group's arrangements for employees to raise concerns, in confidence, about possible wrongdoing.

These responsibilities are discharged by the Committee throughout the year through a formal programme of work which focuses on all of these areas. The Committee also meets separately, at least annually, with the external auditors and with the Head of Internal Audit, without executive management present.

As previously noted, one of the responsibilities of the Committee is to make recommendations to the Board in relation to the reappointment of the external auditors. During the year, as part of this process, the Committee has considered external auditor objectivity and independence in the circumstance of the audit firm providing non-audit services. As part of its deliberations, the Committee took into account the relevant sections of the FRC's Guidance on Audit Committees. The Committee concluded that sufficient safeguards are in place to safeguard auditor objectivity and independence, most notably:

- prohibitions on the types of non-audit work which the external auditor can undertake;
- fee limits for such work above which Committee pre-approval is required; and
- annual review by the Committee of the level of fees payable to the external auditor for both audit and non-audit work.

The Audit Committee has recommended to the Board that the external auditors continue in office.

The Remuneration Committee

The Remuneration Committee consists solely of non-executive Directors – Michael Berkery (its chairman), Philip Lynch and Patrick O'Keeffe.

The principal responsibilities of the Committee are set out in its terms of reference and include:

- determining the Group's framework or policy for the remuneration of executives;
- determining the individual remuneration packages of each executive Director, the Company Secretary and other senior members of executive management;
- reviewing the design of share based incentive plans and making recommendations for change in this area to the Board for subsequent approval by shareholders as necessary; and
- granting awards under the FBD Performance Share Plan and granting options over shares under the FBD Holdings plc Executive Share Option Scheme.

The Committee has access to the advice of independent firms of compensation and benefit consultants when necessary. The Report on Directors' Remuneration is set out in note 30 to the financial statements.

It is intended to table a resolution at the Annual General meeting of the Company for shareholders to vote on the remuneration report. As there is no legal obligation on the Company to put such a resolution to shareholders, it is an advisory resolution and is not binding on the Company. Notwithstanding this, the Remuneration Committee and the Board recognise that the tabling of such a resolution is best practice in this area.

The Nomination Committee

The Nomination Committee consists solely of non-executive Directors – Michael Berkery (its chairman), John Donnelly, Philip Lynch and Patrick O'Keeffe.

The Committee makes recommendations to the Board to ensure that the composition of the Board and its Committees is appropriate to the needs of the Company and the Group.

The process used is to assess the skills, knowledge and experience required and determine how these are currently represented on the Board. Where disparities are recognised and agreed with the Board, the Committee establishes the means of identifying suitable candidates for appointment.

No recommendations were made to the Board during the year for changes to the membership of the Board.

Attendance at Board and Board Committee Meetings during 2009

	Board		Audit		Remuneration		Nomination	
	A	B	A	B	A	B	A	B
Michael Berkery	7	7	-	-	2	2	2	2
John Donnelly	7	7	-	-	-	-	2	2
Sean Dorgan	7	7	4	4	-	-	-	-
Andrew Langford	7	7	-	-	-	-	-	-
Philip Lynch	7	7	-	-	2	2	2	1
Cathal O'Caoimh	7	7	-	-	-	-	-	-
Patrick O'Keeffe	7	7	4	4	2	2	2	2
Vincent Sheridan	7	7	4	4	-	-	-	-
Adrian Taheny	7	7	-	-	-	-	-	-
Johan Thijs	7	5	-	-	-	-	-	-
Padraig Walshe	7	5	-	-	-	-	-	-

A indicates the number of meetings held during the period the Director was a member of the Board or Committee.

B indicates the number of meetings attended during the period the Director was a member of the Board or Committee.

Accountability and Audit

A statement dealing with the responsibilities of the Directors in relation to the preparation of the financial statements is set out on page 27. The responsibilities of the Company's independent auditors are set out in their report on pages 28 and 29.

Relations with Shareholders

Communications with shareholders are given high priority. Through its annual report and regulatory announcements during the year, the Group provides a review of the Group's performance and prospects. The Group's website www.fbdgroup.com provides the full text of its Annual and Interim Reports, in addition to the significant regulatory announcements made including annual financial statements, half yearly reports, trading statements and interim management statements.

The Group Chief Executive, Group Finance Director and other senior executives meet with institutional shareholders and analysts principally at the time of the release of the annual and half yearly results. During the year, the Board received reports from management on the issues raised by investors and analysts in the course of such meetings. Analyst and broker notes on the Company are circulated to the Board at regular intervals throughout the year.

Investors are encouraged to attend the Annual General Meeting at which they can meet and question the Chairman and the Board on its performance and that of the Company and the Group. Notice of the Annual General Meeting, together with the Annual Report and financial statements, is sent to

shareholders at least 20 business days before the meeting. A separate resolution is proposed on each substantially separate issue including a particular resolution relating to the Directors' Report and financial statements. Details of the proxy votes cast for and against each resolution are announced at the meeting after the result is declared on the show of hands. These details are also notified to the Stock Exchanges and are published on the Group's website.

Going Concern

The Financial Statements have been prepared on the going concern basis and, as required by the Combined Code, the Directors report that they have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. This matter is elaborated further on page 19 in the Report of the Directors.

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

In accordance with the revised FRC guidance for Directors on internal control published in October 2005, "Internal Control Revised Guidance for Directors on the Combined Code", the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the financial statements, that this process is regularly reviewed by the Board. The key risk management and internal control procedures include:

- skilled and experienced management and staff;
- an organisation structure with clearly defined lines of responsibility and authority;
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- the operation of approved risk management policies in the areas of underwriting, claims, investment and treasury;
- an internal control group comprising senior management whose main role is to identify, keep under review and manage significant internal control risks facing the Group;
- an internal audit function;
- a risk management function;
- an audit committee whose formal terms of reference include responsibility for assessing the significant risks facing the Group in the achievement of its objectives.

The Board has reviewed the effectiveness of the Group's system of internal control. This review took account of the principal risks facing the Group, the controls in place to manage those risks and the procedures in place to monitor them.

Compliance

FBD has complied, throughout the year ended 31 December 2009, with the provisions set out in Section 1 of the Combined Code on Corporate Governance with the exception of the following matter. The Chairman continues to be Chairman of the Remuneration Committee. The Board remains of the view that he is the most appropriate person for this position and further believes that the composition of the Committee ensures that an appropriate balance of experience and skills are available to the Committee and also ensures that no one person's opinion is allowed to dominate proceedings.