FBD Holdings plc

2016 Solvency and Financial Condition Report

Protection.
It's in our nature.

FBD

CONTENTS

INTRODUCTION

Solvency II came into force with effect from 1 January 2016. The legislation requires new reporting and public disclosure arrangements to be put in place by insurance companies. This document is the first version of the Solvency and Financial Condition Report (SFCR) for FBD Holdings plc which also includes information relating to FBD Insurance plc.

The SFCR provides narrative information in quantitative and qualitative form including quantitative reporting templates (QRTs).

The report covers the Business and Performance of the Group, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

The Business and Performance section highlights the profitability improvement for FBD Holdings plc as the Group recorded a profit before tax from continuing operations of €11.4m in 2016 (2015: loss of €85.9m). The Group delivered an underwriting profit of €3.2m, compared to the underwriting loss of €125.4m in 2015.

The Board of FBD Holdings plc is responsible for the long-term success of the Group. The Board is assisted by the Executive Management team and key roles and functions within the business. The new streamlined governance structure of one Board for both FBD Holdings plc and FBD Insurance plc necessitated changes in Board personnel outlined under the Systems of Governance section.

The Risk Profile details the Underwriting, Market, Credit, Liquidity, Operational and Other material risks relating to FBD Insurance plc.

The Valuation for Solvency Purposes outlines the difference between the Solvency II Valuation and the Financial Statements for the Group and FBD Insurance plc. FBD Holdings plc financial statements are prepared on an IFRS basis. The FBD Insurance plc financial statements are prepared on an Irish GAAP basis. There is no significant measurement difference between the two bases.

The Capital Management section outlines the Solvency Capital Requirement and Minimum Capital Requirement for the Group and the insurance entity. FBD measures and calculates capital using the Standard Formula. The solvency position is monitored on a regular basis to ensure compliance with the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).

At 31 December 2016 the Group Solvency Capital Ratio was at 126%. The FBD Insurance plc ratio was at 127%.

A. BUSINESS AND PERFORMANCE

A1. The Business

A1.1 The Undertaking

FBD Holdings plc ('FBD' or 'the Group') is incorporated in Ireland. The only insurance entity in the Group is FBD Insurance plc (the 'Company'), an insurer licensed in Ireland. The address of the registered office and head office is:

FBD Holdings plc
FBD House
Bluebell
Dublin 12
D12 YOHE

A1.2 Supervisory Authority

FBD Holdings plc and FBD Insurance plc are domiciled in Ireland and the supervisory authority responsible for financial supervision of the undertaking is:

Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1

A1.3 Independent Auditors

FBD's independent auditors are:

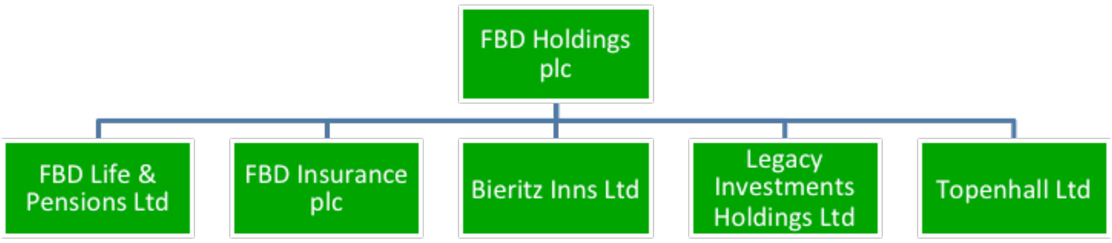
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
North Wall
Dublin 1
Ireland

A1.4 FBD shareholders with qualifying holdings:

The Group has the following interests above 10%.

Ordinary shares of €0.60 each	No.	% of Class
Farmer Business Developments plc	**8,531,948**	**25%**

A1.5 FBD Holdings plc Group Structure:



FBD Holdings plc ('FBD Group and FBD')	Ireland A holding company which is parent to the other Group companies
FBD Insurance plc ('the Company')	Ireland A regulated insurance company which underwrites motor, property, liability and other smaller insurance lines
FBD Life & Pensions Limited (also known as 'FBD Financial Solutions')	Ireland An intermediary company that deals with Life, Pensions and Investment broking

Non-Principal Subsidiaries (represents less than 1% of FBD Holdings Net Asset Value)	
Bieritz Inns Limited	Ireland The company activities are property investment and development
Legacy Investments Holdings Limited	Ireland A company used for investment purposes
Topenhall Limited	Isle of Man The principal activity is the holding of land in Warwickshire.

A1.6 Relevant operations transactions within the Group

FBD Insurance plc incurs a management recharge from FBD Holdings plc for services provided. FBD Life & Pensions Ltd incurs a management recharge from FBD Insurance plc for services provided. No distributions were paid during the year by any companies.

A1.7 Material lines of business and geographical areas

FBD Insurance plc provides insurance to agricultural, small business and consumer customers covering farm, business, home and motor insurance in Ireland.

For Solvency II purposes the company reports under the following Solvency II lines of business.

1) Motor Vehicle Liability Insurance
2) Other Motor Insurance
3) Fire and other damage to property insurance
4) General Liability Insurance
5) Income Protection insurance
6) Marine, aviation and transport insurance

Lines of business 5) Income Protection and 6) Marine are combined under 'Other Insurance' for the tables in this report.

There were no significant or other events that occurred over the reporting period that have had a material impact on the undertaking.

A2. Underwriting Performance

A2.1 The Undertaking

FBD Insurance plc is the only insurance undertaking in the Group. The Company's underwriting income and expenses by Solvency II material lines of business for 2016 is set out in the table below.

	Motor vehicle liability insurance 2016 €000s	Other motor insurance 2016 €000s	Fire and other damage to property insurance 2016 €000s	General liability insurance 2016 €000s	Other Insurance 2016 €000s	Total 2016 €000s	Total 2015 €000s
Gross Written Premium	122,018	49,839	115,637	68,487	5,817	**361,799**	363,263
Net Earned Premium	107,661	48,547	82,020	64,612	5,387	**308,226**	313,154
Net Claims Incurred including MIBI	(91,342)	(24,408)	(25,166)	(80,601)	(3,741)	**(225,257)**	(352,840)
Expenses net of reinsurance commission	(28,233)	(11,094)	(18,153)	(21,000)	(1,270)	**(79,750)**	(85,725)
Underwriting Profit/Loss	(11,914)	13,045	38,701	(36,989)	376	**3,219**	(125,411)

A2.2 Gross Written Premium

The Company's underwriting activities are conducted in Ireland.

The Company continues to focus on its core Farm and SME customers, along with a single brand consumer strategy. During 2016 it reduced its exposure to business written through brokers.

Overall, gross written premium has declined by €1.5m to €361.8m (2015: €363.3m), with increased premium from direct operations of €14.5m (+4%) offset by a €16.0m (-44%) reduction in business written through brokers. Excluding broker business, average rates across the book are up 9%, while policy volume has declined by 5% with an increase in average cover of 1%. However, certain classes of insurance have seen more substantial increases year on year (e.g.: Motor +16%).

New business volumes were lower than historic levels as the Company concentrated on improving the profitability of the business. The loss of policy volume slowed during the year with a volume reduction of 4% in the second half of 2016, compared to 7% in the first half for business written directly.

A2.3 Claims

Net claims incurred amounted to €217.5m (2015: €341.3m) excluding its MIBI obligation. Overall reserves are developing as expected. Adverse prior year development on public liability claims has largely been offset by positive development in other classes. This modest adverse development has been largely in 2014 and 2015 accident years and was offset by modest releases from 2013 and prior. The comparable claims incurred figure for 2015 includes a charge of €95.8m for strengthening prior year claims reserves and increasing the margin for uncertainty.

The Company also incurred €7.8m (2015: €11.6m) relating to its MIBI levy obligation, which is calculated based on the Group's expected share of the motor market for 2016 and the estimated levy call by the MIBI, which is lower than in the prior year.

A2.4 Claims Environment

The claims environment continues to be uncertain with claims inflation still prevalent, albeit with some emerging evidence of moderation in its growth.

There are a number of factors which have impacted the claims settlement environment. These include:

- The release of the updated Book of Quantum by the Injuries Board has the potential to lead to greater consistency in personal injury awards, but its consistent adoption by the judiciary is critical in this regard. There is a concern that the increased number of injury categories may lead to inflation in award levels. It is too early yet to establish if this is the case and the Group will continue to monitor court awards carefully;
- There is evidence of more claimants being represented in injury claims at an earlier stage in their lifecycle with a reduction in the proportion of claims settled directly with the claimant;
- The Group is continuing to see an impact from the increase in court awards following the change in Circuit Court jurisdiction from €38k to €60k;
- The protracted and contentious process for agreeing plaintiffs' legal costs, despite the enactment of the Legal Services Regulation Act, is leading to higher legal costs for all;
- On a more positive note, the level of general damages awarded in the High Court appears to have stabilised in recent months. The Court of Appeal reduced a number of original awards by close to 50% and it issued general guidelines on damages. These actions are beginning to influence lower courts and are removing some of the extreme volatility previously observed.

The net impact of the above factors is that the claims environment has stabilised somewhat but continues to be difficult. FBD Insurance plc has seen claim settlement rate increases in 2016 compared to observed slowdowns in 2014 and 2015. However those 2016 settlements are being made in an inflationary environment.

The Company welcomes the report prepared by the Cost of Insurance Working Group and the focus that the taskforce has brought to the complexities surrounding the rising cost of claims and in turn insurance costs for Irish customers. In particular, we are pleased to see the plans to create a Personal Injuries Commission to benchmark awards internationally and the proposals to strengthen the Injuries Board assessment process. These are measures we have previously advocated as tangible ways to improve the claims environment in Ireland. It is critical that these proposals are implemented if there is to be help for farmers, consumers and small Irish businesses to manage their insurance costs. Certain key recommendations would, if successful, lead to a reduction in the cost of claims. These include:

- Greater power given to the Personal Injuries Assessment Board with regard to non-co-operation and non-attendance at medicals and generally strengthening its powers;
- Benchmarking of awards with those in other relevant jurisdictions. Should awards be brought in line with other jurisdictions, it would have a significant impact on the cost of claims;
- Improved ability to data share between stakeholders to better identify and fight claims fraud. The effective implementation of automatic number plate recognition (ANPR) would combat the increased levels of uninsured drivers on Irish roads whose claims are ultimately paid by law-abiding motorists.

A2.5 Weather, Claims Frequency and Large Claims

Weather during 2016 was relatively benign and there were no events of note.

Motor injury frequency continued to decline with the underwriting and risk selection actions taken by the Group having an appropriate effect.

There were a lower number of reported claims greater than €0.5m resulting in the lower net cost of large claims being €2m below the previous three year average.

A2.6 Expenses

The Group's expense ratio was 25.9% (2015: 27.4%). Net expenses reduced by €6.0m to €79.7m (2015: €85.7m) largely driven by the reduction in staff costs arising from the voluntary redundancy programme launched in the second half of 2015, and partially offset by technology costs. The Company's new policy administration system was rolled out at the end of June 2016. Depreciation of the system has commenced and increased costs by €2.2m in the second half of 2016.

A3. Investment Performance

A3.1 Investment Return

Investment Allocation

FBD's total investment return for 2016 was 1.9% (2015: 2.0%), with 0.8% (2015: 2.2%) recognised in the consolidated income statement and 1.1% (2015: -0.2%) recognised in the consolidated statement of other comprehensive income. The better than expected investment return reflects market value gains in the corporate bond portfolio as corporate bonds spreads narrowed as well as a €1.9m revaluation of the Group's investment property.

This table shows the underwriting investment assets of the Group.

	31 December 2016		31 December 2015	
Investment assets	€m	%	€m	%
Deposits and cash	**270**	**27%**	399	39%
Corporate bonds	**494**	**48%**	432	43%
Government bonds	**177**	**17%**	101	10%
Equities	**23**	**2%**	25	2%
UCITs	**24**	**2%**	25	2%
Own land & buildings	**16**	**2%**	16	2%
Investment property	**16**	**2%**	15	2%
Investment assets	**1,020**	**100%**	1,013	100%

During 2016, FBD further increased its allocation to corporate and government bonds, and reduced its exposure to term deposits to move further towards its strategic asset allocation benchmark.

The table below shows the investment income of the Group.

FBD Holdings plc	**2016**	**2015**
	€000s	**€000s**
Actual return		
Interest and similar income	**13,760**	12,276
Income from investment properties	**585**	410
Realised profits on investments	**(1,746)**	7,330
Dividend income	**657**	506
Revaluation of investment properties	**1,850**	3,450
Unrealised loss on financial investments	**(6,768)**	(3,712)
Total investment income	**8,338**	20,260
By Classification of investment		
Deposits with banks	**121**	2,832
Investments held for trading	**105**	2,801
Investment properties	**2,435**	13,260
Available for sale investments	**5,677**	1,367
Total investment income	**8,338**	20,260

A3.2 Investments in Securitisation

The Group has no investments in securitisation.

A4. Other material income and expenses

There are no other activities that are material.

A5. Other material information

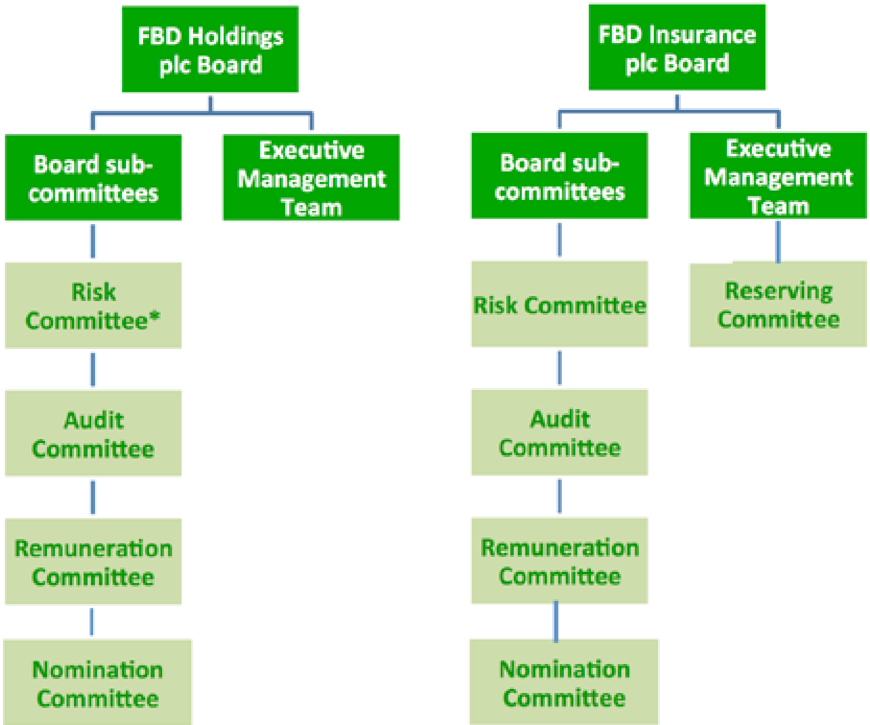
There is no other material information to be disclosed.

B. SYSTEM OF GOVERNANCE

B1. General Information

B1.1 Role and responsibilities of the Administrative, Management or Supervisory Body (AMSB) and key functions

Board and Committee structure:



**Risk Committee in place from 1 January 2017*

The Board

The Group is managed by the Board of Directors.

The primary role of the Board is to provide leadership and strategic direction while maintaining effective control over the activities of the Group.

The Board has approved a Corporate Governance Framework setting out its role and responsibilities. This is reviewed annually as part of the Board's evaluation of its performance and governance arrangements. The Framework includes a formal schedule of matters reserved to the Board for its consideration and decision, which includes:

- the approval of the Group's objectives and strategy;
- approval of the annual budget including capital expenditure and the review of the Group's systems of internal control;
- maintenance of the appropriate level of capital, the allocation thereof and decisions as to the recommendation or payment of dividends;
- approval of Financial Statements; and
- the appointment of Directors and the Company Secretary.

This schedule ensures that the skills, expertise and experience of the Directors are harnessed to best effect and ensures that any major opportunities or challenges for the Group come before the Board for consideration and decision.

Other specific responsibilities of the Board are delegated to Board appointed Committees, details of which are given later in this report.

Risk Committee

The FBD Insurance plc Risk Committee has formal terms of reference, comprising an appropriate mix of executive and non-executive Directors with the following principal functions:

- Providing oversight and advice to the Board of the Company in relation to current and potential future risk exposures of the Company and future risk strategy, including the determination by the Board of its risk appetite and risk tolerance;
- Promoting a risk awareness culture within the Company;
- Reporting to the Board, identifying any matters within its remit in respect of which it considers that action or improvement is needed and making recommendations on the appropriate steps to be taken.

Audit Committee

The objective of the Committee is to assist the Board of the Group in fulfilling its oversight responsibilities for such matters as financial reporting, the system of internal control and management of financial risks, the audit process and the Group's process for monitoring compliance with laws and regulations.

The key responsibilities delegated to the Committee include:

- reviewing the Group's financial results announcements and Financial Statements;
- overseeing the relationship with the external auditors including reviewing their terms of engagement, independence and fees;
- reviewing the scope, resources, results and effectiveness of the Group's internal audit function; and
- performing detailed reviews of specific areas of financial reporting as required by the Board or the Committee.

The Committee members have been selected to ensure that the Committee has available to it the range of skills and experience necessary to discharge its responsibilities.

Remuneration Committee

The objective of the Committee is to assist the Board of the Group in ensuring that the level of remuneration in the Group and the split between fixed and variable remuneration are sufficient to attract, retain and motivate executive Directors and senior management of the quality required to run the Group in a manner which is fair and in line with market norms, while not exposing the Group to unnecessary levels of risk.

The key responsibilities delegated to the Committee include:

- determining the broad policy for the remuneration of the Group's executive Directors, Company Secretary and other senior executives;
- determining the total remuneration packages for the foregoing individuals, including salaries, variable remuneration, pension and other benefit provision and any compensation on termination of office;
- ensuring that the Group operates to recognised good governance standards in relation to remuneration;
- making awards of shares under the Group's approved share scheme; and
- preparation of the detailed Report on Directors' Remuneration.

Nomination Committee

The objective of the committee is to ensure that the Board and its Committees are made up of individuals with the necessary skills, knowledge and experience to ensure that the Board is effective in discharging its responsibilities.

The key responsibilities delegated to the Committee include:

- reviewing the structure, size and composition of the Board and making recommendations to the Board for any appointments or other changes;
- recommending changes to the Board's committees; and
- advising the Board in relation to succession planning both for the Board and the senior executives in the Group.

Reserving Committee

The Executive Management Team established a Reserving Committee for FBD Insurance plc with independent Non-Executive Directors as members with formal terms of reference with responsibility, inter alia, for the following:

- On a quarterly basis to review the adequacy of reserves and to recommend to the Board the level of Best Estimate for inclusion in the financial statements;
- The review of the adequacy of Solvency II Technical Provisions and recommend for inclusion in regulatory returns;
- The review of all reports of the Head of Actuarial Function as to the adequacy of reserves and reporting to the Board of Directors thereon;
- On an annual basis, the review of the Margin for Uncertainty Report produced by the Head of Actuarial Function;
- The review of all reports of the Peer Review Actuary and external auditors;
- Agreement of the risk appetite for reserving risk and the recommendation of said agreement to the Board Risk Committee and the Board.

The Committee has full access to the Group's Head of Actuarial Function and any other person as deemed necessary by the Committee to effectively carry out its functions.

B1.2 Key Roles

The Chairman

The role of the Chairman is set out in writing in the Corporate Governance Framework. He is responsible, *inter alia*, for:

- the effective running of the Board, setting its agenda and ensuring that it receives accurate, timely and clear information;
- ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives; and
- ensuring that the views of shareholders are communicated to the Board.

The Group Chief Executive

The role of the Group Chief Executive is set out in writing in the Corporate Governance Framework. She is responsible, inter alia, for:

- running the Group's business;
- proposing and executing the Group's strategy as decided by the Board; and
- implementing the decisions of the Board and its Committees.

The Executive Management Team

The Group Chief Executive has established an Executive Management Team ("EMT") comprising senior Group executives to assist her in the discharge of her responsibilities for the Group's performance, operations and compliance.

The composition of this team is a matter for the decision of the Group Chief Executive and its role and responsibilities include:

- Managing the day to day running of the Group's business;
- Formulating the Group's strategic plans for the approval of the Board;
- Communicating the standards of performance, strategy and goals of the Group to meet the objectives approved by the Board;
- Leading the implementation of the agreed programme of priority development initiatives;
- Reviewing and communicating progress against the goals, providing direction to the Group's employees, removing barriers to achieving the goals and allocating the Group's resources to the areas of greatest importance;
- Advising the Board, through the Group Chief Executive, on all matters concerning organisational strategy and performance.

Chief Risk Officer

The Board has appointed a Chief Risk Officer with specific responsibility for ensuring that the Group's risk management policy and framework is documented and implemented and that its risk management procedures are carried out effectively.

Head of Actuarial Function

The Actuarial Function, headed by the Head of Actuarial Function together with the Risk and Pricing teams are the main source of actuarial expertise within FBD Insurance plc. The Head of Actuarial Function calculates the Best Estimate Technical Provisions of the Company. The Actuarial Function assesses the Underwriting Policy through the assessment of the sufficiency of premiums to cover future losses and gives an opinion on the results of these assessments to the Pricing Committee. The Actuarial Function reviews the adequacy of the Company's significant reinsurance arrangements and the ORSA and gives an opinion on the results of these assessments to the Board Risk Committee. The Head of Actuarial Function forms part of the second line of defence in the FBD Insurance Risk Management Framework.

Compliance Function

The Board has established a Compliance Function, headed by an appointed Head of Compliance, the primary role for which is to act in an advisory, oversight and assurance role to ensure that the Group has the necessary systems and controls in place to ensure adherence, on an on-going basis, to its legal and regulatory requirements.

Internal Audit Function

The Group has established an Internal Audit function with a formal Charter which is independent of management and business units. The role is to understand the key risks of the Group and to examine and evaluate the adequacy and effectiveness of the systems of risk management and internal control as operated by Group management. The Internal Audit Charter is reviewed by the Audit Committee at least annually and updated as necessary.

B1.3 Authority and independence of key functions

The control functions report annually to the Board on the effectiveness of the System of Governance including the Internal Control System. The control functions are defined as the Risk Function, Compliance Function, Internal Audit Function, and Actuarial Function.

The Company uses a 'three lines of defence' framework in the delineation of accountabilities for internal control.

2nd and 3rd Line of defence functions have defined Terms of Reference (ToR) reviewed at least annually by the appropriate committee (Board Risk Committee for the Risk Function, Audit Committee for the Audit Function).

Risk Function

The Risk Function's ToR state that the function shall have full, unrestricted access to all information, explanations, records, and personnel necessary for the purposes of the identification, assessment, monitoring and reporting of risk to the Board Risk Committee and the Board.

The Company's risk governance is underpinned by a Risk Function headed by the Chief Risk Officer ("CRO") reporting to the Board Risk Committee. The Risk Function has independent oversight of the Group risk management activities with specific responsibility for ensuring that the Group's risk management framework is documented and implemented and that its risk management procedures are carried out effectively.

The Chief Risk Officer shall provide confirmation to the Board Risk Committee that adequate resources are available in the Company to carry out the terms of reference.

Compliance Function

The Compliance Function ensures FBD remains up to date with legal and regulatory requirements and that appropriate compliance controls exist and operate effectively. The Compliance Function acts as the second line of defence in the FBD Insurance Risk Management Framework. The Compliance Function has been granted the authority to investigate any matter it deems necessary or prudent; to pose and have answered any question, to record and document any matter; and to make any recommendation to systems, processes or policy. The Compliance Function has full unrestricted access to all information, explanations, records, and personnel necessary for the purposes of the identification, assessment, monitoring and reporting of compliance to Senior Management and the Board.

Internal Audit

Internal Audit is an independent evaluation and appraisal function reporting to the Board through the Audit Committee. Internal Audit acts as the third line of defence in the FBD Insurance risk management framework and examines and evaluates the functioning of the internal controls and all other elements of the system of governance, as well as the compliance of activities with internal strategies, policies, processes and reporting procedures.

Actuarial Function

The Actuarial Function co-ordinates the calculation of Technical Provisions and provides an Opinion and accompanying report on the Technical Provisions to the Board and the Central Bank of Ireland. In addition, the Actuarial Function prepares an Opinion on the underwriting policy, reinsurance arrangements and the ORSA. The Actuarial Function also contributes to the effective risk management system and acts as a part of the second line of defence in the FBD Insurance Risk Management Framework.

B1.4 Material changes during 2016

2016 saw significant changes in the Board of Directors with a number of appointments and resignations.

The Directors who served at any time during 2016 were as follows:

Director	Date of appointment/resignation
Michael Berkery (Chairman)	
Walter Bogaerts	Appointed 26 February 2016
Mary Brennan	Appointed 31 August 2016
Dermot Browne	Appointed 5 July 2016
Emer Daly	Resigned 29 April 2016
Sean Dorgan (Senior Independent Director)	
Eddie Downey	Resigned 29 April 2016
Liam Herlihy	
Brid Horan	Resigned 29 April 2016
Orlagh Hunt	Appointed 31 August 2016
Fiona Muldoon	
David O'Connor	Appointed 5 July 2016
Ruairí O'Flynn	Resigned 29 April 2016
John O'Grady	Appointed 1 July 2016
Padraig Walshe	

B1.5 Remuneration policy and practices

The Group's remuneration policy is determined by the Board of FBD Holdings plc through the Remuneration Committee.

It is the policy of the Group to provide all employees of FBD with appropriate remuneration and incentives to encourage high performance and to ensure that they are, in a fair and responsible manner, rewarded for their individual contributions which are aligned to the success of FBD while also ensuring that the principles of sound, prudent risk management are fully reflected and that excessive risk taking is neither encouraged nor rewarded.

The remuneration of the non-executive Directors of the Group is determined by the Board. The individual remuneration packages of Senior Executives are determined by the Remuneration Committee who report to the Board.

B1.5.1 Components of Remuneration

Fixed Remuneration

The core element of the remuneration package for all employees is fixed remuneration comprising basic salary and membership of a pension scheme.

Basic salary is reviewed annually having regard to personal performance, company performance and competitive market practice.

Variable Remuneration

Variable remuneration, which is based on individual and Group performance, is available to be awarded to all permanent employees and varies by amount and structure depending on role but in all cases is designed to encourage and reward enhanced performance, whilst promoting sound risk management.

1. Short Term Incentives

Bonus – Head Office Employees and Management

Short Term Incentives comprise annual bonuses.

The attainment of company financial targets determines the amount of annual bonus which may be available to any employee. These targets encourage enhanced performance in the best interests of the Group and its Shareholders and are approved by the Remuneration Committee. After the financial targets have been measured, the individual performance of the employee will be assessed against agreed performance objectives. This will determine the amount of annual bonus available to be paid.

The Remuneration Committee approves the annual bonus payable to each of the Senior Executives.

Sales Incentives

Sales employees' bonus arrangements are based on the achievement of KPIs which are agreed annually including targets for such matters as gross written premium, retention levels, discretionary discounts ceded, compliance standards and business quality. Any bonus or variable pay proposals are in compliance with Central Bank of Ireland "Guidelines for Variable Remuneration Arrangements for Sales Staff".

2. Long Term Incentives

Under the Long Term Incentive Plan (LTIP), conditional awards of shares in FBD Holdings plc are made at the sole discretion of the Remuneration Committee of FBD Holdings plc to any FBD Group executive or employee so designated by it. The awards are made within the terms of the shareholder approved scheme.

The period over which the performance conditions applying to a conditional LTIP award are measured is currently over three years.

These conditions are designed to ensure alignment between the interests of the employees and those of FBD Holdings plc's shareholders, to incentivise retention of key individuals and to encourage appropriate focus on long-term sustainable business performance.

The Chief Risk Officer of the Group is consulted prior to any proposed conditional award by the remuneration committee to executives or employees of the Group to ensure that the conditions attaching to any award do not encourage excessive taking of risk.

B1.5.2 Components of Remuneration

The remuneration of persons who exercise a significant influence on the undertaking and with members of the administrative, management or supervisory body (which comprises the Board of Directors and Company Secretary of FBD Insurance plc and the members of the Executive Management Team) is as follows:

The remuneration of management personnel that exercise significant influence during the year was as follows:

	2016 €000s	**2015 €000s**
Short term employee benefits[1]	**3,005**	2,594
Post-employment benefits	**222**	249
Share based payments	**183**	552
Charge to the Consolidated Income Statement	**3,410**	3,395

[1] *Short term benefits include fees to non-executive Directors, salaries and other short-term benefits to all personnel that exercise significant influence.*

B1.5.3 Special Arrangements for Risk, Compliance and Internal Audit Roles

There is no linkage between annual bonus and Company performance targets for employees who hold roles in the Risk, Compliance and Internal Audit functions. Annual bonuses will be awarded conditional only on the attainment of individual performance objectives. This ensures the independence of these role holders and their ability to perform their second and third line of defence roles, without compromise.

B1.6 Supplementary Pension

FBD operates a Defined Contribution pension arrangement for its employees, where both the employee and employer contribute to the retirement fund. FBD also operates a legacy Defined Benefit arrangement, which is closed to future accrual.

B1.7 Material Transactions

There are no material transactions to note.

B2. Fitness and Probity Requirements

B2.1 Board requirements

The Central Bank of Ireland published its Regulations and Standards of Fitness and Probity. The Board has approved a Corporate Governance Framework setting out its role and responsibilities. This is reviewed annually as part of the Board's evaluation of its performance and governance arrangements. The Framework includes a formal schedule of matters reserved to the Board for its consideration and decision, which includes:

- the approval of the Group's objectives and strategy;
- approval of the annual budget including capital expenditure and the review of the Group's systems of internal control;
- maintenance of the appropriate level of capital, the allocation thereof and decisions as to the recommendation or payment of dividends;
- approval of Financial Statements; and
- the appointment of Directors and the Company Secretary.

This schedule ensures that the skills, expertise and experience of the Directors are harnessed to best effect and ensures that any major opportunities or challenges for the Group come before the Board for consideration and decision. The schedule was last reviewed in January 2017.

Other specific responsibilities of the Board are delegated to Board appointed Committees, details of which are given later in this report.

B2.2 Fit and proper policy

The Central Bank of Ireland published its Regulations and Standards of Fitness and Probity (the F&P Standards), issued under Part 3 of the Central Bank Reform Act 2010 ('the 2010 Act'), on 1 September 2011. These statutory standards came into effect on 1 December 2011. The 2010 Act provides for a fitness and probity regime for the periodic assessment of individuals performing 'Controlled Functions' and 'Pre-Approval Controlled Functions', including Directors, senior management and those employees whose activities have a material impact on the business.

As a regulated entity, FBD is subject to the F&P Standards. There are rigorous and continuous processes in operation within FBD to determine which roles fall under the F&P Standards and to collect and collate information to evidence compliance with the F&P Standards.

There were 490 employees under the F&P Standards on the basis that their professional activities were deemed to be Pre-Approval Controlled Functions or a Controlled Function as at 8 December 2016.

FBD considers itself to be in compliance with the F&P Standards.

B2.3 Selection due diligence

The Company operates robust HR recruitment and selection controls which ensure that we select only candidates that meet the F&P Standards. These controls include appropriate screening of candidates and the completion of the Central Bank's Individual Questionnaire by all PCF preferred candidates prior to their engagement. This includes screening for amongst other things; educational qualification and work experience; criminal convictions and debt judgments; regulatory sanctions, reprimand and complaints.

In addition, our employment contract terms require continuing adherence to all regulatory standards including, amongst others, the F&P Standards and Minimum Competency Code (MCC) obligations.

B2.4 Continuous due diligence

The Group operates a continuous due diligence programme which covers all Directors, senior executives and employees across the Group. Under this programme a training plan and a questionnaire are completed annually by Controlled Function and Pre-Approval Controlled Function role holders.

Validation and assessment of completed Individual Questionnaires is independently undertaken by HR in consultation with Compliance. Where this review causes the Chief HR Officer and the Head of Compliance to form the opinion that there is reason to believe or suspect a person's fitness and probity to perform the relevant function, a formal process may be conducted which may result in the person being removed from carrying out the regulated function. Such circumstance may include, but is not limited to, material or undeclared judgements; criminal or civil convictions or regulatory censure. In assessing the impact of these circumstances, FBD takes into consideration all relevant matters including the circumstances surrounding the issue; the length of time since the issue; the explanation given; the proposed role and its impact.

B3. Risk Management System

The Risk Management Framework was in place in FBD Insurance plc throughout 2016 and has been extended to cover the FBD Group.

B3.1 Risk Management Process

FBD has established procedures to monitor and report on the system of controls and it follows the three lines of defence model outlined previously.

Key components of monitoring and reporting of the system of control include:

Key Components	Frequency
Business Unit Quality Assurance	Daily / Weekly / Monthly / Quarterly
Business Unit Management Information	Daily / Weekly / Monthly / Quarterly
Risk Control Self-Assessment	Monthly/Quarterly
Business Unit Control Register	Monthly
Error Reporting	Continuous
1st Line Reviews	As per work plans
2nd Line Reviews	As per work plans
Internal Audits	As per work plan
Board / Executive Committee Reporting	As per various Frameworks / Codes / Policies

B3.2 Risk Integration

FBD Insurance plc has adopted an Enterprise Risk Management approach to identifying, assessing and managing risks. The key elements of the Enterprise Risk Management framework are governance, process and people.

All staff are expected to demonstrate appropriate standards of behaviour in the development of strategy and the pursuit of objectives. This philosophy is supported by the following guiding principles. Management and employees shall:

- Consider all forms of risk in decision-making.
- Create and evaluate business-unit level and Company-level risk profile to consider what's best for their individual business unit and department and what's best for the Company as a whole.
- Support executive management's creation of a Company-level portfolio view of risk.
- Retain ownership and accountability for risk and risk management at the business unit or other point of influence level.
- Strive to achieve best practices in enterprise risk management.
- Monitor compliance with policies and procedures and the state of enterprise risk management.
- Leverage existing risk management practices, wherever they exist within the Company.
- Document and report all significant risks and enterprise risk management deficiencies.
- Accept that enterprise risk management is mandatory, not optional.

The Board has ultimate responsibility for the governance of all risk taking activity in FBD Insurance. FBD Insurance uses a 'three lines of defence' framework in the delineation of accountabilities for risk governance.

While the Board has ultimate responsibility for all risk-taking activity within FBD Insurance, it has delegated some risk governance tasks to a number of committees or key officers.

The Risk Management Function maintains a Corporate Risk Register with each risk assigned to a Risk Owner and a Risk Champion in the Business.

Line Management / Risk Owner

The first line of defence within each business and support unit is Line Management. Line management has primary responsibility for ensuring that the business complies with their specific obligations. In addition, the first line of defence is responsible for working with the Risk Management Function to identify, assess, monitor and report risk. Line management is also responsible for ensuring that all staff members receive appropriate training.

Risk Champion

Risk Champions report to their departmental manager with a dotted line to the Chief Risk Officer. These individuals are well placed in FBD Insurance to ensure the continuous monitoring and reporting of their risk and control environment.

B4. The Own Risk and Solvency Assessment (ORSA) Process

B4.1 ORSA Policy

An ORSA policy has been documented and is approved by the Board annually.

The ORSA is carried out annually and reviewed by the Board.

FBD Insurance plc has in place processes for managing its overall solvency needs and regulatory capital requirements and integrating the strategic development process with the management of all material risks to which it is exposed.

The Board is made aware of the implications that strategic decisions have on the risk profile, regulatory capital requirements and overall solvency needs of the Company and to consider whether these effects are desirable, affordable and feasible given the quantity and quality of its capital. The output from the ORSA assists the Board in making strategic decisions including in relation to:

- Capital Management Policy
- Adequacy of risk appetite
- Business planning and
- Product development.

Following the output from the ORSA, where necessary, management actions are developed.

Any strategic or other major decisions that may materially affect the risk and/or capital position of the Company need to be considered through the ORSA process before such a decision is taken. This does not require a full performance of the ORSA. The Company consider how the output of the last assessment of the overall solvency needs changes if certain decisions are taken and how these decisions affect the regulatory capital requirements.

The ORSA provides a comprehensive view and understanding of the risks the Company is exposed to or could face in the future and how they translate into capital requirements or alternatively require mitigation actions. The ORSA process and output is communicated to the Board and Executive Management via the Internal Report on ORSA.

The Internal Report on ORSA is prepared by the Chief Risk Officer and presented to the Board Risk Committee and Board for approval. The information communicated is sufficiently detailed to ensure that the Board Risk Committee and Board is able to use it in its strategic decision-making process and that other employees can ensure that any necessary follow-up action on foot of the report is taken.

The Board is responsible for challenging and approving the results of the ORSA. Following this sign off by the Board, information on the results and conclusions regarding the ORSA is communicated to the Executive Management Team.

B4.2 ORSA Approval by the Administrative, Management or Supervisory Body (AMSB)

FBD Insurance plc undertakes an ORSA to ensure its business is managed soundly and prudently by identifying, assessing and monitoring current and future solvency needs in light of all the risks faced. The ORSA is a top down process owned by the Board and is carried out at least annually.

The ORSA is a very important process for the Board as it provides it with a comprehensive view and understanding of the risks to which the Company is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions.

To aid in the assessment of the overall solvency needs and business and capital planning process, the Company will carry out a number of stress tests, reverse stress tests and scenario analyses.

The nature and number of stress and scenario tests is initially developed by the Risk Function with input from key stakeholders. The stress and scenarios chosen take into account the material risks facing the Company, external environment and likelihood of occurring based on historical analysis. These are presented to the Board Risk Committee for review and challenge and to the Board for review, challenge and approval.

The following is documented as part of the stress testing

- Source of Data used
- Stress Test Assumptions used
- Method of stress testing used
- Conclusion and action plan if necessary

The ORSA Supervisory Report is prepared by the Chief Risk Officer and is subject to Board Risk Committee and Board approval prior to submission to the Central Bank. The ORSA Supervisory Report is the same as the internal report unless otherwise determined by the Board.

B4.3 Own Solvency Needs

As part of the ORSA, the Company carried out an assessment of its overall solvency needs. As part of the review the following approach was taken.

- Review the risk profile of FBD Insurance plc versus the risk profile of the "average company" for which the Standard Formula was designed.
- Assess, from a qualitative perspective, if each module and sub-module of the standard formula SCR calculation is "significant" using a materiality threshold.
- If a module, sub-module or key assumption was deemed insignificant, then a qualitative assessment was carried out providing rationale for why this is the case.
- If a module, sub-module or key assumption was deemed significant but in their view the module or sub-module adequately captured the risk-profile of the company for that risk or risks, then rationale was provided for why this is the case.
- If a module, sub-module or underlying assumption was deemed significant by the above approach or if the module or sub-module was thought to have the potential to misstate the risks, then a quantitative analysis was performed on this module, sub-module or assumption.

FBD Insurance plc currently considers the use of the Standard Formula is appropriate to the risks of the business.

The areas not covered by the Standard Formula identified for which a quantitative assessment was carried out are as follows:

1. Equity Risk (within Standard Formula using traditional measures)
2. Flood Risk (not covered by Standard Formula)
3. Inflation risk within the Pension Scheme (not covered by Standard Formula)
4. Spread and Default risk for Eurozone government bonds (not covered by Standard Formula)
5. Reputational Risk (not covered by Standard Formula)

B5. Internal Control System

B5.1 Description

FBD has in place an internal control system that encompasses the policies, processes, tasks, behaviours and other aspects of a company that, taken together:

- facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company's objectives This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;
- help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation;
- help ensure compliance with applicable laws and regulations, and also internal policies with respect to the conduct of business.

The Company's system of internal control comprises:

- Internal control environment;
- identification and evaluation of risks and control objectives;
- control activities;
- information and communication;
- monitoring and reporting of controls;
- processes for reviewing the effectiveness of the internal control system.

Internal Control Environment

The internal control environment is the framework under which internal controls are developed, implemented, and monitored. It consists of the mechanisms and arrangements that ensure internal and external risks to which FBD is exposed are identified; appropriate and effective internal controls are developed and implemented to soundly and prudently manage these risks; reliable and comprehensive systems are put in place to appropriately monitor the effectiveness of these controls. FBD has in place an appropriate and effective internal control environment to ensure that the company is managed and controlled in a sound and prudent manner. The control environment is the foundation for all the principles of the Internal Control Policy which provides the discipline, process and structure.

The factors which together comprise the control environment are:

- a board of directors that is actively concerned with sound corporate governance and that understands and diligently discharges its responsibilities by ensuring that FBD is appropriately and effectively managed and controlled;
- a management that actively manages and operates FBD in a sound and prudent manner;
- the Board and all FBD employees demonstrate a commitment to integrity and values;
- organisational and procedural controls supported by an effective management information system to soundly and prudently manage FBD's exposure to risk; and
- an independent audit mechanism to monitor the effectiveness of the organisational and procedural controls.

B5.2 Compliance Function Implementation

Compliance Framework

The Compliance Function is the second line of defence and responsible for providing direction, guidance and support to the business and support units. The Compliance Function must ensure that FBD remains up to date with legal and regulatory requirements and that appropriate compliance controls exist and operate effectively. The Compliance Function undertakes independent risk-based monitoring to provide the Board and senior management with assurance on the status of compliance in FBD.

Fig. 1: FBD's Compliance Framework

The key components of the Compliance Framework comprise:

1. **Identification:** Identifying emerging legislation and regulation.
2. **Development:** Evaluating new legal and regulatory requirements, undertaking gap analyses and developing appropriate procedures and compliance controls.
3. **Implementation:** Implementing appropriate procedures and compliance controls to meet legal and regulatory requirements. In addition, the Compliance Function will ensure that appropriate training is provided to staff.
4. **Monitoring:** Undertaking risk based compliance monitoring. In addition, the Compliance Function will, where possible, assist in the remediation of compliance, internal audit and regulatory review findings.
5. **Reporting:** Reporting on Compliance Function activities to the Group Chief Executive and the Board in accordance with Board approved governance structures.

The Annual Compliance Plan is reviewed annually by the Compliance Function and approved annually by the Board.

B6. Internal Audit Implementation

B6.1 How the Internal Audit Function is implemented

The Internal Audit function is the third line of defence within the "three lines of defence" model operated by the Group. Internal Audit provides independent assurance to the Audit Committee of the Board on risk-taking activities. The Internal Audit function is formally established through its Charter, which is reviewed and approved by the Board Audit Committee annually. The Internal Audit Charter/Policy states that Internal Audit is to operate in compliance with the International Standards for the Practice of Internal Auditing issued by the Institute of Internal Auditors ("IIA"). Internal Audit is expected to comply with the IIA's Code of Ethics.

B6.2 Maintaining independence and objectivity

The Head of Internal Audit (HIA) has a direct reporting line to, with direct and unlimited access to, the Chair of the Board Audit Committee. The Board Audit Committee is responsible for the appointment and dismissal of the HIA. The Internal Audit Charter/Policy notes that Internal Audit is specifically prohibited from performing management activities, including:

- Performing Operational duties;
- Initiating or approving accounting transactions; and
- Undertaking consulting engagements where the primary aim includes process improvement, implementation of systems, or advising on operating practices.

The Charter/Policy also notes that in order to minimise the risk of conflicts of interest the HIA will, where possible taking into account the size of the audit team, rotate members of audit team assigned to audits that they have participated in previously. Lastly, the Internal Audit Manual states the following: "To maintain independence Internal Audit staff are required to refrain from assessing operations for which they were responsible within the preceding 12 months and specific operations where there is a personal conflict of interest".

B7. Actuarial Function Implementation

B7.1 Description

The Actuarial Function is part of the second line of defence within the "three lines of defence" model operated by the Group. In addition, the Actuarial Function is responsible for calculating the Best Estimate Technical Provisions and expressing an Opinion on the technical provisions, the underwriting policy, the adequacy of reinsurance arrangements and the ORSA.

The Actuarial Function annual activities are prescribed within a Terms of Reference that is reviewed by the Reserving Committee annually. The Actuarial Function shall have full, unrestricted access to all information, explanations, records, and personnel necessary for the completion of those activities.

B7.2 Reporting

The Head of Actuarial Function reports directly to the Chief Financial Officer. Also, the Head of Actuarial Function has access to the independent Non-executive Directors of the Reserving Committee.

The Head of Actuarial Function presents all Opinions to the Reserving Committee and the Board on an annual basis. In addition, results from quarterly reserving analyses and other material analyses are reported to the Reserving Committee and the Board.

B8. Outsourcing Policy

FBD Holdings plc (FBD) outsources a number of processes, services or activities to service providers to assist in achieving its strategic objectives and delivering a high level of service to its customers. The purpose of the Outsourcing Policy is to provide guidance governing:

- Definition of outsourcing and material outsourcing
- Policy principles
- Roles and responsibilities
- Business Case
- Due Diligence
- Business Continuity
- Contract Agreements
- Relationship Management Framework
- Management of Outsourced Activity
- Outsourcing records

The outsourcing arrangements in place for the Group are reviewed annually in line with the policy and the Board approve all "Material Outsourcing" arrangements.

Service Provided	Jurisdiction
Co-location of the data centre, Managed Services including System Monitoring, Data Backup/Restores, Web Hosting for ecommerce and Security	Ireland
Management of the corporate bond portfolio	UK
Claims Registration/ Investigation / Handling/ Payment processes for property claims	Ireland

B9. Adequacy of System of Governance

The Systems of Governance is considered to be appropriate for FBD, taking into account the nature, scale and complexity of the risks inherent in the business.

B10. Other Material Information

No other material information to be disclosed.

C. RISK PROFILE

C1. Underwriting risk

Underwriting

The Group has developed its insurance underwriting and reserving strategy to diversify the type of insurance risks written and, within each of the types of cover, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The principal insurance cover provided by the Group include motor, employers' and public liability and property.

The Group manages these risks through its underwriting strategy, proactive claims handling and its reinsurance arrangements. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks written and to reduce the variability of the expected outcome by each risk category. The only significant concentration of insurance risk is that all of the Group's underwriting business is conducted in Ireland. Within Ireland there is no significant concentration risk in any one area.

The Group's underwriting strategy is incorporated in the overall corporate strategy which is approved by the Board of Directors and includes the employment of appropriately qualified underwriting personnel; the targeting of certain types of business that conform with the Group's risk appetite and reinsurance treaties; constant review of the Group's pricing policy using up-to-date statistical analysis and claims experience; and the surveying of risks carried out by experienced personnel. All risks underwritten are within FBD Insurance plc underwriting policies.

The Group competes against major international groups with similar offerings. At times, a minority of these groups may choose to underwrite for cash flow or market share purposes at prices that sometimes fall short of the break-even technical price. The Group is firm in its resolve to reject business that is unlikely to generate underwriting profits. To manage this risk, pricing levels are monitored on a continuous basis.

Reserving

While the Group's underwriting risk appetite is constantly reviewed and managed, there is no certainty that the cost of claims will not rise due to abnormal weather events, increased claims frequency, increased severity, changes in regulatory environment, change in economic activity or any other reason. Such an increase could have a material impact on the results and financial condition of the Group.

The Group establishes provisions for unpaid claims, legal costs and related expenses to cover its ultimate liability in respect of both reported claims and incurred but not reported (IBNR) claims. These provisions take into account both the Group's and the industry's experience of similar business, historical trends in reserving patterns, loss payments and pending levels of unpaid claims and awards, as well as any potential changes in historic rates arising from market or economic conditions. The provision estimates are subject to rigorous review and challenge by senior management, the Reserving Committee and the Board. The provision includes a margin for uncertainty to minimise the risk that actual claims exceed the amount provided.

The estimation and measurement of claims provisions is a major determining factor in the Group's results and financial position. The Group uses statistical and actuarial methods to calculate the quantum of claims provisions and uses independent actuaries to review its liabilities to ensure that the carrying amount of the liabilities is adequate. Where the liabilities, net of any related deferred acquisition costs, are deemed to be inadequate, the deficiency is recognised immediately in the Consolidated Income Statement. There is no certainty that the amount provided is sufficient – further claims could arise or settlement costs could increase as a result, for example of claims inflation, periodic payments or the size of court awards. Such an increase could have a material impact on the results and financial condition of the Group.

Reinsurance

The Group purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. The Group's reinsurance is approved by the Board of Directors on an annual basis. The Group only places reinsurance with companies that it believes are strong financially and operationally. Credit exposures to these companies are closely monitored by senior management. All of the Group's current reinsurers have either a credit rating of A- or better. The Group has assessed these credit ratings and security as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables.

FBD has purchased a reinsurance programme which has been developed to meet the local domestic risk profile and tailored to FBD's risk appetite. The programme protects, Motor, Liability, Property and other classes against both individual large loss and events.

C1.1 Concentration risk

Concentration risk is the risk of loss due to overdependence on a single entity or category of business. While all of the Group's underwriting business is conducted in Ireland, with a significant focus on the Agri sector, it is spread over a wide geographical area with no concentration in any one county or region. The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by a flood mapping solution and an appropriate reinsurance strategy.

C1.2 Risk sensitivity for underwriting risks

FBD carried out stress and scenario testing as part of the ORSA process which includes stress testing for the material underwriting risks. For the 2016 ORSA, the solvency position at 30 September 2016 and the projected solvency position over the business planning period were re-calculated following adverse stresses. The stress and scenarios chosen take into account the material risks facing FBD, external environment and likelihood of occurring based on historical analysis.

The results of the analysis showed that the scenario which had the most material impact on the SCR ratio was claims inflation, either through frequency or severity. An inflation scenario resulting in a 5% increase in the net loss ratio would result in a reduction of approximately 7% in the capital ratio.

The stress and scenario testing highlighted that the solvency position is resilient to a vast majority of the normal stresses and only the extreme events would have the potential to cause the SCR to fall below 100%. There were no stress and scenario tests identified which caused the MCR to fall below 100%.

C2. Market risk

The Group has invested in quoted debt securities, investment property and quoted and unquoted shares. These investments are subject to market risk, whereby the value of the investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in the foreign exchange rates of the currency in which the investments are denominated. The extent of the exposure to market risk is managed by the formulation of, and adherence to, an investment policy incorporating clearly defined investment limits and rules, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel to manage the Group's investment portfolio. The overriding philosophy of the investment policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk.

The Group will only invest in assets the risks of which can be properly identified, measured, monitored, managed and controlled. In this regard the approach adopted by the Group is to ensure funds are allocated primarily in Euro denominated Corporate/Government bonds and deposits. This is in line with the Prudent Person Principle.

The Group has undertaken a Strategic Asset Allocation review with the objective of delivering a new investment strategy to navigate the low return environment.

C2.1 Interest rate & spread risk

Interest rate & spread risk arises primarily from the Group's investments in quoted debt securities and deposits. The level of exposure to interest rate risk from trading is reviewed regularly to ensure it is appropriate. Factors taken into consideration are yield, volatility and historical returns.

At 31 December 2016, the Group held the following deposits and quoted debt securities:

	2016	
	Market Value €000s	Weighted average interest rate %
Time to maturity		
In one year or less	**333,923**	1.52
In more than one year, but not more than two years	**61,995**	1.18
In more than two years, but not more than three years	**102,063**	1.12
In more than three years, but not more than four years	**150,728**	2.51
In more than four years, but not more than five years	**87,259**	1.42
More than five years	**171,539**	1.38
Total	**907,507**	

C2.2 Equity price risk

The Group is subject to equity price risk due to daily changes in the market values of its holdings of quoted shares. Equity price risk is actively managed using the framework set out in the Group's Investment Policy which is approved annually by the Board of Directors. The Group Investment Policy places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector.

C2.3 Risk sensitivity for market risks

FBD carried out stress and scenario testing as part of the ORSA process which includes stress testing for the material market risks. For the 2016 ORSA, the solvency position at 30 September 2016 and the projected solvency position over the business planning period were re-calculated following adverse stresses. The stress and scenarios chosen will take into account the material risks facing the Company, external environment and likelihood of occurring based on historical analysis.

The analysis indicated that FBD's primary market risk is its exposure to rising credit spreads. FBD invests approximately €500m in corporate bonds. An increase in credit spreads would reduce the value of assets without a corresponding reduction in the value of liabilities. The stress testing showed that the Solvency ratio is resilient to increases in credit spreads. Reverse stress testing was also used to determine what level of credit spreads might lead to a breach of the SCR. Given the level of diversification within the Corporate Bond portfolio the probability of the SCR being breached as a result of rising credit spreads is very low.

The market risk stress testing also showed that FBD investment strategy means that the solvency capital ratio is relatively insensitive to movements in interest rates.

C3. Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB- ratings. Financial assets which fall outside this range are classified as speculative grade. All of the Group's bank deposits are with financial institutions which have a minimum A- rating. The Group (through FBD Insurance plc) holds the following listed Government bonds and listed corporate bonds, with the following credit profile:

FBD Holdings plc	2016 Market Value €000s	2016 Weighted Average Duration €000s
Government Bonds		
AAA	**10,132**	1.7
AA	**10,236**	1.4
A	**101,133**	1.5
BB+	**55,791**	3.5
Total	**177,292**	2.1

FBD Holdings plc	2016 Market Value €000s	2016 Weighted Average Duration €000s
Corporate Bonds		
AAA	**2,414**	3.4
AA+	**-**	-
AA	**7,895**	3.8
AA-	**55,648**	2.6
A+	**55,927**	3.2
A	**83,500**	2.9
A-	**96,051**	3.6
BBB+	**116,511**	3.6
BBB	**58,545**	3.4
BBB-	**16,827**	3.9
Total	**493,318**	3.3

The extent of the exposure to credit risk is managed by the formulation of, and adherence to, an Investment Policy incorporating clearly defined investment limits and rules, as approved annually by the Board of Directors. The Group employ appropriately qualified and experienced personnel to manage the investment portfolio. The overriding philosophy of the Investment Policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk.

C3.1 Concentration risk

Concentration risk is the risk of loss due to overdependence on a single entity or category of business. Listed corporate bonds carry an average credit rating of A-. The average duration of the fund is 3.3 years. Given the ratings, spread of investments and the duration of the listed corporate bond fund, the Group deems any concentration risk to be acceptable.

Receivables arising out of direct insurance operations are a low credit risk and there is no significant concentration of risk. There is no significant concentration of risk in other receivables.

C3.2 Risk sensitivity for credit risks

The Company carried out stress and scenario testing as part of the ORSA process which includes stress testing for the material credit risks. The sensitivity of the solvency ratio to credit rating downgrades of its counterparties was assessed. This demonstrated a reasonable reduction in solvency cover when the credit quality step deteriorated by one step but FBD Insurance plc had sufficient coverage to comfortably withstand such downgrades. In addition as the bond portfolio invests in a large number of bonds across countries and industries the probability of such a large scale downgrade is deemed to be quite low.

C4. Liquidity risk

The Group is exposed to daily calls on its cash resources, mainly for claims payments. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that the maturity profile of its financial assets is shorter than or equal to the maturity profile of its liabilities and maintaining a minimum amount available on term deposit at all times.

The following tables provide an analysis of assets and liabilities into their relevant maturity groups based on the remaining period to contractual maturity. The contracted value below is the undiscounted cash flow.

FBD Holdings plc Assets – 2016	Carrying value total €000s	Contracted Value €000s	Cash flow within 1 year €000s	Cash flow 1-5 years €000s	Cash flow after 5 years €000s
Financial assets	**907,506**	935,105	330,489	434,751	169,865
Reinsurance assets	**83,214**	83,214	29,926	41,866	11,422
Loans and receivables	**63,502**	63,502	63,502	-	-
Cash and cash equivalents	**26,651**	26,651	26,651	-	-
Total	**1,080,873**	**1,108,472**	**450,568**	**476,617**	**181,287**

Liabilities - 2016					
Insurance contract liabilities	**926,182**	926,182	286,362	518,396	121,424
Payables	**49,100**	49,100	49,100	-	-
Other provision	**11,247**	11,247	11,247	-	-
Convertible debt	**51,136**	114,100	4,900	19,600	89,600
Total	**1,037,665**	**1,100,629**	**351,609**	**537,996**	**211,024**

FBD Insurance plc Assets - 2016	Carrying value total €000s	Contracted Value €000s	Cash flow within 1 year €000s	Cash flow 1-5 years €000s	Cash flow after 5 years €000s
Financial assets	**940,161**	967,759	363,143	434,751	169,865
Reinsurance assets	**83,214**	83,214	29,926	41,866	11,422
Current tax asset	**4,173**	4,173	4,173	-	-
Loans and debtors	**54,247**	54,248	54,248	-	-
Total	**1,081,795**	**1,109,394**	**451,490**	**476,617**	**181,287**

Liabilities – 2016	€000s	€000s	€000s	€000s	€000s
Insurance contract liabilities	**926,182**	926,182	286,362	518,396	121,424
Other Provisions	**12,259**	12,259	12,259	-	-
Deposits received from reinsurers	**10,522**	10,522	8,140	2,382	-
Payables	**40,544**	40,544	40,544	-	-
Total	**989,507**	**989,507**	**347,305**	**520,778**	**121,424**

The extent of the exposure to liquidity risk is managed by the formulation of, and adherence to, an investment policy incorporating clearly defined investment limits and rules, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel to manage the Group's investment portfolio. The overriding philosophy of the investment policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk.

The Company will only invest in assets the risks of which can be properly identified, measured, monitored, managed and controlled. In this regard the approach adopted by the Company is to ensure funds are allocated primarily in Euro denominated Corporate/Government bonds and deposits.

The expected profit included in future premiums (EPIFP) is €11.0m.

C4.1 Risk sensitivity for liquidity risks

Given that liquidity is not a material risk for FBD, no specific risk sensitivity is provided.

C5. Operational Risk

Operational risk arises from inadequate or failed internal processes, or from personnel or systems or from external events. This definition is intended to include all risks to which the Group is exposed and that are not considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, taxation, legal, fraud and regulatory risks.

FBD Insurance plc is regulated by the Central Bank of Ireland and must ensure that it conducts its business in accordance with regulatory requirements at all times. The Company has no appetite for confirmed and quantified breaches of compliance with regulatory requirements and has established a compliance control group who provide assurance to the Board that compliance controls are operating effectively in the Company.

In accordance with Group policies, business unit management has primary responsibility for the effective identification, management, monitoring and reporting of risks. There is an annual review by executive management of all major risks. The FBD Insurance plc Board Risk Committee review executive management's risk assessment to ensure that all risks are identified and evaluated. Each operational risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are made against financial, operational and reputational criteria.

The Group is dependent upon the quality, ability and commitment of key personnel in order to sustain, develop and grow its business. There can be no assurance that the Group will be able to retain all of its key employees. The success of the Group will depend upon its ability to retain, attract, motivate and develop key personnel.

The Group relies significantly on information technology to support the business and as such may be susceptible to risks associated with information security, be that through security breaches, cyber-attacks or other failures or malfunctions. Rigorous information technology controls are in place across the group, including a dedicated IT security team with overall responsibility for managing information technology security standards, which together with on-going employee training and regular cyber-risk reviews are used to mitigate such information technology risks.

C5.1 Risk sensitivity for operational risks

FBD Insurance plc carried out stress and scenario testing as part of the ORSA process which includes stress testing for the operational risks. For the 2016 ORSA, the solvency position at 30 September 2016 and the projected solvency position over the business planning period were re-calculated following adverse stresses. The stress and scenarios chosen has taken into account the material risks facing the Company, external environment and likelihood of occurring based on historical analysis. There was no scenario identified, which if it occurred in isolation, which would materially reduce the capital ratio.

The stress and scenario testing highlighted that the solvency position is resilient to a vast majority of the normal stresses and only the extreme events would have the potential to cause the SCR to fall below 100%. There were no stress and scenario tests identified which caused the MCR to fall below 100%.

C6. Other Material Risk

There are macro-economic changes including economic downturn, increasing competition, changing market trends and the risk associated with changes in the taxation laws in the jurisdiction in which the Group operates. The success of the Group depends on its ability to react appropriately to these changes. The increasing likelihood of a hard "Brexit" introduces business and trading uncertainty for all indigenous Irish businesses, including the Group's core customers in farming and other small businesses. It appears likely that Britain departing the EU will have negative effects for business and business confidence in Ireland, particularly in the medium term and the Group believe this will continue to be a significant headwind to otherwise strong Irish economic prospects.

Other material risks include a risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub-optimal performance. An additional risk is that climate change may result in increasingly volatile weather patterns and more frequent severe weather events.

C6.1 Off balance sheet positions

The Group does not have any risk exposure arising from off balance sheet positions.

C6.2 Special Purpose Vehicles

The Group does not have any risk exposure arising from special purpose vehicles.

D. VALUATION FOR SOLVENCY PURPOSES

This section contains information regarding the valuation of the balance sheet items. For each material asset class the bases, methods and main assumptions used for valuation for solvency purposes are described. Each material class of asset includes a quantitative and qualitative explanation of any material difference between the valuation for solvency purposes and the valuation in the financial statements.

FBD Holdings plc **Balance Sheet**	**Solvency II value 31 December 2016 €000s**	**IFRS 31 December 2016 €000s**
Deferred acquisition costs	-	25,004
Deferred tax assets	5,473	12,234
Pension benefit surplus	-	8,715
Property, plant & equipment held for own use	72,994	72,994
Property (other than for own use)	16,400	16,400
Financial Assets - Equities	22,089	25,031
Financial Assets - Government Bonds	186,269	177,293
Financial Assets - Corporate Bonds	490,561	493,317
Financial Assets - Collective Investments Undertakings	27,077	24,158
Deposits (including cash and cash equivalents)	273,922	263,458
Loans and mortgages	732	732
Reinsurance recoverables	70,476	83,214
Receivables (trade, not insurance)	12,727	12,732
Any other assets, not elsewhere shown	57,393	54,200
Total assets	1,236,113	1,269,482

	Solvency II value 31 December 2016 €000s	**IFRS 31 December 2016 €000s**
Technical provisions - non-life	862,190	926,182
Provisions other than technical provisions	11,265	11,247
Deposits from reinsurers	10,522	10,509
Deferred tax liabilities	-	3,347
Debts owed to credit institutions	10,062	-
Payables (trade, not insurance)	34,096	34,113
Subordinated liabilities	70,000	51,136
Any other liabilities, not elsewhere shown	4,478	4,478
Total liabilities	1,002,613	1,041,012
Excess of assets over liabilities	233,500	228,470

FBD Insurance plc **Balance Sheet**	**Solvency II value 31 December 2016 €000s**	**Irish GAAP 31 December 2016 €000s**
Deferred acquisition costs	-	29,652
Deferred tax assets	4,886	8,575
Pension benefit surplus	-	6,507
Property, plant & equipment held for own use	72,982	72,982
Property (other than for own use)	16,400	16,400
Financial Assets - Equities	20,615	23,533
Financial Assets - Government Bonds	186,269	177,293
Financial Assets - Corporate Bonds	490,561	493,317
Financial Assets - Collective Investments Undertakings	27,077	24,158
Deposits (including cash and cash equivalents)	269,929	269,551
Loans and mortgages	725	725
Reinsurance recoverables	70,476	83,214
Receivables (trade, not insurance)	12,044	12,044
Any other assets, not elsewhere shown	57,050	53,859
Total assets	1,229,014	1,271,810

	Solvency II value 31 December 2016 €000s	**Irish GAAP 31 December 2016 €000s**
Technical provisions - non-life	862,190	926,183
Provisions other than technical provisions	11,265	12,259
Deposits from reinsurers	10,522	10,522
Debts owed to credit institutions	10,061	10,061
Payables (trade, not insurance)	27,014	30,652
Subordinated liabilities	70,000	51,136
Any other liabilities, not elsewhere shown	4,478	4,478
Total liabilities	995,531	1,045,291
Excess of assets over liabilities	233,483	226,519

D1. Assets

Solvency II Valuation for each material class of asset is listed below. The FBD Holdings plc (Group) financial statements are prepared in line with IFRS and FBD Insurance plc (Company) financial statements are prepared in line with Irish GAAP. The difference in the financial statement valuations to Solvency II is detailed below.

D1.1 Deferred Acquisition Costs (DAC)

The Group and the Company respectively recognise an asset relating to deferred acquisition costs (DAC). DAC is not recognised in the Solvency II framework and is therefore removed under Solvency II.

D1.2 Deferred Tax Asset

The Group and FBD Insurance plc have recognised a deferred tax asset primarily relating to the revaluation of technical provisions and deferred acquisition costs under Solvency II. The deferred tax asset is different under Solvency II as the valuation basis for technical provisions changes and the DAC is removed under Solvency II. The pension surplus is also removed under Solvency II reducing the deferred tax asset.

In order to determine whether the deferred tax asset is recoverable, the Group and Company have reviewed the strategic projections and underlying assumptions and also considered the progress made to date in implementing its turnaround strategy. There is no expiry date for utilisation of the deferred tax asset in Ireland.

The deferred tax asset is valued based on the expected tax benefit once the valuation adjustments to transition to Solvency II unwind.

D1.3 Pension Benefit Surplus

The pension surplus is not recognised in the Solvency II framework and was removed.

D1.4 Property, plant and equipment

D1.4.1 Property

Property other than for own use comprises investment properties.

Properties were valued at fair value at 31 December 2016 by independent external professional valuers, CB Richard Ellis, Valuation Surveyors. The valuations were prepared in accordance with the RICS Valuation – Professional Standards (Red Book).

The valuations were prepared on a 'market value' basis. The properties have been valued individually and no account taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously either as lots or as a whole.

D1.4.2 Plant and equipment

Plant and equipment is stated in the IFRS and Irish GAAP financial statements at cost less accumulated depreciation and accumulated revaluation profits/(losses). The Directors believe that this represents fair value and therefore the Solvency II valuation is the same as that for IFRS and Irish GAAP.

Depreciation is provided in respect of all plant and equipment and is calculated to write off the cost or valuation of the assets over their expected useful lives. The useful life of plant and equipment is estimated to be five to ten years dependent on the asset. Depreciation on assets in development commences when the assets are ready for their intended use.

D1.5 Financial Assets

Financial assets are quoted investments in active markets which are stated at fair value. They are recognised on a trade date basis at fair value and are revalued at subsequent reporting dates at fair value, using the closing bid price. Closing bid prices are obtained from a number of external providers in order to confirm their accuracy.

The Group assumes that the quoted closing bid price for these assets is the price that would be achievable had the assets been sold at the time of valuation.

The total value of the financial assets in the financial statements is the same as the Solvency II valuation, however there are some classification differences in the reporting of the assets. Certain corporate bonds in the financial statements are classified as government bonds for Solvency II. Equity funds are shown as equities in the financial statements but are classified as collective investments undertakings in the Solvency II valuation.

Accrued income on bonds is reflected on the bond line for Solvency II but is shown in other assets in the financial statements.

D1.6 Deposits, cash and cash equivalents

Deposits, cash and cash equivalents are valued at amortised cost using the effective interest rate method. The Directors believe that this represents fair value and that the above values are the recoverable amounts. Accrued interest on deposits and accrued interest on cash and cash equivalents are reflected on the deposits and cash and cash equivalent lines for Solvency II but are shown in other assets in the Group and Company financial statements.

D1.7 Trade receivables, any other assets

Trade receivables are valued at amortised cost using the effective interest rate method. This includes reinsurance receivables that are not past due. The Directors believe that this represents fair value and that the above values are the recoverable amounts. There is no difference between the IFRS and Irish GAAP valuation and the Solvency II valuation.

D1.8 Reinsurance recoverables

Reinsurance recoverables are stated at a discounted best estimate value in line with Solvency II rules. Reinsurance recoverables are not discounted for the IFRS and Irish GAAP valuation.

D2. Technical Provisions

D2.1 Technical Provision by material line of business

The table below shows the Technical Provisions as at 31 December 2016 by line of business. FBD Holdings plc and FBD Insurance plc have the same Technical Provisions listed below.

	Motor vehicle liability insurance €000s	Other motor insurance €000s	Fire and other damage to property insurance €000s	General liability insurance €000s	Other insurance €000s	Total €000s
Gross Best Estimate Liab.	416,961	18,295	62,259	316,157	6,925	820,597
Risk margin	17,543	2,035	3,934	17,578	502	41,592
Gross Technical Provisions	434,504	20,330	66,193	333,735	7,427	862,189
Recoverables	52,905	0	8,140	9,166	265	70,476
Net Technical Provisions	381,599	20,330	58,053	324,569	7,162	791,713

D2.2 Methodology

The Group values Technical Provisions using the methodology prescribed by the Solvency II Directive and the regulations made under the Directive.

The Group uses homogeneous risk groups in the calculation of Technical Provisions. The groupings are based on type of business giving rise to the claim (Line of Business) and the size of the claim (small, medium, large). When determining groupings, the credibility of data is balanced against the homogeneity. The modelling approach for each group is similar, though assumptions may vary.

Gross claims for earned premium are projected to ultimate using standard actuarial techniques including Bornhuetter-Ferguson and chain ladder methods. The key assumptions made include the initial expected loss ratios for each accident year and the projected incurred and paid development patterns. Ultimate gross claims for earned premium are converted to net of reinsurance utilising chain ladder methodology and reinsurance treaty information.

At the valuation date 31 December 2016, the Group had both incepted unearned business and business that was bound but not incepted. The ultimate gross claims, expenses and reinsurance recoveries for the unearned business are taken from the Group's premium reserve model. This is a deterministic model that calculates ultimate loss and expense ratios on a gross and net basis.

Reserves are added to liabilities in respect of earned and unearned business to account for events that may occur but have not been seen historically. A binary modelling approach using frequency and severity expectations around each event is used to determine reserves.

Best estimate of the claims, premiums and expense cash flows are discounted to give best estimate liabilities. A risk margin is added to best estimate liabilities to arrive at Technical Provisions.

D2.3 Key areas of uncertainty

D2.3.1 Estimation of outstanding loss reserves ("OSLR")

While information about claims is generally available, assessing the cost of settling the claim is subject to some uncertainty.

D2.3.2 Estimation of losses relating to claims

Estimation of the losses relating to claims which have been incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than estimating the OSLR since the nature of the claims is not known at the time of reserving.

D2.3.3 Unexpired Risks

Estimation of claims arising on business which has not yet expired ("unexpired risks") is uncertain as the claims have not yet been incurred, but are expected to be incurred on the business which the Group has written.

D2.3.4 Market environment

Changes in the market environment increase the inherent uncertainty affecting the business. In particular, claims inflation, publishing of updated Book of Quantum, discount legislation and expected introduction of Periodic Payment Orders (PPO) legislation have impacted the market environment in recent years or may impact the market environment in coming years.

D2.3.5 Events not in data ('ENID loading')

Estimating a provision for events not in data is subject to considerable uncertainty as the events being considered have not been observed.

D2.3.6 Run-off expenses

The estimation of the change in expense base for run-off of the Group is inherently uncertain due to the estimations around the period of the run-off, base costs and inflation.

D2.3.7 Risk margin

The Risk Margin, being the margin payable to transfer the business to another insurance carrier, is uncertain due to the requirement to forecast future solvency capital requirements over the period of a run-off. This therefore shares the same uncertainties of the run-off expenses provision considered at 2.3.6, as well as the inherent uncertainties around forecasting future solvency capital requirements.

D2.4 Risk Management

The Group manages the risks around these uncertainties via the following actions:

- On-going monitoring of claims, including regular reviews of claims handling functions.
- Maintaining a number of reinsurance arrangements to limit the impact of adverse claims development.
- Internal controls through the Reserving Committee and Actuarial Function which monitor claims development and reinsurance arrangements.
- Regular external actuarial reviews.

D2.5 Transition from IFRS to Solvency II

The changes required to transition from IFRS accounts to technical provisions for solvency purposes are consistent for all lines of business, and are noted below.

D2.5.1 Claims provisions

The Group has made no adjustments to the projected claims provisions used in its IFRS accounts in recording the claims provisions for solvency purposes. Gross claims provisions as at 31 December 2016 is €687.7m.

D2.5.2 Reinsurance share of claims provisions

The Group has made no adjustments to the reinsurance recoveries in its IFRS accounts in recording the reinsurance share of claims provisions for solvency purposes. The reinsurance share of claims provisions as at 31 December 2016 is €71.0m.

D2.5.3 Unexpired risks

The Group has estimated the claims which will be payable on unexpired risks, termed "premium provisions", based on the ultimate loss and expense ratios from the claims provisions and premium rate adjustments related to the unearned book of business. Gross premium provisions as at 31 December 2016 are €132.9m.

D2.5.4 Risk Margin

The Risk Margin has been considered to ensure that the value of the technical provisions is equivalent to the amount that would be expected to have to be paid to a third party insurance group in order to take over and meet the insurance obligations of the Group. The risk margin has been calculated based on the estimated capital requirements to run-off the Group's obligations, and applying a cost of capital of 6%.

Risk Margin is calculated using a simplified method allowed under Article 58 of Commission Delegated Regulation 2015/35. The capital required to run-off the portfolio is based on the future estimated SCRs, taking account of underwriting risk, reinsurance counterparty risk and operational risk. The Group approximates the whole SCR for each future year by using a ratio of the best estimate liabilities at each future year to the best estimate liabilities at the valuation date. This results in a risk margin of €41.6m.

D2.5.5 Other

The Group has made adjustments for events not in data, reinsurance amounts recoverable on unexpired risks, policyholder receivables, reinsurance payable, counterparty default, expenses that will be incurred in servicing insurance obligations and discounting.

D2.6 Adjustments not applied

The Group has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure or the transitional deduction in calculating its technical provisions.

D2.7 Description of changes

This is the first reporting period, so the Group has not included a description of the change in Technical Provisions since the last reporting period.

D2.8 Special Purpose Vehicles

The Group does not have any special purpose vehicles.

D3. Other Liabilities

D3.1 Provision other than technical provisions

Provisions other than technical provisions include a provision for Motor Insurers' Bureau of Ireland ("MIBI"). The provision is included under Irish GAAP at fair value and is not discounted. The provision is discounted for the Solvency II valuation.

D3.2 Reinsurance payables

Reinsurance payables not past due are included in any other liabilities. Reinsurance payables are calculated in accordance with reinsurance agreements. There are no valuation differences between the IFRS and Irish GAAP valuations and the Solvency II valuation for reinsurance payables.

D3.3 Payables (trade, not insurance); Debts owed to credit institutions

There are no valuation differences between the IFRS and Irish GAAP accounts and the Solvency II valuation for payables (trade, not insurance) and debts owed to credit institutions as they are held at fair value.

D3.4 Subordinated liabilities

On 23 September 2015, FBD Insurance plc issued a non-convertible bond of €70m carrying an interest rate of 11.66%. On 30 December 2015, following shareholder approval, this non-convertible bond was replaced with convertible notes. The convertible notes carry an interest rate of 7% and are convertible into equity of FBD Holdings plc at a conversion price of €8.50 per share. They are convertible at any time between 23 September 2018 and 23 September 2025 at the option of the holder. A mandatory conversion of the notes occurs if the 30 day volume weighted average price of FBD Holdings plc exceeds €8.50 for 180 days after 23 September 2018. On conversion, 8,235,294 new shares will be issued to the holder. Unconverted notes will become repayable on 23 September 2025.

In the Irish GAAP financial statements and IFRS the carrying value of the notes has been determined with reference to the fair value of a similar liability without an equity conversion option. The equity component is recognised initially at the difference between the fair value of the convertible note as a whole and the fair value of the liability component. Interest costs are associated with the Convertible Bond until maturity. On initial recognition, €18.232m was recognised in equity and included in other reserves. For Solvency II valuation, the full €70m is recognised in liabilities.

D3.5 Reconciliation of Total Liabilities to Solvency II Balance Sheet

The following are the material movements for the Group;

- Technical Provisions, Deferred tax liabilities and Subordinated Liabilities are revalued for the Solvency II valuation as explained above.
- Debt owed to credit institutions is a reclassification for the Solvency II valuation.

The following are the material movements for FBD Insurance plc;

- Technical Provisions and Subordinated Liabilities are revalued for the Solvency II valuation as explained above.
- Provisions other than technical provisions include a Solvency II reclassification and are also subject to discounting for the Solvency II valuation.
- Payables (trade, not insurance) mainly relates to a DAC liability removed under Solvency II and reclassification of a provision.

D4. Alternative methods of valuation

The Group does not use any alternative valuation methods.

E. CAPITAL MANAGEMENT

E1. Own Funds

E1.1 Objectives, policies and processes for managing own funds

The solvency objective is to ensure that the Group has and will have in the future sufficient capital to pay its policyholders and all other creditors in full as these liabilities fall due. This means the Group must hold an appropriate amount and quality of capital to meet regulatory requirements as well as a buffer relevant to the specific capital needs given its risk profile, financial condition, business model and strategies, overall complexity, sensitivity to changing conditions and other factors that may arise from time to time. The company believes that maintaining a strong capital position is imperative to being able to continue to operate through periods of severe stress.

FBD measures and calculates capital using the Standard Formula. The Solvency Capital Requirement (SCR) measures the amount of capital which is required to be held to cover a 1/200 year event and reflects the risk profile of the Group. The MCR, lower than the SCR, is the minimum level of regulatory capital required.

The medium-term capital management plan is regularly updated in accordance with the most up to date SCR calculations and monitored monthly with regard to performance and emerging trends. Any issues arising are highlighted to the Executive Management Team (EMT) and the Board as appropriate. As part of the overall strategy the Group prepares financial forecasts over the Business Planning period. These financial forecasts include projected Solvency Capital Ratios and are presented to both the EMT and the Board.

The ORSA contains a three year projection of requirements which also assists in managing own funds.

E1.2 Information on the structure, amount and quality of own funds

FBD Holdings plc	Tier 1 €'000	Tier 2 €'000	Tier 3 €'000	Total €'000
1 January 2016	189,825	72,923	9,696	272,444
Movement during year	35,279	0	(4,223)	31,056
31 December 2016	225,104	72,923	5,473	303,500
Eligible amount to cover the SCR	225,104	72,923	5,473	303,500
Eligible amount to cover the MCR	225,104	19,819	0	244,923

FBD Insurance plc	Tier 1 €'000	Tier 2 €'000	Tier 3 €'000	Total €'000
1 January 2016	193,034	70,635	9,946	273,615
Movement during year	34,928	0	(5,060)	29,868
31 December 2016	227,962	70,635	4,886	303,483
Eligible amount to cover the SCR	227,962	70,635	4,886	303,483
Eligible amount to cover the MCR	227,962	19,819	0	247,781

E.1.2.1 Ordinary share capital

FBD Holdings plc has fully paid up ordinary share capital of €21.4m. FBD Insurance plc has fully paid up ordinary share capital of €74m. This is available to fully absorb losses, and in the case of winding up, ranks behind all other obligations. This share capital satisfies all the requirements of Tier 1 own funds as set out in article 71 of the Commission Delegated Regulations (EU) 2015.

E.1.2.2 Reconciliation reserve

The reconciliation reserve is equal to the total excess assets over liabilities reduced by the other basic own fund items. The reconciliation reserve is fully available to absorb losses. There are no foreseeable dividends.

E1.2.3 Preference share capital

FBD Holdings plc has fully paid up preference share capital of €2.9m. FBD Insurance plc has fully paid up preference share capital of €0.6m. It is available to fully absorb losses, and in the case of winding up, ranks behind all other obligations with the exception of ordinary share capital. It satisfies all the requirements of Tier 2 own funds as set out in article 73 of the Commission Delegated Regulations (EU) 2015. It does not fully meet the requirements to be classified as Tier 1 capital, as they do not comply with article 71, part 4(d), whereby there is an obligation to make a distribution on the preference share capital if a distribution has been made on the ordinary share capital of the company.

E1.2.4 Subordinated Liabilities

Included within Tier 2 of both FBD Holdings plc and FBD Insurance plc is a 10 year €70m subordinated bond which is fully available to absorb losses and in the case of winding up, ranks behind all policyholders and beneficiaries and non-subordinated creditors. This subordinated bond satisfies all the requirements of Tier 2 own funds as set out in article 73 of the Commission Delegated Regulations (EU) 2015.

E1.2.5 Net deferred tax assets

As required by article 76 of the Commission Delegated Regulations (EU) 2015, an amount equal to the net deferred tax assets has been included as Tier 3 capital and complies with the features set out in article 77 of the Commission Delegated Regulations (EU) 2015.

E1.2.6 Ancillary own funds

The Company has no ancillary own funds.

E1.2.7 Analysis of material changes in each Tier

FBD Holdings plc includes a €35m increase in 2016 Reconciliation Reserve. The material items include the increase in IFRS Shareholders' Funds of €23m and changes to Solvency II Technical Provisions of €10m.The Reconciliation Reserve is the same value for FBD Insurance plc and reflects the same material adjustments as for FBD Holdings plc.

E1.2.8 Difference between Equity shown in the financial statements and the Solvency II value of excess assets over liabilities

Value of Excess Assets over Liabilities	**FBD Insurance plc €'000**	**FBD Holdings plc €'000**
Equity Per Financial Statements		
Ordinary Share Capital	74,187	21,409
Retained Earnings/Other Reserves	151,697	204,139
Preference Share Capital	635	2,923
Financial Liabilities at amortised Cost	51,136	51,136
Total Equity (including Tier II debt)	277,655	279,607
Adjustments for Solvency II		
Difference in technical provisions net of reinsurance	61,026	61,026
Deferred acquisition costs not recognised	(25,003)	(25,004)
DB Pension asset not recognised	(6,506)	(8,716)
Deferred tax	(3,689)	(3,413)
Solvency II value of excess assets over liabilities (including Tier II debt)	**303,483**	**303,500**

E1.2.9 Transitional Arrangements

There are no own funds items subject to transitional arrangements.

E2. Solvency Capital Requirement and Minimum Capital Requirements

E2.1 Solvency Capital Requirement (SCR) Net

The Group solvency ratio stood at 126% (FBD Insurance plc ratio 127%) as at 31 December 2016 and is based on the Standard Formula. The Directive prescribes two methods for the calculation of the group solvency:

- Method 1 – standard method based on the consolidation of financial statements
- Method 2 – alternative method based on deduction and aggregation

FBD Holdings plc applies method 1 for the determination of the Group solvency.

The table below shows the inputs into the Solvency Capital Requirement (SCR) calculation as at 31 December 2016.

Solvency Capital Requirement	**FBD Insurance plc Net SCR €000s**	**FBD Holdings plc Net SCR €000s**
Non-Life Underwriting Risk	199,585	199,585
Health Underwriting Risk	3,278	3,278
Market Risk	69,960	72,013
Counterparty Default Risk	21,292	21,680
Undiversified BSCR	294,115	296,556
Diversification Credit	(54,703)	(55,831)
Basic SCR	239,412	240,725
Operational Risk	24,618	24,618
Loss absorbing capacity of technical provisions and deferred tax	(24,215)	(23,627)
Solvency Capital Requirement	**239,815**	**241,716**

E2.2 Minimum Capital Requirement

The table below shows the inputs into the Minimum Capital Requirement (MCR) calculation as at 31 December 2016.

Minimum Capital Requirement	**FBD Insurance plc €'000**	**FBD Holdings plc €'000**
Linear MCR	99,091	99,096
SCR	239,815	241,716
Combined MCR	99,091	99,096
Minimum Capital Requirement	**99,091**	**99,096**

E2.3 Simplified calculations

The Group does not use simplified calculations for risk modules and sub-modules of the Standard Formula.

E2.4 Compliance with the MCR and the SCR

The solvency position is monitored on a regular basis to ensure compliance. The Group was compliant with both the MCR and SCR throughout 2016.

E2.5 Material changes in MCR & SCR during the year

No material changes in the MCR and the SCR over the reporting period.

F. APPENDICES

FBD Holdings plc Quantitative Reporting Templates

S.02.01.02 – Balance Sheet

S.05.01.02 – Premiums, claims and expenses by line of business

S.05.02.01 – Premiums, claims and expenses by country

S.23.01.22 – Own Funds

S.25.01.22 – Solvency Capital Requirement – for Groups on Standard Formula

S.32.01.22 – Undertakings in the scope of the Group

FBD Insurance plc Quantitative Reporting Templates

S.02.01.02 – Balance Sheet

S.05.01.02 – Premiums, claims and expenses by line of business

S.05.02.01 – Premiums, claims and expenses by country

S.17.01.02 – Non-Life Technical Provisions

S.19.01.21 – Non-Life Insurance Claims

S.23.01.01 – Own Funds

S.25.01.21 – Solvency Capital Requirement – for Undertakings on Standard Formula

S.28.01.01 – Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

FBD HOLDINGS PLC

S.02.01.02

Balance sheet - (all values are expressed in € thousands)

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	5,473
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	72,994
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	820,877
R0080	*Property (other than for own use)*	16,400
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	22,088
R0110	*Equities - listed*	21,245
R0120	*Equities - unlisted*	843
R0130	*Bonds*	676,829
R0140	*Government Bonds*	186,269
R0150	*Corporate Bonds*	490,561
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	27,077
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	78,482
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	732
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	732
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	70,476
R0280	*Non-life and health similar to non-life*	70,476
R0290	*Non-life excluding health*	70,398
R0300	*Health similar to non-life*	78
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	12,727
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	195,440
R0420	Any other assets, not elsewhere shown	57,393
R0500	**Total assets**	1,236,113

	Liabilities	Solvency II value C0010
R0510	Technical provisions - non-life	862,190
R0520	*Technical provisions - non-life (excluding health)*	855,118
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	814,011
R0550	*Risk margin*	41,107
R0560	*Technical provisions - health (similar to non-life)*	7,072
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	6,586
R0590	*Risk margin*	486
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	11,265
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	10,522
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	10,062
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	34,096
R0850	Subordinated liabilities	70,000
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	70,000
R0880	Any other liabilities, not elsewhere shown	4,478
R0900	**Total liabilities**	1,002,613
R1000	**Excess of assets over liabilities**	233,500

FBD HOLDINGS PLC

S.05.01.02

Premiums, claims and expenses by line of business - (all values are expressed in € thousands)

	Non-life	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	
		C0020	C0040	C0050	C0060	C0070	C0080	C0200
	Premiums written							
R0110	*Gross - Direct Business*	5,646	122,018	49,839	171	115,637	68,487	361,799
R0120	*Gross - Proportional reinsurance accepted*							0
R0130	*Gross - Non-proportional reinsurance accepted*							0
R0140	*Reinsurers' share*	329	11,195		98	34,241	4,222	50,086
R0200	*Net*	5,318	110,823	49,839	73	81,396	64,265	311,713
	Premiums earned							
R0210	*Gross - Direct Business*	5,641	118,856	48,547	201	117,611	68,834	359,690
R0220	*Gross - Proportional reinsurance accepted*							0
R0230	*Gross - Non-proportional reinsurance accepted*							0
R0240	*Reinsurers' share*	329	11,195		126	35,591	4,222	51,464
R0300	*Net*	5,313	107,661	48,547	74	82,020	64,612	308,226
	Claims incurred							
R0310	*Gross - Direct Business*	3,543	97,781	24,408	107	39,982	79,907	245,728
R0320	*Gross - Proportional reinsurance accepted*							0
R0330	*Gross - Non-proportional reinsurance accepted*							0
R0340	*Reinsurers' share*	(123)	6,439		32	14,817	(694)	20,471
R0400	*Net*	3,666	91,342	24,408	75	25,166	80,601	225,257
	Changes in other technical provisions							
R0410	*Gross - Direct Business*							0
R0420	*Gross - Proportional reinsurance accepted*							0
R0430	*Gross - Non-proportional reinsurance accepted*							0
R0440	*Reinsurers' share*							0
R0500	*Net*	0	0	0	0	0	0	0
R0550	**Expenses incurred**	1,259	29,134	11,165	32	18,346	21,751	81,687
R1200	**Other expenses**							
R1300	**Total expenses**							81,687

FBD HOLDINGS PLC

S.05.02.01

Premiums, claims and expenses by country - (all values are expressed in € thousands)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Non-life	**Home Country**	**Top 5 countries (by amount of gross premiums written) - non-life obligations**					**Total Top 5 and home country**
R0010		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	*Gross - Direct Business*	361,799						361,799
R0120	*Gross - Proportional reinsurance accepted*							0
R0130	*Gross - Non-proportional reinsurance accepted*							0
R0140	*Reinsurers' share*	50,086						50,086
R0200	*Net*	311,713	0	0	0	0	0	311,713
	Premiums earned							
R0210	*Gross - Direct Business*	359,690						359,690
R0220	*Gross - Proportional reinsurance accepted*							0
R0230	*Gross - Non-proportional reinsurance accepted*							0
R0240	*Reinsurers' share*	51,464						51,464
R0300	*Net*	308,226	0	0	0	0	0	308,226
	Claims incurred							
R0310	*Gross - Direct Business*	245,728						245,728
R0320	*Gross - Proportional reinsurance accepted*							0
R0330	*Gross - Non-proportional reinsurance accepted*							0
R0340	*Reinsurers' share*	20,471						20,471
R0400	*Net*	225,257	0	0	0	0	0	225,257
	Changes in other technical provisions							
R0410	*Gross - Direct Business*							0
R0420	*Gross - Proportional reinsurance accepted*							0
R0430	*Gross - Non-proportional reinsurance accepted*							0
R0440	*Reinsurers' share*							0
R0500	*Net*	0	0	0	0	0	0	0
R0550	**Expenses incurred**	81,687						81,687
R1200	**Other expenses**							
R1300	**Total expenses**							81,687

FBD HOLDINGS PLC

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Own Funds - (all values are expressed in € thousands)

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
R0010	Ordinary share capital (gross of own shares)	21,409	21,409		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	Non-available subordinated mutual member accounts at group level	0				
R0070	Surplus funds	0	0			
R0080	Non-available surplus funds at group level	0	0			
R0090	Preference shares	2,923		0	2,923	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	Non-available share premium account related to preference shares at group level	0				
R0130	Reconciliation reserve	203,695	203,695			
R0140	Subordinated liabilities	70,000		0	70,000	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	5,473				5,473
R0170	The amount equal to the value of net deferred tax assets not available at the group level	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
	Deductions					
R0230	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	303,500	225,104	0	72,923	5,473
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	Total own funds of other financial sectors	0	0	0	0	0

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	303,500	225,104	0	72,923	5,473
R0530	Total available own funds to meet the minimum consolidated group SCR	298,027	225,104	0	72,923	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	303,500	225,104	0	72,923	5,473
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	244,923	225,104	0	19,819	
R0610	**Minimum consolidated Group SCR**	99,096				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	247%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	303,500	225,104	0	72,923	5,473
R0680	**Group SCR**	241,716				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	126%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	233,500
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	29,805
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	203,695
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	11,024
R0790	**Total Expected profits included in future premiums (EPIFP)**	11,024

FBD HOLDINGS PLC

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula - (all values are expressed in € thousands)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	72,013		
R0020	Counterparty default risk	21,680		
R0030	Life underwriting risk			
R0040	Health underwriting risk	3,278		
R0050	Non-life underwriting risk	199,585		
R0060	Diversification	(55,831)		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	240,725		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	24,618
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	(23,627)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	241,716
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement for undertakings under consolidated method**	241,716
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0470	Minimum consolidated group solvency capital requirement	99,096

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
	Information on other entities			
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0		
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*			
R0520	*Institutions for occupational retirement provisions*			
R0530	*Capital requirement for non- regulated entities carrying out financial activities*			
R0540	Capital requirement for non-controlled participation requirements			
R0550	Capital requirement for residual undertakings			
	Overall SCR			
R0560	SCR for undertakings included via D&A			
R0570	**Solvency capital requirement**	241,716		

FBD HOLDINGS PLC

S.32.01.22

Undertakings in the scope of the group - (all values are expressed in € thousands)

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	IE	635400HQZXKIXB5YCS61	LEI	FBD INSURANCE PLC	Non life insurance undertaking	Incorporated companies limited by shares or by guarantee or unlimited	Non-mutual	THE CENTRAL BANK OF IRELAND
2	IE	140134	Specific code	FBD LIFE AND PENSIONS LIMITED	Credit institution, investment firm and financial institution		Non-mutual	THE CENTRAL BANK OF IRELAND
3	IE	155113	Specific code	BIERITZ INNS LIMITED	Other		Non-mutual	
4	IE	51715	Specific code	LEGACY INVESTMENT HOLDINGS LIMITED	Other		Non-mutual	
5	IE	7010V	Specific code	TOPENHALL LIMITED	Other		Non-mutual	
6	IE	FBDHOLDINGS	Specific code	FBD HOLDINGS PLC	Other		Non-mutual	

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	FBD INSURANCE PLC	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	FBD LIFE AND PENSIONS LIMITED	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	BIERITZ INNS LIMITED	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 b)		Method 1: Full consolidation
4	LEGACY INVESTMENT HOLDINGS LIMITED	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 b)		Method 1: Full consolidation
5	TOPENHALL LIMITED	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 b)		Method 1: Full consolidation
6	FBD HOLDINGS PLC	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 b)		Method 1: Full consolidation

FBD INSURANCE PLC

S.02.01.02

Balance sheet - (all values are expressed in € thousands)

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	4,886
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	72,982
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	819,403
R0080	*Property (other than for own use)*	16,400
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	20,614
R0110	*Equities - listed*	19,771
R0120	*Equities - unlisted*	843
R0130	*Bonds*	676,829
R0140	*Government Bonds*	186,269
R0150	*Corporate Bonds*	490,561
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	27,077
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	78,482
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	725
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	725
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	70,476
R0280	*Non-life and health similar to non-life*	70,476
R0290	*Non-life excluding health*	70,398
R0300	*Health similar to non-life*	78
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	12,044
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	191,448
R0420	Any other assets, not elsewhere shown	57,050
R0500	**Total assets**	1,229,014

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	862,190
R0520	*Technical provisions - non-life (excluding health)*	855,118
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	814,011
R0550	*Risk margin*	41,107
R0560	*Technical provisions - health (similar to non-life)*	7,072
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	6,586
R0590	*Risk margin*	486
R0600	*Technical provisions - life (excluding index-linked and unit-linked)*	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	11,265
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	10,522
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	10,062
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	27,014
R0850	Subordinated liabilities	70,000
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	70,000
R0880	Any other liabilities, not elsewhere shown	4,478
R0900	**Total liabilities**	995,531
R1000	**Excess of assets over liabilities**	233,483

FBD INSURANCE PLC

S.05.01.02

Premiums, claims and expenses by line of business - (all values are expressed in € thousands)

	Non-life	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	
		C0020	C0040	C0050	C0060	C0070	C0080	C0200
	Premiums written							
R0110	*Gross - Direct Business*	5,646	122,018	49,839	171	115,637	68,487	361,799
R0120	*Gross - Proportional reinsurance accepted*							0
R0130	*Gross - Non-proportional reinsurance accepted*							0
R0140	*Reinsurers' share*	329	11,195		98	34,241	4,222	50,086
R0200	*Net*	5,318	110,823	49,839	73	81,396	64,265	311,713
	Premiums earned							
R0210	*Gross - Direct Business*	5,641	118,856	48,547	201	117,611	68,834	359,690
R0220	*Gross - Proportional reinsurance accepted*							0
R0230	*Gross - Non-proportional reinsurance accepted*							0
R0240	*Reinsurers' share*	329	11,195		126	35,591	4,222	51,464
R0300	*Net*	5,313	107,661	48,547	74	82,020	64,612	308,226
	Claims incurred							
R0310	*Gross - Direct Business*	3,543	97,781	24,408	107	39,982	79,907	245,728
R0320	*Gross - Proportional reinsurance accepted*							0
R0330	*Gross - Non-proportional reinsurance accepted*							0
R0340	*Reinsurers' share*	(123)	6,439		32	14,817	(694)	20,471
R0400	*Net*	3,666	91,342	24,408	75	25,166	80,601	225,257
	Changes in other technical provisions							
R0410	*Gross - Direct Business*							0
R0420	*Gross - Proportional reinsurance accepted*							0
R0430	*Gross - Non-proportional reinsurance accepted*							0
R0440	*Reinsurers' share*							0
R0500	*Net*	0	0	0	0	0	0	0
R0550	**Expenses incurred**	1,259	29,134	11,165	32	18,346	21,751	81,687
R1200	**Other expenses**							
R1300	**Total expenses**							81,687

FBD INSURANCE PLC

S.05.02.01

Premiums, claims and expenses by country - (all values are expressed in € thousands)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Non-life	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	*Gross - Direct Business*	361,799						361,799
R0120	*Gross - Proportional reinsurance accepted*	0						0
R0130	*Gross - Non-proportional reinsurance accepted*	0						0
R0140	*Reinsurers' share*	50,086						50,086
R0200	*Net*	311,713	0	0	0	0	0	311,713
	Premiums earned							
R0210	*Gross - Direct Business*	359,690						359,690
R0220	*Gross - Proportional reinsurance accepted*	0						0
R0230	*Gross - Non-proportional reinsurance accepted*	0						0
R0240	*Reinsurers' share*	51,464						51,464
R0300	*Net*	308,226	0	0	0	0	0	308,226
	Claims incurred							
R0310	*Gross - Direct Business*	245,728						245,728
R0320	*Gross - Proportional reinsurance accepted*	0						0
R0330	*Gross - Non-proportional reinsurance accepted*	0						0
R0340	*Reinsurers' share*	20,471						20,471
R0400	*Net*	225,257	0	0	0	0	0	225,257
	Changes in other technical provisions							
R0410	*Gross - Direct Business*							0
R0420	*Gross - Proportional reinsurance accepted*							0
R0430	*Gross - Non-proportional reinsurance accepted*							0
R0440	*Reinsurers' share*							0
R0500	*Net*	0	0	0	0	0	0	0
R0550	**Expenses incurred**	81,687						81,687
R1200	**Other expenses**							
R1300	**Total expenses**							81,687

FBD INSURANCE PLC

S.17.01.02

Non-Life Technical Provisions - (all values are expressed in € thousands)

		Direct business and accepted proportional reinsurance						
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Total Non-Life obligation
		C0030	C0050	C0060	C0070	C0080	C0090	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole							0
	Technical provisions calculated as a sum of BE and RM							
	Best estimate							
	Premium provisions							
R0060	**Gross - Total**	1,891	54,133	14,309	15	32,608	29,902	132,856
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	35	1,400		5	(2,873)	900	(532)
R0150	**Net Best Estimate of Premium Provisions**	1,855	52,733	14,309	10	35,481	29,001	133,389
	Claims provisions							
R0160	**Gross - Total**	4,696	362,828	3,986	324	29,651	286,256	687,741
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	43	51,506		181	11,013	8,266	71,009
R0250	**Net Best Estimate of Claims Provisions**	4,653	311,323	3,986	143	18,638	277,990	616,732
R0260	**Total best estimate - gross**	6,586	416,961	18,295	339	62,259	316,157	820,597
R0270	**Total best estimate - net**	6,508	364,056	18,295	152	54,119	306,991	750,121
R0280	**Risk margin**	486	17,543	2,035	16	3,935	17,577	41,593

		Direct business and accepted proportional reinsurance						
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Total Non-Life obligation
		C0030	C0050	C0060	C0070	C0080	C0090	C0180
	Amount of the transitional on Technical Provisions							
R0290	TP as a whole							0
R0300	Best estimate							0
R0310	Risk margin							0
R0320	**Technical provisions - total**	7,072	434,505	20,330	355	66,193	333,735	862,190
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	78	52,905	0	187	8,140	9,166	70,476
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total**	6,994	381,599	20,330	169	58,053	324,569	791,713

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S.19.01.21

Non-Life insurance claims - (all values are expressed in € thousands)

Total Non-life business

Z0010 Accident year / underwriting year: Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
	Year	Development year												In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											3,849		3,849	3,849
R0160	N-9	124,938	56,291	20,885	20,044	20,268	13,566	9,957	3,250	2,915	2,751			2,751	274,866
R0170	N-8	150,634	67,590	34,618	31,739	24,665	14,048	6,335	2,955	3,847				3,847	336,430
R0180	N-7	129,724	77,699	27,391	23,133	22,402	10,058	8,636	6,330					6,330	305,373
R0190	N-6	107,851	89,337	25,488	23,896	16,878	14,575	6,809						6,809	284,835
R0200	N-5	78,833	44,688	21,492	19,118	19,669	19,648							19,648	203,448
R0210	N-4	75,441	42,795	20,112	19,920	22,097								22,097	180,366
R0220	N-3	72,848	44,411	26,479	24,138									24,138	167,876
R0230	N-2	108,443	53,116	34,142										34,142	195,701
R0240	N-1	71,898	51,885											51,885	123,783
R0250	N	64,382												64,382	64,382
R0260													Total	239,879	2,140,910

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
		Development year												Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											11,530		11,512
R0160	N-9	0	0	0	0	0	0	0	0	0	4,230			4,227
R0170	N-8	0	0	0	0	0	0	0	0	7,184				7,183
R0180	N-7	0	0	0	0	0	0	0	9,907					9,909
R0190	N-6	0	0	0	0	0	0	20,717						20,697
R0200	N-5	0	0	0	0	0	23,034							23,027
R0210	N-4	0	0	0	0	51,116								51,085
R0220	N-3	0	0	0	89,535									89,457
R0230	N-2	0	0	139,635										139,521
R0240	N-1	0	167,912											167,785
R0250	N	163,399												163,338
R0260													Total	687,741

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Own Funds - (all values are expressed in € thousands)

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
R0010	Ordinary share capital (gross of own shares)	74,187	74,187		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	635		0	635	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	153,775	153,775			
R0140	Subordinated liabilities	70,000		0	70,000	0
R0160	An amount equal to the value of net deferred tax assets	4,886				4,886
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0				
R0290	Total basic own funds after deductions	303,483	227,962	0	70,635	4,886
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	Total ancillary own funds	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	303,483	227,962	0	70,635	4,886
R0510	Total available own funds to meet the MCR	298,597	227,962	0	70,635	
R0540	Total eligible own funds to meet the SCR	303,483	227,962	0	70,635	4,886
R0550	Total eligible own funds to meet the MCR	247,781	227,962	0	19,818	
R0580	**SCR**	239,815				
R0600	**MCR**	99,091				
R0620	**Ratio of Eligible own funds to SCR**	127%				
R0640	**Ratio of Eligible own funds to MCR**	250%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	233,483
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	79,708
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	153,775
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	11,024
R0790	**Total Expected profits included in future premiums (EPIFP)**	11,024

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Solvency Capital Requirement - for undertakings on Standard Formula - (all values are expressed in € thousands)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	69,960		
R0020	Counterparty default risk	21,292		
R0030	Life underwriting risk			
R0040	Health underwriting risk	3,278		
R0050	Non-life underwriting risk	199,585		
R0060	Diversification	(54,703)		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	239,412		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	24,618
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	(24,214)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	239,815
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	239,815
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

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Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity - (all values are expressed in € thousands)

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCRNL Result	99,091

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	6,508	5,320
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	364,056	113,895
R0060	Other motor insurance and proportional reinsurance	18,295	46,767
R0070	Marine, aviation and transport insurance and proportional reinsurance	152	71
R0080	Fire and other damage to property insurance and proportional reinsurance	54,119	81,396
R0090	General liability insurance and proportional reinsurance	306,991	64,265
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCRL Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

		C0070
R0300	Linear MCR	99,091
R0310	SCR	239,815
R0320	MCR cap	107,917
R0330	MCR floor	59,954
R0340	Combined MCR	99,091
R0350	Absolute floor of the MCR	2,500
R0400	**Minimum Capital Requirement**	99,091